

**Audited Annual Financial Statements
for**

ILEMBE DISTRICT MUNICIPALITY - DC29

For the period ended 30 June 2019

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact information:

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Auditor General

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ILEMBE DISTRICT MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2019

General Information

Legal Form of Entity	Municipality
Nature of Business and Principal Activities	Medium Capacity, Category C, District Municipality
His Worship, Councillor Siduduzo Siegsried Gumede	Mayor
Councillor Monitha Dolly Shandu	Deputy Mayor
Councillor Lucky Regionald Makhathini	Speaker
Councillor Sandeep Oudhram	Member of the Executive Committee
Councillor Musawenkosi Aubrey Maphumulo	Member of the Executive Committee
Councillor Aubrey Mtole Baardman	Member of the Executive Committee
Councillor Andrew Gopaul	Member of the Executive Committee
Councillor Angel Lindiwe Nzama	<i>Member</i>
Councillor Maureen Zola Mhlongo	<i>Member</i>
Councillor Sibongile Florence Ntuli	<i>Member</i>
Councillor Catherine Tholakele Khumalo	<i>Member</i>
Councillor Makhosini Desmond Mpofo	<i>Member</i>
Councillor Ntombenhle Cynthia Nene	<i>Member</i>
Councillor Musawenkosi Simeon Ntuli	<i>Member</i>
Councillor Madhum S Singh	<i>Member</i>
Councillor Innocent Ndumiso Vilakazi	<i>Member</i>
Councillor Muzi Emmanuel Ngidi	<i>Member</i>
Councillor Innocentia Phumelele Dube	<i>Member</i>
Councillor Radiwaath Singh	<i>Member</i>
Councillor Thandeka Sinenhlanhla Ngidi	<i>Member</i>
Councillor James Gabangani Van Whye	<i>Member</i>
Councillor Philemon Sboniso Goba	<i>Member</i>
Councillor Mamazane Veronica Shezi	<i>Member</i>
Councillor Silindile Zondi	<i>Member</i>
Councillor TS Jali	<i>Member</i>
Councillor Happiness Nonhlanhla Ngcobo	<i>Member</i>
Councillor Caroline Zama Ncalane	<i>Member</i>
Councillor Nyathikazi S.Z	<i>Member</i>
Councillor Andile Mazwi Gwala	<i>Member</i>
Councillor Malindi Virginia Mhlongo	<i>Member</i>
Councillor Gloria Nompumelelo	<i>Member</i>
Councillor David Mthokozisi	<i>Member</i>
Accounting Officer	NG Kumalo - Municipal Manager from 01 August 2018
Chief Financial Officer	Mahendra Chandulal From 2 October 2017
Grading of Local Authority	Five
Auditors	The Auditor-General, South Africa
Bankers	First National Bank

**ILEMBE DISTRICT MUNICIPALITY - DC29
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For the period ended 30 June 2019**

General information (continued)

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ILEMBE DISTRICT MUNICIPALITY DC 29

AUDITED ANNUAL FINANCIAL STATEMENTS

For the period ended 30 June 2019

Accounting Officer's Statement

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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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. I, as the Accounting Officer (accounting authority), acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints I am 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. I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements are prepared on the basis that the municipality is a going concern and that the ILembe District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors. I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.



N.G Kumalo

Accounting Officer

**ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED ANNUAL FINANCIAL STATEMENTS
For the period ended 30 June 2019**

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ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

ASSETS	Note	2019 R	2018 R <i>Restated</i>
Current Assets			
Cash and cash equivalents	3	174 702 791	70 703 174
Current term Investments	8	28 719 789	=
Trade and other receivables from exchange transactions	2	116 313 321	100 745 782
Trade and other receivables from non exchange transactions	4	-	-
Inventories	6	11 290 313	7 917 309
Total current assets		331 026 215	179 366 264
Non-current assets			
Non-current receivables	7	528 084	819 999
Long term Investments	8	-	27 286 429
Other non-current financial assets	5	100	100
Property, plant and equipment	10	2 504 242 756	2 374 679 577
Intangible assets	12	6 094 145	5 247 208
Heritage Assets	11	205 578	205 578
Total non-current assets		2 511 070 664	2 408 238 891
Total assets		2 842 096 879	2 587 605 156
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	247 564 531	237 635 209
Trade and other payables from non - exchange transactions	14	76 719 688	15 779 853
Current portion of borrowings	15	37 342 526	7 164 483
Current portion of finance lease liability	16,1	1 867 971	1 088 697
Current portion of employee benefits	36	1 494 983	739 456
Total current liabilities		364 989 698	262 407 698
Non-current liabilities			
Non-current borrowings	15	38 226 416	72 851 417
Non-current finance lease liability	16,1	314 989	2 182 960
Employee benefits	36	10 592 237	8 787 361
Total non-current liabilities		49 133 642	83 821 738
Total liabilities		414 123 340	346 229 436
Net assets		2 427 973 538	2 241 375 721
NET ASSETS			
Accumulated surplus		2 427 973 538	2 241 375 721
Total net assets		2 427 973 538	2 241 375 721

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF FINANCIAL PERFORMANCE
For the period ended 30 June 2019

	Note	2019 R	2018 R <i>Restated</i>
Revenue from exchange transactions		197 773 310	163 102 745
Service charges	17	153 140 616	130 251 315
Rental of facilities and equipment	18	22 689	9 676
Interest earned - external investments	19	12 284 945	8 086 492
Interest earned - outstanding receivables	20	25 768 686	15 452 338
Fines and Penalties	22,2	175 075	380 438
Other income	22	6 381 298	8 922 486
Revenue from non exchange transactions		790 111 215	808 307 400
Government grants and subsidies	21	790 111 215	808 307 400
Total revenue		987 884 525	971 410 145
Expenses			
Employee related costs	23	202 180 059	186 965 671
Remuneration of councillors	24	8 603 847	8 405 693
Bad debts	2	65 022 454	41 676 124
Depreciation, impairment and amortisation	25	104 329 755	81 789 590
Finance costs	26	8 154 624	10 565 607
Bulk purchases	27	150 578 471	86 505 612
Contracted services	28	119 319 073	121 595 452
General expenses	29	136 109 877	124 009 624
Total expenses		794 298 161	661 513 374
Gain / (loss) on sale of assets	29,2	(6 916 516)	(351 989)
Forex gain/(loss)	34.7.5	(72 550)	-
Surplus / (deficit) for the period		186 597 298	309 544 782

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED STATEMENT OF CHANGES IN NET ASSETS
For the period ended 30 June 2019

		IDM Accumulated Surplus/(Deficit) Total
	Note	R
Balance at 30 June 2017		2 086 308 826
Restated surplus for the year		18 204 127
Prior year adjustments		(172 756 325)
Restated balance	30	1 931 756 629
Surplus / (deficit) for the year		74 390
Balance at 30 June 2018, as previously reported		309 544 782
		<u>2 241 375 721</u>
Opening Balance, 1 July 2018		2 241 375 721
Transfers to / from accumulated surplus/(deficit)	30,3	518
Surplus / (deficit) for the year		186 597 298
Balance at 30 June 2019		<u>2 427 973 538</u>

ILEMBE DISTRICT MUNICIPALITY - DC29
AUDITED CASH FLOW STATEMENT
For the period ended 30 June 2019

	Note	IDM 2019 R	IDM 2018 R <i>Restated</i>
Receipts		1 022 350 676	949 301 819
Sales of goods and services		155 299 627	115 803 698
Grants		867 051 049	833 498 121
Payments		(779 350 515)	(508 538 745)
Employee costs		209 756 207	194 016 291
Suppliers		569 594 308	314 522 454
CASH GENERATED FROM OPERATIONS	31	243 000 161	440 763 074
Interest received		12 284 945	8 086 492
Interest paid	26	(8 154 624)	(10 565 607)
Net cash flows from operating activities		247 130 482	438 283 959
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(218 355 979)	(344 340 385)
Proceeds from sale of fixed assets		-	-
Increase in investments		(1 433 360)	(1 476 557)
Non-current receivables		89 305 811	-
Purchase of intangibles	12	(3 111 087)	(196 800)
Net cash flows from investing activities		(133 594 616)	(346 013 743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(7 141 160)	(10 020 472)
Repayment of finance lease liability		(2 395 091)	(17 313 194)
Net cash flows from financing activities		(9 536 250)	(27 333 666)
Net increase / (decrease) in net cash and cash equivalents		103 999 617	64 936 551
Net cash and cash equivalents at beginning of period		70 703 174	5 766 623
Net cash and cash equivalents at end of period	32	174 702 791	70 703 174

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period ended 30 June 2019

Description	Original Budget		Adjusted Budget (i.l.c. s28 & s31 Of The MFMA)		Virement (Council Approved By-law)		Year to date Budget		Actual Income/ Expenditure		Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R	R	R	R	R			
Service Charges	145 503 458		160 713 992				160 713 992		153 140 616		-7 573 376	-5%	The reason for the variance was that some projects which would have resulted in an increased billing that were anticipated to commence during the financial year were not completed. However, the municipality indicated there has been a notable increase in Service charges when compared to the 2017/18 financial year.
Investment Revenue	7 000 000		9 582 870				9 582 870		12 284 945		2 702 075	28%	The variance is attributable to grants received during the year where there was a delay on expenditure due to various matters on project implementation, as a result funds were kept in an investments and attracted more interest.
Transfers Recognised - Operational	508 400 899		518 022 029				518 022 029		522 577 999		4 555 970	1%	Accept the variance as immaterial
Other Own Revenue	41 532 776		44 033 921				44 033 921		32 347 748		-11 686 172	-27%	The variance is attributable to various items which municipality has no control. The items includes interest on outstanding debtors which were below anticipated budget.
Total Revenue (Excluding Capital Transfers)	702 437 234		732 352 812				732 352 812		720 351 309		-12 001 503		
Employee Costs	220 196 228		211 178 551				211 178 551		202 180 059		-8 998 491	-4%	Accept the variance as immaterial
Remuneration Of Councillors	9 320 382		9 320 382				9 320 382		8 603 847		-716 535	-8%	Accept the variance as immaterial
Debt Impairment	21 825 519		19 222 669				19 222 669		65 022 454		45 799 785	238%	The variance is attributable a huge debt book which as per the expert report aligned to GRAP which recommended a provision of R 65 million.
Depreciation & Asset Impairment	80 810 904		80 032 904				80 032 904		104 329 755		24 296 851	30%	As at June 2019, the actual expenditure incurred against Depreciation and asset impairment exceeded the budgeted expenditure. As per the municipality, the variance is as a result of the impairment test that was performed at year end. The municipality indicated that excessive expenditure will not have material impact on the total actual expenditure.
Finance Charges	9 927 854		7 702 358				7 702 358		8 154 624		452 266	6%	Accept the variance as immaterial

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period ended 30 June 2019

Description	Original Budget		Adjusted Budget (i.t.o. s28 & s31 Of The MFMA)		Virement (Council Approved By-law)		Year to date Budget		Actual Income/ Expenditure		Variance	% Variance	Explanation of variances +/-10%
	R		R		R		R		R				
Bulk Purchases	99 545 500		120 006 214		-		120 006 214		150 578 471		30 572 257	25%	The variance is attributable to various factors such as increase in water supply due to the increase in new connections and varying increase in water demand. Furthermore, the expenditure increased as a result of the commissioning part (releasing water ready for use at a particular area) of the Lower Tugela Regional Bulk Water infrastructure project. Thus, areas previously supplied by the boreholes (Zihkwazi, Blythdale, Sansucci and part of Stanger) have now been connected to the main system and thus resulting the increase the water supply. The excessive increase in bulk purchases is due to the commissioning of Lower Thukela Bulk Water Supply Scheme Off takes
Contracted Services	132 846 255		131 105 667		-		131 105 667		119 319 073		-11 786 594	-9%	The budgeted expenditure for Contracted Services was increased in the 2018/19 Adjustments Budget in order to align to mSCOA. The majority of the budgeted items were re-allocated from Repairs and Maintenance (Other materials) and Other Expenditure. The municipality indicated that the variance was due to the fact that the water tanker supply was kept at a minimum and non-urgent expenditure relating to Repairs was also delayed in line with the implementation of the austerity measures and the cost containment policy.
Other Expenditures	127 185 844		153 131 410		-		153 131 410		136 109 877		-17 021 534	-11%	Attributable to austerity measures
Total Expenditure	701 658 487		731 700 155,15		-		731 700 155		794 298 161		62 596 006		
Surplus/(Deficit)	778 747		652 656,75		-		652 657		-73 948 852		-74 599 508		

ILEMBE DISTRICT MUNICIPALITY
AUDITED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period ended 30 June 2019

Description	Original Budget		Adjusted Budget (i.e. s28 & s31 Of The MFMA)		Virement (Council Approved By-law)		Year to date Budget		Actual Income/ Expenditure		Variance	% Variance	Explanation of variances +/-10%
	R	R	R	R	R	R	R	R	R	R			
Transfers Recognised - Capital	336 720 000		366 079 003		366 078 969		267 633 216		-88 545 753				During the 2018/19 financial year the Department of Water and Sanitation delayed the transfer of the WSIG to the municipality. The first tranche of R35 million for WSIG was only transferred in January 2019. Thus, resulting in the delay of the projects funded by this grant. The municipality indicated that the are currently in negotiations with the transferring department in respect of how the rollover will be handled considering the late transfer.
Contributions Recognised - Capital & Contributed Assets													There were delays on implementation of certain projects funded by RBIG. No further details were provided in respect to reasons of the delay. However, the municipality will be applying for a roll-over in line with the requirements of Division of Revenue Act (DoRA).
Surplus/(Deficit) After Capital Transfers & Contributions	337 498 747		366 731 659,31		366 731 625		193 586 364		-173 145 261				
Profit/(Loss)							-6 989 066		-6 989 066				
Surplus/(Deficit) For The Year	337 498 747		366 731 659,31		366 731 625		186 597 298		-180 134 327				
Capital Expenditure & Funds Sources													
Capital Expenditure													
Transfers Recognised - Capital	292 800 000		318 329 565,76		318 329 565,76		261 748 854		-56 580 711				During the 2018/19 financial year the Department of Water and Sanitation delayed the transfer of the WSIG to the municipality. The first tranche of R35 million for WSIG was only transferred in January 2019. Thus, resulting in the delay of the projects funded by this grant. The municipality indicated that the are currently in negotiations with the transferring department in respect of how the rollover will be handled considering the late transfer.
Borrowing	63 148 521		63 148 521,00		63 148 521,00				-63 148 521				The municipality had budgeted to fund the procurement of fleet from Borrowing in the 2018/19 financial year. However, there were delays in the SCM processes as a result of objections which resulted in poor performance. The municipality indicated that the bid was finalised in June and the expected delivery date is the first quarter of 2019/20 financial year.
Internally Generated Funds	8 354 130		12 544 752,47		12 544 752,47		887 959		-11 656 794				The variance is attributable to low expenditure on water metres project and other ICT capital projects. These projects were not implemented due to austerity measures and cost containment policy.
Total Sources Of Capital Funds	364 302 651		394 022 839,23		394 022 839		262 636 813		-131 386 026				

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

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

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

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 OFFSETTING

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

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

1.5 GOING CONCERN ASSUMPTION

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

1.6 USE OF ESTIMATES AND JUDGEMENTS

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

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

Post-Retirement Benefits and Multi-Employer Retirement Benefit Plans

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

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

Provision for impairment of trade receivables

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

Non-cash generating and cash generating impairment testing

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

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

Provision

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

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

A provision is recognised when:

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

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

A reliable estimate can be made of the obligation.

1.7 COMPARATIVE INFORMATION

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

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019

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

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

GRAP 1 (amended) Presentation of Financial Statement
GRAP 18 Segment Reporting
GRAP 20 Related Party Disclosures
GRAP 32 Service Concession Arrangements (Grantor)
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments In Associates and
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interest in other Entities
GRAP 108 Statutory Debtors
GRAP 109 Standard of GRAP on Accounting by Principals
GRAP 110 Living and Non living Resources

The following Standards issued but not yet effective have an effective date of 1 April 2020.

GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial
GRAP 36 Investments In Associates and
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interest in other Entities

1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

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

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 9 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 6 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-generating assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 100 Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 - Transfer of Functions Between Entities Under Common Control
GRAP 108 Transfer of Functions Between Entities Not Under Common Control
GRAP 107 Mergers

Interpretations of the standard of GRAP Approved and effective
IGRAP1 Applying The Probability Test On Initial Recognition Of Revenue
IGRAP2 Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP3 Determining Whether an Arrangement Contains a Lease
IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP6 Loyalty Programmes
IGRAP7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP 10 Assets Received from Customers
IGRAP 11 Consolidation - Special Purpose Entities
IGRAP 12 Jointly Controlled Entities - Non-Monetary Contributions
IGRAP 13 Operating Leases - Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue - Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets - Website Costs

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies

Interpretations of the standard of GRAP Approved and not yet effective

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue (01 April 2020)

IGRAP 20: Accounting for Adjustments to Revenue (01 April 2020)

Directive 7 (Revised): The Application of Deemed Cost (1 April 2019)

The following standards have been issued but are not yet effective:

- GRAP 1 (amended): Presentation of Financial Statements (1 April 2020)
- GRAP 106 (as amended 2018): Transfers of Functions Between Entities not Under Common Control (1 April 2019)

Guidelines of the Standard of GRAP approved and not yet effective

Guidelines on Accounting for Landfill Sites

Guidelines on the Application of Materiality to Financial Statements

Guidelines on Accounting for Arrangements Undertaken i.t.o. to the National Housing Programme (1 April 2019)

**ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019**

1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2018 to 30 June 2019. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2019 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

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

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

1.11 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

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

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

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

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

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

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.1.3 DEPRECIATION AND IMPAIRMENT

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

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

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

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

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

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

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

2.1.4 DERECOGNITION

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

2.1.5 LEASED ASSETS

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

I LEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software and website 2 - 6 Years

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

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

3.4 DERECOGNITION

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

4

HERITAGE ASSETS

4.1 INITIAL RECOGNITION AND MEASUREMENT

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

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

Heritage assets are recognised as an asset when:

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

4.3 DEPRECIATION & IMPAIRMENT

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

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

4.3.1 External sources of information

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

4.3.2 Internal sources of information

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

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4,4 DERECOGNITION

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

5 INVENTORIES

5,1 INITIAL RECOGNITION

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

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

5,2 SUBSEQUENT MEASUREMENT

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

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

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

6,3 WATER INVENTORY

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

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

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

6 INVESTMENTS IN CONTROLLED ENTITIES

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

7 FINANCIAL INSTRUMENTS

7,1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:
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 with another entity under conditions that are potentially unfavourable to the entity.

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

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or other notes thereto:

Financial Assets:

Cash and Cash Equivalents = Financial asset measured at amortised cost

Trade and Other Receivables from Exchange Transactions = Financial asset measured at amortised cost

Trade and Other Receivables from Non-Exchange Transactions = Financial asset measured at amortised cost

Non-Current Receivables = Financial Asset measured at amortised cost

Financial Liabilities:

Trade and Other Payables from Exchange Transactions = Financial liability measured at amortised cost

Trade and Other Payables from Non-Exchange Transactions = Financial liability measured at amortised cost

Borrowings = Financial liability measured at amortised cost

Finance Lease Liabilities = Financial liability measured at amortised cost

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7.2 INITIAL MEASUREMENT

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

7.3 SUBSEQUENT MEASUREMENT

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

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

7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

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

7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

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

7.3.3 FINANCIAL INSTRUMENTS AT COST

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

7.4 RECLASSIFICATIONS

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

7.5 GAINS AND LOSSES

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

7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

7.6.1 FINANCIAL ASSETS AT AMORTISED COST

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

7.6.2 FINANCIAL ASSETS AT COST

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

7.7 DERECOGNITION

7.7.1 FINANCIAL ASSETS

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

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

7.7.2 FINANCIAL LIABILITIES

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

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

I LEMBE DISTRICT MUNICIPALITY
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8 FOREIGN CURRENCY TRANSACTION

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

9 UNAUTHORISED EXPENDITURE

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

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

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

9.1 IDENTIFICATION AND INTERNAL REPORTING

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

9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

9.3 EXTERNAL REPORTING

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

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

10 IRREGULAR EXPENDITURE

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

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

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

10.1 IDENTIFICATION AND INTERNAL REPORTING

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

10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

10.3 EXTERNAL REPORTING

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

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

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11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:
"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

11.1 IDENTIFICATION AND INTERNAL REPORTING

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

11.2 COUNCIL DECISION AND ACCOUNTING TREATMENT

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

11.3 EXTERNAL REPORTING

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

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

12 PROVISIONS

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - (i) The business or part of the business to be restructured;
 - (ii) The principal reasons for the restructuring;
 - (iii) The expected benefits of the restructuring;
 - (iv) The expected costs of the restructuring;
 - (v) The expected timing of the restructuring;
 - (vi) The expected impact of the restructuring on the municipality's operations;
 - (vii) The expected impact of the restructuring on the municipality's financial position;
 - (viii) The expected impact of the restructuring on the municipality's cash flows;
 - (ix) The expected impact of the restructuring on the municipality's assets and liabilities;
 - (x) The expected impact of the restructuring on the municipality's equity;
 - (xi) The expected impact of the restructuring on the municipality's debt;
 - (xii) The expected impact of the restructuring on the municipality's credit rating;
 - (xiii) The expected impact of the restructuring on the municipality's reputation;
 - (xiv) The expected impact of the restructuring on the municipality's employees;
 - (xv) The expected impact of the restructuring on the municipality's customers;
 - (xvi) The expected impact of the restructuring on the municipality's suppliers;
 - (xvii) The expected impact of the restructuring on the municipality's stakeholders;
 - (xviii) The expected impact of the restructuring on the municipality's community;
 - (xix) The expected impact of the restructuring on the municipality's environment;
 - (xx) The expected impact of the restructuring on the municipality's overall performance.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

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

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

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

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019

13.2 MUNICIPALITY AS LESSOR

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

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

REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS

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

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

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

14.3 RECOGNITION

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

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

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

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

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019

14.4 MEASUREMENT

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

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date. Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date. Revenue from vat refunds is measured at gross amounts.

15 BORROWING COSTS

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

16 EMPLOYEES BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

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

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

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

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

16.2 POST-EMPLOYMENT BENEFITS

16.2.1 DEFINED CONTRIBUTION PLANS

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

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

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

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

16.2.2 DEFINED BENEFITS PLANS

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

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

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

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

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

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

16.2.3 OTHER LONG - TERM BENEFITS PLANS

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

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

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

16.2.4 TERMINATION BENEFITS

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

ILEMBE DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2019

- 17 VALUE ADDED TAX (VAT)**
The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.
- 18 IMPAIRMENT OF ASSETS**
Primary objective for cash generating assets is to generate a commercial return and the primary objective for non-cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:
(a) Was the asset acquired to generate a commercial return?
(b) Does the asset operate independently from other assets?
(c) Does the asset generate cash flows independently from other assets?
If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.
- The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
- The recoverable service amount of an asset or a non-cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.
- Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non-cash generating asset is determined as the present value of the asset's remaining service potential.
- If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.
- An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.
- 19 RELATED PARTIES**
The municipality operates in an economic sector currently dominated by entities directly owned by the iLembe District Municipality. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.
- Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.
- Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.
- Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.
- 20 EVENTS AFTER REPORTING DATE**
Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).
- The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.
- The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.
- 21 COMMITMENTS**
Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures are required in respect of unrecognised contractual commitments. Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

TRADE AND OTHER RECEIVABLES FROM	Allowance for		
2 EXCHANGE TRANSACTIONS	Gross Balances	Impairment on	Net Balance
<u>Trade receivables</u>	R	receivables	
For the period ended 30 June 2019			
Service debtors			
Water and Sewerage	350 732 511	(250 265 210)	100 467 301
Direct Payments	(51 804)	-	(51 804)
Total	350 680 707	(250 265 210)	100 415 497
<u>Other Receivables</u>			
Umngeni water debtor			
Accrued interest	2 062 718	-	2 062 718
Ilembe Enterprise	871 751	-	871 751
Outstanding deposits	314 215	-	314 215
Sundry Debtors			
Other debtors	12 645 671	-	12 645 671
RD Cheques	3 469	-	3 469
Vat receivable			
Total other Receivables	15 897 824	-	15 897 824

VAT is payable on cash basis. VAT is paid over to SARS only once payment is received from debtors.
Total Trade and other receivables

366 578 531	(250 265 210)	116 313 321
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as at June 2018

Restated

Service debtors

Water and Sewerage	273 390 840	(186 482 910)	86 907 930
Direct Deposits	(2 010 795)	-	(2 010 795)
Total	271 380 045	(186 482 910)	84 897 135

Other receivables

Umngeni water debtor			
Accrued interest	749 373	-	749 373
Outstanding deposits	2 073 133	-	2 073 133
Sundry Debtors			
Other debtors	14 533 890	(6 177 849)	8 356 041
Sundry Debtors - F/W Expenditure	76 804	(76 804)	-
Vat receivable	4 670 100	-	4 670 100
Other receivables	22 103 299	(6 254 653)	15 848 646

Total Trade and other receivables

293 483 344	(192 737 563)	100 745 782
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Summary of Debtors by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
For the period ended 30 June 2019			
Current (0 – 30 days)	25 789 945	3 498 076	4 307 527
31 - 60 Days	6 094 942	600 482	926 384
61 - 90 Days	10 786 571	335 156	1 057 645
91 - 120 Days	11 703 787	373 227	850 780
121 - 365 Days	14 168 382	297 488	571 366
+ 365 Days	248 558 788	2 725 554	18 086 411
Sub-total	317 102 414	7 829 984	25 800 113
Less: Allowance for impairment on receivables	(226 268 452)	(5 587 086)	(18 409 672)
Total debtors by customer classification	90 833 962	2 242 898	7 390 440

at 30 June 2018

Restated

Current (0 – 30 days)	8 347 904	1 972 255	2 379 166
31 - 60 Days	17 189 276	481 361	1 319 814
61 - 90 Days	10 128 801	188 552	1 030 286
91 - 120 Days	6 401 878	137 460	725 134
121 - 365 Days	13 584 214	98 812	502 944
+ 365 Days	192 084 913	1 459 353	15 358 717
Sub-total	247 736 987	4 337 792	21 316 061
Less: Allowance for impairment on receivables	(168 984 134)	(2 958 856)	(14 539 921)
Total debtors by customer classification	78 752 853	1 378 936	6 776 141

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	2019 R	2018 R <i>Restated</i>
<u>Water and Sewerage: Ageing</u>		
Current (0 – 30 days)	33 595 548	12 699 325
31 - 60 Days	7 621 808	18 990 450
61 - 90 Days	12 179 372	11 347 639
91 - 120 Days	12 927 794	7 264 472
121 - 365 Days	15 037 236	14 185 970
+ 365 Days	269 370 753	208 902 984
Total	350 732 511	273 390 840

Reconciliation of the doubtful debt provision

Balance at beginning of the year	(186 559 714)	(144 859 064)
Contributions to provision	(65 022 454)	(41 676 124)
Bad debts recovered/ Consumer Accounts Adjustments	(479 092)	(3 039 733)
Doubtful debts written off against provision	1 719 245	3 015 207
Balance at end of year	(250 342 015)	(186 559 714)

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	44 000	44 000
Bank statement balance	174 658 791	70 659 174
	174 702 791	70 703 174

The Municipality has the following bank accounts: -

Water Bank Account

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

Cash book balance at beginning of year	24 088	24 088
Cash book balance at end of year	15 341	24 088
Bank statement balance at beginning of year	1 963 162	856 768
Bank statement balance at end of year	2 802 188	1 963 162

Salaries Bank Account

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

Cash book balance at beginning of year	1 553 521	(1 847 676)
Cash book balance at end of year	608 944	1 553 521
Bank statement balance at beginning of year	1 572 176	32 506
Bank statement balance at end of year	613 044	1 572 176

Main Bank Account

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

Cash book balance at beginning of year	20 746 862	1 506 472
Cash book balance at end of year	11 351 214	20 746 862
Bank statement balance at beginning of year	20 759 130	1 523 674
Bank statement balance at end of year	11 412 206	20 759 130

Revenue Bank Account

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

Cash book balance at beginning of year	14 966 407	1 243 347
Cash book balance at end of year	23 213 486	14 966 407
Bank statement balance at beginning of year	12 963 561	414 843
Bank statement balance at end of year	20 160 326	12 963 561

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	2019 R	2018 R
<u>Projects Bank Account</u>		
<i>First National Bank - Durban Branch</i> <i>Account Number 62046718641 - Current Account</i>		
Cash book balance at beginning of year	70 437	91
Cash book balance at end of year	745 752	70 437
Bank statement balance at beginning of year	95 908	51
Bank statement balance at end of year	745 752	95 908
Inter Bank Transfers		
<u>Investment Current Account</u>		
<i>ABSA Bank Account - Durban Branch</i> <i>Account Number 9114541258 : Call Account</i>		
Bank statement balance at the beginning of the year	831	1 134
Bank statement balance at the end of the year	535	831
<u>Investment Current Account</u>		
<i>FNB Bank Call Account -</i> <i>Business Nstd : 62129309937 Call account-</i>		
Bank statement balance at the beginning of the year	6 362 957	-
Bank statement balance at the end of the year	38 816 243	6 362 957
<u>Investment Current Account</u>		
<i>FNB Call Account -</i> <i>Account Number 61085067093 - Call Account</i>		
Bank statement balance at the beginning of the year	9 996 661	-
Bank statement balance at the end of the year	5 044 344	9 996 661
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i> <i>Account Number 62758088746 : Call Account</i>		
Bank statement balance at the beginning of the year	14 857 081	-
Bank statement balance at the end of the year	22 723	14 857 081
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i> <i>Account Number 62773448462 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	57 224	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i> <i>Account Number 62773447729 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	48 568	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i> <i>Account Number 62773446929 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	681 417	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i> <i>Account Number 62773449965 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	4 220 963	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i> <i>Account Number 62773451366 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	26 056 862	-
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		

**ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
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	2019	2018
	R	R
<i>Account Number 62796879206 : Call Account</i>		
Bank statement balance at the beginning of the year		
Bank statement balance at the end of the year	3 474 702	
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch</i>		
<i>Specify (INVESTEC BANK (1100435877457):Call Account</i>		
Bank statement balance at the beginning of the year	978 885	
Bank statement balance at the end of the year		978 885
<u>Investment Current Account</u>		
<i>INVESTEC FIXED</i>		
<i>Specify (INVESTEC BANK (1100435877503):Call Account</i>		
Bank statement balance at the beginning of the year		
Bank statement balance at the end of the year	1 322 023	
<u>Investment Current Account</u>		
<i>First National Bank</i>		
<i>Account Number 62313562309 : Call Account</i>		
Bank statement balance at the beginning of the year	1 108 822	2 011 967
Bank statement balance at the end of the year	59 179 672	1 108 822

**ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
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	2019 R	2018 R
<u>Investment Current Account</u>		
<i>First National Bank Account - Durban Branch Account Number 62773451366 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
<u>Petty cash and cash on hand</u>	44 000	44 000
<u>Total Investments</u>	138 925 275	33 305 238
<u>Bank Statement Balance</u>	35 733 516	37 353 937
Cash book balance at beginning of year	37 405 315	1 852 001
Cashbook balance at year end	35 978 739	37 405 315

4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Total Other Debtors	-	-
---------------------	---	---

5 INVESTMENT IN CONTROLLED ENTITY

Investments in controlled entity - Enterprise Ilembe Development Agency	100	100
% Holding	100%	100%

Ordinary Share: 100 @ R1 each

6 INVENTORIES

Opening balance of Inventories:	7 917 309	13 020 058
Consumable stores - at Net Replacement Cost	6 771 191	12 109 477
Water	1 146 118	910 581
Movements:	3 373 005	(6 102 749)
Consumable stores	3 376 322	(5 338 285)
Water	(3 317)	235 537
Closing balance of Inventories:	11 290 313	7 917 309
Consumable stores	10 147 513	6 771 191
Water	1 142 800	1 146 118

There is no inventory pledged as a security for liability.

7 NON-CURRENT RECEIVABLES

Staff Debtors	193 321	457 897
Councillor A Beardman Salary Overpayment	334 763	362 102
Less: Provision for bad debts	-	-
Total	528 084	819 999

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

8 INVESTMENTS

Financial Instruments

ABSA zero coupon investment		
Long Term Investment	-	27 286 429
Current Term Investment	28 719 789	0

This investment has been ceded as security against the long term loan from ABSA disclosed in Note 15. The term of investment ends in May 2020 and it will be utilised to settle the ABSA Loan on Note 15.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

10 PROPERTY, PLANT AND EQUIPMENT

10,1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Computer Equipment	Furniture & Office Furniture	Machinery & Equipment	Transport	Total
	R	R	R	R	R	R	R	R
As at 1 July 2018	3 242 908	25 012 053	2 332 148 794	5 518 530	1 840 316	859 246	6 057 727	2 374 679 577
Cost/Revaluation	3 242 908	34 721 274	2 928 697 085	7 956 759	3 102 007	1 473 163	8 413 227	2 987 606 424
Correction of prior year error (note 30)	-	-	(88 396 911)	-	-	-	-	(88 396 911)
Accumulated depreciation and impairment losses	-	(9 709 220)	(508 151 379)	(2 438 229)	(1 261 691)	(613 917)	(2 355 500)	(524 529 936)
Acquisitions	-	-	-	120 985	96 250	2 273 335	672 343	3 162 913
Capital under Construction	-	1 112 939	232 446 032	-	-	-	1 823 134	235 382 105
Depreciation	-	(1 169 765)	(90 936 398)	(1 929 673)	(411 040)	(327 014)	(1 084 345)	(95 858 234)
Carrying value of disposals	-	-	(6 636 726)	(218 074)	(22 462)	(26 026)	-	(6 903 288)
Cost/Revaluation	-	-	(9 796 891)	(667 844)	(45 629)	(66 223)	-	(10 576 586)
Accumulated depreciation and impairment losses	-	-	3 160 164	449 770	23 167	40 197	-	3 673 298
For the period ended 30 June 2019	3 242 908	24 955 227	2 460 801 098	3 491 768	1 503 064	2 779 542	7 468 860	2 504 242 756
Cost/Revaluation	3 242 908	35 834 214	3 071 049 043	7 409 900	3 152 628	3 680 276	10 908 704	3 135 277 672
Accumulated depreciation and impairment losses	-	(10 878 985)	(610 247 944)	(3 918 132)	(1 649 565)	(900 734)	(3 439 845)	(631 035 204)
Impairment loss/Reversal of impairment loss	-	-	(6 220 604)	-	-	-	-	(6 220 604)
Transfer into Assets	-	2 713 897	283 481 932	-	-	-	-	286 195 829
Transfer from WIP	-	(2 713 897)	(283 481 932)	-	-	-	-	(286 195 829)
Other movements (change in accounting estimates)	-	-	-	-	-	-	-	-

The circumstances under Impairment of Property Plant and Equipment were derived through verification and conditional assessment of assets.

There is no Property, Plant and Equipment pledged as security for liabilities.

Assets Under Construction is made of the following:

KwaDukuza Regional Wastewater Works	410 300
Sundumbili Rising Main and Mandeni Pumpstation	422 229
Manda Farm Water Borne Sanitation Project	434 474
TS/1612015	466 274
Macambini Water Supply Scheme Phase 9 Reticulation	734 807
TS/181/2017	803 269
Pump replacement	997 137
Corporate services	1 112 939
TS/182/2017	1 447 516
Offtake 8F - Shakaville and stanger - 200mm dia pipeline	1 797 325
HINO 500 SEWERAGE TANKER	1 823 134
Telemetry	1 893 754
DRIEFONTEIN WATER BORNE SEWER	2 232 429
SUNDUMBILI WASTE WATER UPGRADE	2 712 192
Maphumulo Waterborne Sanitation Project PROFESSIONAL FEES	3 030 018
Offtake 7 - Blythedale 400mm dia pipeline	3 326 731
DARNAL WWWTW UPGRADE	3 388 687
TS/165/2016 (Pump cession)	3 682 134
Ntunjambili Water Supply Scheme	3 959 556
Lindejan Professional fees	4 528 292
TS180ACQUISITION	5 665 971
PMU PROFESSIONAL FEES MIG	5 879 647
Hyde Park Development Construction	6 070 193
Professional Fees Maqumbi - Reservoirs	6 078 880
TS/189/2017	6 374 612
Contract claims for Blythedale Res	6 534 618
TS189 ACQUISITION	6 587 136
TS185 ACQUISITION PUMPSTATION	8 711 471
TS/188/2017	8 866 504
TS/186/2017	8 947 954
Southern Regional BLK wtrSew	9 252 968
Professional Fees DKG	9 788 258
Professional fees DNPC consulti	10 849 128
WOSYANE EXTENSION	11 070 163
Professional Fees Black Balance	13 325 507
TS/187/2018	15 936 004
Masibambisane Water Supply Refurbishment	16 739 334
Sundumbili Rising Main and Mandeni Pumpstation TS 175/2017	18 847 650
TS185 ACQUISITION	19 464 524
TS/180/2017	20 289 092
TS/179/2017	21 631 643
Sundumbili Rising Main and Mandeni Pumpstation TS 176/2017	22 876 938
TS/94/2013	24 826 431
TS/78/2012 TS/87/2012 TS/93/	27 874 318
Ndwedwe Reticulation Refurbishment Professional Fees	29 351 390
Macambini Water Supply Scheme	31 897 222
Ndwedwe Reticulation Refurbishment Esidumbini Mantobelo an	32 648 468
TS1782017 TS1002013 EXT Phase2	43 028 401
TS1602015	73 217 652

561 855 272

Capital Projects - Cancelled/Delays in Construction

Name of the Project:

Ndwedwe Town Development project has been put on hold due to the termination of the project contractor.

Ndulinde project has been delayed due to challenges on site as well as changes to appointed contractors

Asset under Construction Reconciliation:	
Opening Balance at 1 July 2019	692 965 924
Additions	235 382 395
	928 348 319
Transferred to completed projects	(366 493 013)
Closing Balance at 30 June 2019	561 855 307

REPAIRS AND MAINTENANCE PER ASSET CLASSIFICATION	
	2019
Intangible Assets	5 124 057
Building	1 119 868
Other Assets	2 683 162
Infrastructure (Water & Sewer)	20 358 030
Total	29 285 118

Reconciliation of Carrying Value

	Land	Buildings	Infrastructure Water & Sewer	Computer Equipment	Furniture & Office Furninment	Machinery & Equipment	Transport	Total
	R	R	R	R	R	R	R	R
As at 1 July 2017	3 242 908	23 434 049	2 194 930 648	5 406 855	2 161 192	1 121 697	7 139 900	2 237 437 246
Cost/Revaluation	3 242 908	32 313 463	2 632 592 556	48 186 567	3 895 618	2 393 164	8 621 881	2 731 246 157
Correction of prior year error (note 31) - Cost	-	(306 086)	(3 613 436)	(2 526 466)	(944 050)	(690 566)	(208 654)	(8 289 258)
Correction of prior year error (note 31) - Accumulated depreciation and impairment losses	-	284 718	1 906 094	4 919 777	2 115 945	1 300 327	595 064	11 121 924
Accumulated depreciation and impairment losses	-	(8 858 045)	(435 954 566)	(45 173 023)	(2 906 320)	(1 881 228)	(1 868 391)	(496 641 574)
Acquisitions	-	-	-	3 328 957	152 470	109 787	-	3 591 214
Capital under Construction	-	2 713 897	299 717 965	-	-	-	-	302 431 862
Depreciation	-	(1 135 893)	(74 219 589)	(2 922 808)	(472 744)	(314 984)	(1 082 173)	(80 148 190)
Carrying value of disposals	-	-	-	(294 474)	(602)	(57 254)	-	(352 330)
Cost/Revaluation	-	-	-	(41 032 300)	(2 030)	(339 222)	-	(41 373 552)
Accumulated depreciation and impairment losses	-	-	-	40 737 826	1 428	281 968	-	41 021 222

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

11 HERITAGE ASSETS

	Mayoral Chain	Total
11,1 Reconciliation of carrying value		R
As at 1 July 2018	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-
For the period ended 30 June 2019	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-

	Mayoral Chain	Total
	R	R
11,2 Reconciliation of carrying value		
as at July 2017	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-
as at June 2018	205 578	205 578
Cost	205 578	205 578
Accumulated impairment losses	-	-

The nature of the heritage asset the municipality has is Mayoral chain.

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
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12 INTANGIBLE ASSETS

12 Reconciliation of carrying value

	Licenses	Computer Software	Total
		R Restated	R Restated
As at 1 July 2018	3 156 369	2 090 839	5 247 208
Cost	5 834 201	6 205 478	12 039 679
Prior year error (Cost)	-	335 615	335 615
Prior year error (Amortization)	-	(2 757)	(2 757)
Accumulated amortisation and impairment losses	(2 677 832)	(4 447 497)	(7 125 329)
Acquisitions	3 111 087	-	3 111 087
Other Movements	-	-	-
Amortisation	(972 095)	(1 278 821)	(2 250 916)
Carrying value of disposals	(23)	(13 210)	(13 233)
Cost	(49 212)	(27 903)	(77 115)
Accumulated amortisation	49 190	14 692	63 882
For the period ended 30 June 2019	5 295 339	798 808	6 094 145
Cost	8 896 076	6 513 190	15 409 266
Accumulated amortisation and impairment losses	(3 600 737)	(5 714 383)	(9 315 120)

12 Reconciliation of carrying value

	Licenses	Computer Software	Total
	R	R Restated	R Restated
As at 1 July 2017	3 157 152	3 318 488	6 475 642
Cost	6 575 760	7 820 079	14 395 839
Prior year error (Cost)	-	(1 811 402)	(1 811 402)
Prior year error (Amortization)	-	2 961 958	2 961 958
Accumulated amortisation and impairment losses	(3 418 608)	(5 652 148)	(9 070 755)
Acquisitions	-	196 800	196 800
Other Movements	-	-	-
Amortisation	(775)	(1 757 308)	(1 758 083)
Carrying value of disposals	(8)	-	(8)
Cost	(741 559)	-	(741 559)
Accumulated amortisation	741 551	-	741 551
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
As at 30 June 2018	3 156 369	1 757 981	4 914 350
Cost	5 834 201	6 205 478	12 039 679
Accumulated amortisation and impairment losses	(2 677 832)	(4 447 497)	(7 125 329)

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R <i>Restated</i>
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	75 122 225	76 551 397
Consumer debtors with credit balances	10 004 261	7 504 581
Ilembe Enterprise		646 698
Provision and Impairment:Umngeni Capital Unit Charges	45 385 302	33 569 980
Staff leave accrual	14 856 753	13 680 688
Outstanding Payments	61 189	54 960
RD Cheques	42 150	42 150
Creditors Accruals	49 396 297	57 125 454
Other creditors	26 421 380	37 957 621
13th Cheque	5 576 401	5 251 958
Consumer water deposits	5 374 616	5 249 743
Vat payable	15 323 956	
Total creditors	247 564 531	237 635 209

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

General Provisions

DESCRIPTION	AMOUNT
Umngeni Water Spring Grove Dam Capital Unit Charges (CUC)	45 385 302,39
This is a historical matter where Umngeni water sanctioned construction of spring grove dam of which the construction costs were to be shared amongst its clients based on the principle of cross subsidization. Ilembe district municipality previously disputed this charge on the basis that there was no direct benefit since the scheme in question did not feed to the lines supplying water to the district. The matter had been referred to SALGA for mediation and SALGA recommended that all the municipalities benefiting from Umngeni water distribution system should contribute (based on the cross subsidization principle) towards the construction costs of the spring grove dam but before doing so, an agreement must be entered between the two parties. Based on SALGA's recommendation, Ilembe District Municipal Council has subsequently rescinded the previous council decision not to contribute. In rescinding this decision, the accounting officer was then mandated to facilitate signing of agreement with Umngeni water which should take into consideration reversing all previous charges, incorporating all payments previously made and determining the future payment plan. At the time of concluding compilation of the annual financial statements, the matter was still under discussions with Umngeni water in terms of finalizing the agreement.	
According to the information received from Umngeni Water, as at 30 June 2019, the status is that the agreement had been referred to the Department of Water & Sanitation and the response is being awaited thereof.	
Provision based on Umngeni Water claims submitted up to 30 June 2019	45 385 302,39

14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Grants and Receipts	1 200 000	1 200 000
Provincial Township Establishment	23 364 481	14 579 853
RBIG	51 324 599	-
Water Services Infrastructure Grant	830 597	-
Maselification Grant	76 719 688	15 779 853
Total Unspent Conditional Grants and Receipts	76 719 688	15 779 853
Non-current unspent conditional grants and receipts	76 719 688	15 779 853
Current portion of unspent conditional grants and receipts	76 719 688	15 779 853

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

15 BORROWINGS

Development Bank of South Africa	44 772 380	49 219 338
ABSA	30 796 562	30 796 562
	76 568 942	80 015 900
Less : Current portion transferred to current liabilities	37 342 526	7 164 483
Development Bank of South Africa	6 545 964	7 164 483
ABSA	30 796 562	-
Non current portion of borrowings	38 226 416	72 851 417

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

ABSA Loan

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

Refer to Appendix A for more detail on borrowings.

The municipality currently has a loan commitment with ABSA amounting to R30million which expires in May 2020. The loan is secured by a sinking fund investment with ABSA currently valued at R28,7 million which appears Zero Coupon Investment on Note 8.

16 LEASES

16,1 FINANCE LEASE LIABILITY

For the period ended 30 June 2019	Minimum lease charges R	Future finance charges R	Future insurance charges R	Present value of minimum lease payments R
Amounts payable under finance leases				
Within one year	3 035 219,50	553 609	613 840	1 867 971
Within two to five years	423 113,41	22 322	85 803	314 989
	3 458 333	575 931	699 442	2 182 960
Less: Amount due for settlement within 12 months (current portion)	3 035 219	553 609	613 840	1 867 971
				314 989

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

Computer equipment leases are for three years. The interest rate charged is linked to the prime rate. The termination date is 30 September 2020. The leases are repaid monthly and include maintenance and insurance. At termination of the leases the computer equipment revert to the lessor.

as at 30 June 2018	Minimum lease payment R	Future finance charges R	Future insurance charges R	Present value of minimum lease payments R
Amounts payable under finance leases				
Within one year	2 759 290,45	1 112 739	557 854	1 088 697
Within two to five years	3 458 332,90	575 931	699 442	2 182 980
	6 217 623	1 688 670	1 257 297	3 271 657
Less: Amount due for settlement within 12 months (current portion)	2 759 290,45	1 112 739	557 854	1 088 697
				2 182 960

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
16,2 OPERATING LEASES		
Lease of Motor Vehicles		
At reporting date, the Municipality has a month on month contract with Wesbank for the lease of motor vehicles. The contract had been initially entered into in October 2015 for a period of 36 months which expired in October 2017. The contract was initially classified as a finance lease and, upon expiry of the initial contract, this was classified as an operating lease (on the basis of the contract having been modified to month on month). There is no future financial commitment to be disclosed due to there being no fixed term contractual obligation. At 30 June 2018, the amount disclosed is for 6 months while it is 12 months for the financial year under review.	19 768 079,99	7 068 688,00
Photocopiers & Printers		
At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows: These amounts are the actual amounts per lease contracts after applying straightlining averaged over 36 months		
Within one year	2 168 137	1 028 181
In the second to fifth year: Inclusive	3 613 561	-
After five years		
Total	5 781 698	1 028 181
Included in the above commitments are the operating lease liabilities in lieu of differences between actual payments made based on the contractual obligation for actual services consumed and the deemed straight lining of rental amounts over 36 months.		
Operating Lease Liabilities	812 982,36	337 032,80
Operating lease payments represent rentals payable by the municipality for premises/properties.		
The lease was negotiated for periods ranging from 01 March 2019 months to 28 February 2022. The rentals escalation will be 10% on the Annual Anniversary of the contract.		
17 SERVICE CHARGES		
Sale of water	116 672 500	94 899 255
Sewerage and sanitation charges	37 387 757	36 189 103
Revenue Forgone	(919 641)	(837 043)
Total Service Charges	153 140 616	130 251 315
Sale of water is broken down into prepaid sales and conventional meters water sales.		
17.1 Sale of Water		
Prepaid water sales	17 221 201	42 347 451
Conventional meters water sales	99 451 300	52 551 804
Revenue Forgone	(919 641)	(837 043)
Total Water Sales	116 762 860	94 062 212
18 RENTAL OF FACILITIES AND EQUIPMENT		
Ilembé Auditorium	22 689	9 676
Total rentals	22 689	9 676
19 INTEREST EARNED - BANK BALANCES		
Bank	12 284 945	8 086 482
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Interest on debtors	25 768 686	15 452 338
21 GOVERNMENT GRANTS AND SUBSIDIES		
Operational Grants		
Equitable share	468 600 049	419 734 000
Municipal Infrastructure Grant	23 982 147	36 832 602
Other Government Grants and Subsidies	2 731 000	2 250 000
Capital Grants		
WSIG	49 175 401	59 644 753
Municipal Infrastructure Grant	164 510 853	176 281 015
Other Government Grants and Subsidies	81 101 785	113 465 030
Total Government Grant and Subsidies	790 111 215	808 307 400
21,1 Equitable Share		
Balance unpaid at beginning of year	-	-
Current year receipts	468 600 049	419 734 000
Conditions met - transferred to revenue	(468 600 049)	(419 734 000)
	-	-
21,2 Municipal Infrastructure Grant		
Balance unpaid at beginning of year	-	(16 109 492)
Current year receipts	188 503 000	-
Conditions met - transferred to revenue - OPEX	(23 982 147)	196 126 000
Conditions met - transferred to revenue - CAPEX	(164 510 853)	(180 016 508)
Adjustments and Transfers	-	-
Conditions met - balance remain in transfer payments debtors (see note 4)	-	-

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
21,3 MASSIFICATION GRANT		
Balance unspent at beginning of year		
Current year receipts	6 000 000	
Conditions met - transferred to revenue	(5 169 403)	
Adjustments and Transfers		
Conditions still to be met - remain liabilities (see note 14)	<u>830 597</u>	
21,4 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS		
Balance unspent at beginning of year	14 579 853	(27 423 456)
Current year receipts	75 446 000	145 000 000
Conditions met - transferred to revenue	(66 661 362)	(102 996 691)
Adjustments and Transfers		
Conditions still to be met - remain liabilities (see note 14)	<u>23 364 491</u>	<u>14 579 853</u>
21,5 RURAL TRANSPORT SERVICE		
Balance unspent at beginning of year	-	-
Current year receipts	2 271 000	2 266 000
Conditions met - transferred to revenue	(2 271 000)	(2 266 000)
Adjustments and Transfers		
Conditions met	<u>-</u>	<u>-</u>
21,6 TOWN PLANNING GRANT		
Balance unspent at beginning of year	-	-
Current year receipts		300 000
Conditions met - transferred to revenue		(300 000)
Adjustments and Transfers		
Conditions met	<u>-</u>	<u>-</u>
21,7 WATER SERVICES INFRASTRUCTURE GRANT		
Balance unspent at beginning of year	-	(3 928 174)
Current year receipts	100 500 000	62 500 000
Conditions met - transferred to revenue	(49 175 401)	(58 571 826)
Adjustments and Transfers		
Conditions still to be met - remain liabilities (see note 14)	<u>51 324 599</u>	<u>-</u>
21,8 PROVINCIAL TOWNSHIP ESTABLISHMENT		
Balance unspent at beginning of year	1 200 000	962 942
Current year receipts		
Conditions met - transferred to revenue		
Adjustments and Transfers		237 058
Conditions still to be met - remain liabilities (see note 14)	<u>1 200 000</u>	<u>1 200 000</u>
21,9 ENERGY EFFICIENCY AND DEMAND-SIDE		
Balance unspent at beginning of year	-	-
Current year receipts	7 000 000	6 000 000
Conditions met - transferred to revenue	(7 000 000)	(6 000 000)
Adjustments and Transfers		
Conditions met	<u>-</u>	<u>-</u>
21,10 FINANCIAL MANAGEMENT GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
Adjustments and Transfers		
Conditions met	<u>-</u>	<u>-</u>
21,11 EXPANDED PUBLIC WORKS PROGRAMME		
Balance unspent at beginning of year	-	-
Current year receipts	1 731 000	1 000 000
Conditions met - transferred to revenue	(1 731 000)	(1 000 000)
Adjustments and Transfers		
Conditions met	<u>-</u>	<u>-</u>
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
22,2 Other Income		
Tender Documents	200 244	460 192
Clearance certificates	1 574 695	1 312 108
Private developers	236 768	-
Size Water Concession	1 784 837	2 140 643
Shared Service	2 117 666	4 066 152
Enterprise Ilombe	-	696 893
LG Sets Income	380 432	-
Bad debt Recovered, Air valve installation, Commission	86 655	246 489
	<u>6 381 298</u>	<u>8 922 486</u>
22,2 Fines and Penalties		
Illegal Connections	113 559	86 551
Water Tampering	31 568	202 259
Atmospheric Emission	15 520	77 800
Licences and Permits	6 269	-
Disconnections	8 160	13 828
	<u>175 075</u>	<u>380 438</u>

**ILEMBE DISTRICT MUNICIPALITY - DC29
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For the period ended 30 June 2019**

	IDM 2019 R	IDM 2018 R
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	132 742 891	120 593 506
Employee related costs - Contributions for UIF, pensions and medical aids	28 821 412	27 009 458
Travel, motor car, accommodation, subsistence and other allowances	6 241 523	5 508 417
Housing benefits and allowances	586 891	553 712
Overtime payments	3 423 548	6 085 370
Performance and other bonuses	10 112 565	9 109 580
Long-service awards	1 079 325	734 000
Telephone Allowance	1 472 970	1 358 973
Payments in lieu of Leave	2 687 854	3 367 168
Non-Pension	7 361 178	6 121 052
Other employee related costs	7 850 202	6 524 436
Employee Related Costs	202 180 059	186 965 671

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	780 490	113 533
Travel, motor car, accommodation, subsistence	75 629	14 783
Contributions to UIF, Medical and Pension Funds and other allowances	61 933	297
13th Cheque Provision	-	8 279
Performance Bonus	-	120 454
Total	918 052	257 346

The position of a municipal manager is vacant

Remuneration of the Chief Financial Officer

Annual Remuneration	1 036 722	609 577
Travel, motor car, accommodation, subsistence	76 888	54 000
Contributions to UIF, Medical and Pension Funds and other allowances	1 785	1 338
Performance Bonus	-	-
Total	1 114 395	664 916

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Corporate Governance R
For the period ended 30 June 2019			
Annual Remuneration	315 831	509 440	592 186
Travel, motor car, accommodation, subsistence and other allowances	50 000	137 008	32 100
Contributions to UIF, Medical and Pension Funds	23 471	82 857	1 190
Performance Bonus	-	-	-
Total	389 302	709 306	625 476

June 2018

	R	R	R
Annual Remuneration	1 171 721	897 558	210 693
Travel, motor car, accommodation, subsistence and other allowances	-	283 373	10 500
Contributions to UIF, Medical and Pension Funds	1 636	85 417	446
Performance Bonus	12 782	36 984	97 900
Total	1 186 139	1 303 313	319 539

24 REMUNERATION OF COUNCILLORS

Mayor	1 047 528	1 008 808
Deputy Mayor	846 182	815 206
Speaker	846 182	816 207
Chief Whip	-	-
Executive Committee	2 205 182	2 197 634
All Other Councillors	3 658 774	3 568 839
Total	8 603 847	8 405 693

24.1 MAYOR

Allowances and Service Related Benefits		
Basic Salary	700 483	667 925
Cell phone Allowance	40 800	40 800
Market Related Non-Pensionable Allowance	205 411	58 080
Travelling Allowance	100 834	242 002
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	1 047 528	1 008 808

24.2 DEPUTY MAYOR

Allowances and Service Related Benefits		
Basic Salary	604 037	580 804
Cell phone Allowance	40 800	40 800
Housing Allowance	-	-
In-Kind Benefits	-	-
Market Related Non-Pensionable Allowance	27 381	28 328
Motor Vehicle Allowance	-	-
Office-bearer Allowance	-	-
Out of pocket Expenses	-	-
Travelling Allowance	173 965	167 274
Use of Personal Facilities	-	-
Social Contributions		
Medical Aid Benefits	-	-
Pension Fund Contributions	-	-
Total	846 182	815 206

24.3 SPEAKER

Allowances and Service Related Benefits		
Basic Salary	587 451	558 679
Cell phone Allowance	40 800	40 800
Housing Allowance	-	-
In-Kind Benefits	-	-
Market Related Non-Pensionable Allowance	78 536	35 917
Motor Vehicle Allowance	-	-

ILEMBE DISTRICT MUNICIPALITY - DC29
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	IDM 2019 R	IDM 2018 R
Office-bearer Allowance		
Out of pocket Expenses		
Travelling Allowance	139 395	179 811
Use of Personal Facilities		
Social Contributions		
Medical Aid Benefits		
Pension Fund Contributions		
Total	<u>846 182</u>	<u>815 206</u>
24,4 EXECUTIVE COMMITTEE		
Allowances and Service Related Benefits		
Basic Salary	1 474 639,90	1 426 501,79
Cell phone Allowance	122 400,00	129 200,00
Housing Allowance		
In-kind Benefits		
Market Related Non-Pensionable Allowance	257 573,69	291 243,12
Motor Vehicle Allowance		
Office-bearer Allowance		
Out of pocket Expenses		
Travelling Allowance	231 373,08	235 238,30
Use of Personal Facilities		
Social Contributions		
Medical Aid Benefits		
Pension Fund Contributions		
Total	<u>2 205 181,74</u>	<u>2 187 633,89</u>
24,5 ALL OTHER COUNCILLORS		
Allowances and Service Related Benefits		
Basic Salary	2 287 369,77	2 239 198,64
Cell phone Allowance	285 600,00	285 600,00
Housing Allowance		
In-kind Benefits		
Market Related Non-Pensionable Allowance	430 180,20	413 634,90
Motor Vehicle Allowance		
Office-bearer Allowance		
Out of pocket Expenses		
Travelling Allowance	557 537,47	536 093,87
Use of Personal Facilities		
Social Contributions		
Medical Aid Benefits		
Pension Fund Contributions		
Total	<u>3 658 773,68</u>	<u>3 568 839,01</u>
<p>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.</p> <p>The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 4 full-time Protectors.</p>		
25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE		
Depreciation	95 858 234	80 148 190
Impairment of Assets/Reversal	6 220 604	(116 682)
Intangible assets Amortisation	2 250 916	1 758 083
Total Depreciation, Impairment and Amortisation	<u>104 329 755</u>	<u>81 789 590</u>
<p>The circumstances under Impairment of Property Plant and Equipment were derived through verification and conditional assessment of assets.</p>		
26 FINANCE COSTS		
Borrowings	7 187 025	8 382 842
Leases	967 599	2 182 764
Total Finance Costs	<u>8 154 624</u>	<u>10 565 607</u>
27 BULK PURCHASES		
Water	150 578 471	86 505 612
Total Bulk Purchases	<u>150 578 471</u>	<u>86 505 612</u>
<p>The excessive increase in bulk purchases is due to the commissioning of Lower Thukela Bulk Water Supply Scheme (off take as well) as the effect of incorporating the Spring Grove Capital Unit Charges which the municipality had to provide for.</p>		

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
28 CONTRACTED SERVICES		
Contracted services for:		
Plant Hire	30 532 776	23 372 356
Security	28 920 978	21 805 090
SAGE VIP license SLA	121 266	113 333
VIP Toilets Expenditure (M/G Operations)	20 862 738	28 532 283
Rural Roads Assets Systems Management Grant (RRAMS) Expenditure	1 976 725	1 978 006
ANALYSIS OF WATER AND EFFLUENT	7 684 891	
EEDSM IMPLEMENTATION - RETROFIT CONTRACTOR	4 317 338	
INTERNAL AUDIT	31 000	35 360
medical support heritage day	838	-
EPWP grass cutting	1 011 003	284 788
EPWP Grass cutting - EPWP Funded	2 396 185	848 142
Hygiene services	98 474	176 455
Delegency to clean vector control tools	4 640	
Cleaning services	793 080	883 712
RISK MANAGEMENT AWARENESS	33 521	
Occupational Health and Safety	317 830	180 750
CONSUMER DATA ANALYTICS	636 210	736 680
LM SUPPORT	170 400	171 641
medical services provided on SALGA games	10 428	246 224
YOUTH PROGRAMME	147 917	246 224
EAP Staff Awards Sound	2 139	5 065
EAP Counselling Referrals to Psychologist	13 600	13 650
AUDIT COMMITTEE	194 390	169 499
PAYROLL SUPPORT	100 854	179 473
consulting asset management	475 580	634 415
MUNSOFT CONSULTING FEES	699 989	
RISK MANAGEMENT COMMITTEE	21 838	43 320
MEDICAL EXAMS	25 900	7 020
EEDSM Consulting fees (EEPBP)	612 127	
EEDSM Consulting fees (Project Planning)	944 348	
FOOD SAMPLING	82 113	35 852
Legal Fees	1 612 702	1 432 673
SALGA GAMES	207 033	8 050
Goklen game district selections	23 900	6 050
Catering Services	379 589	208 745
New Meter Connection	1 182 312	
Repairs and Maintenance Contracted	12 691 434	38 480 897
	119 318 073	121 585 452

The excessive increase in plant hire is due to the high demand of water tankers for purposes of augmenting water supply.

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
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	IDM 2019 R	IDM 2018 R
29 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	1 505 790	1 163 618
Audit fees	3 277 397	2 666 537
Bank charges	428 898	430 291
Bursaries	204 132	-
Fuel and oil	10 022 382	13 004 083
Insurance	2 570 819	2 330 891
Legal expenses	-	-
Licence fees - vehicles	117 288	134 023
Membership fees	2 333 049	2 100 316
Postage	2 080 858	1 404 764
Printing and stationery	149 360	108 518
Professional fees	-	1 634 848
Disaster Management	112 450	276 297
IDP & Planning	-	-
Property rates	389 699	626 087
Special Projects - Youth, Gender, HIV	-	-
Telephone cost	111 149	123 267
Training	121 739	-
Travel and subsistence	2 540 327	696 686
Uniforms & overalls	1 632 191	153 130
Water and Sanitation - Siza Water Concession area	4 982 955	1 365 016
Expenditure: Operational Cost: Indigent Relief	-	2 465 143
Electricity & Water	26 537 231	28 800 009
Local Economic Development Projects (Entity transfers)	30 449 450	24 888 482
Consumables (Repairs and Maintenance)	7 390 116	15 690 828
Operational Cost (Repairs and Maintenance)	5 295 192	2 277 016
Shared Services	-	483 804
Siza Water concession contract monitoring fee	-	174 000
Vehicle Hire	19 768 060	7 088 688
Other	14 089 325	13 943 181
	<u>136 109 877</u>	<u>124 009 624</u>
29,1 Repairs and Maintenance		
Repairs and Maintenance is made up of the following:		
General Expenditure (Inventory Consumed)	12 685 308	15 690 928
Contracted Services	12 691 434	39 460 897
Total Expenditure on Repairs and Maintenance	<u>25 376 742</u>	<u>55 151 825</u>
29,2 Loss on sale of assets		
Loss on sale of assets	6 916 516	351 969
Total Gain / (loss) on sale of assets	<u>6 916 516</u>	<u>351 969</u>
30 CORRECTION OF PRIOR YEAR ERRORS, CHANGE IN ACCOUNTING POLICY AND ADJUSTMENTS		
Property, plant and equipment		
<i>Prior year error on recognition of intelligent meters</i>	-	(71 143 429)
Trade and other Receivables from exchange transactions		(418 448)
<i>Correction of prior year transactions-Debtors</i>		1 796 521
<i>Revenue billing and indigent rebates adjustments</i>		-
Trade and other receivables from non exchange transactions		337 033
<i>Reversal of prior year transactions-Operating Lease</i>		2 352 554
<i>Reversal of prior year transactions-Trade Creditors</i>		-
Other		185 714
<i>Provision for contribution to Capital Unit Charges, Umngeni</i>		(40 139 754)
<i>Correction of prior year trade creditors.</i>		(36 172 374)
		<u>(143 202 184)</u>

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
30,1		
Property, plant and equipment		
<i>Change in estimate</i>		
Correction of prior year error on assets		(8 843 274)
Recognition of depreciation for projects completed in prior year and change in estimate		(8 027 457)
Correction of leased computer Equipment		50 108
Trade and other Receivables from exchange transactions		
Correction of prior year transactions-Debtors		1 378 073
Cash & cash equivalents		
Recovery of study loan fees relating to prior years		(3 096 352)
Trade and other Payables		
Reversal of prior year accruals		(4 321 891)
Correction of prior year trade creditors		1 009 026
Correction of prior year classification on non exchange receivables (MIG & WSIG)		(1 424 526)
Provision and impairment:Litigator		(6 177 849)
		(29 554 141)
30,2 RECLASSIFICATIONS		
The category of heritage assets has been reclassified from property, plant and equipment and presented separately on the statement of financial position and note in the annual financial statements.		
Payables		
Interbank transfers has been reclassified from cash and cash at bank to payables under current liabilities		
Other Income		
Fines and penalties have been reclassified as Fine and penalties from other income under other income .		
Water tampering kwadukuza		202 259
Fines illegal connections		86 551
Atmospheric emission lic fee		77 800
Water disconnection mandeni		13 828
Service Charges		
Private developer KwaDukuza has been reclassified from other revenue to service charges in the statement of performance		2 574 023
Repairs and Maintenance		
Other repairs from Repairs and Maintenance have been reclassified to consumable inventory in general expenses		15 690 928
Contracted Services		
Expenditure reclassified from Grant Expenditure to Contracted Services in statement of financial performance		
Rural road asset management system		1 978 006
Ndwedwe VIP toilets wsiq funded		-
Maphumulo area vip toilets		8 013 980
Mandeni area vip toilets		9 594 334
Ndwedwe area VIP toilets		10 923 999
Expenditure reclassified from General Expenditure to Contracted Services in statement of financial performance		
PROFESSIONAL FEES kpmg		
AUDIT COMMITTEE	194 390	169 499
EPWP grass cutting	1 011 003	264 788
EPWP Grass cutting - EPWP Funded	2 396 186	648 142
PAYROLL SUPPORT	100 854	179 473
consulting asset management	-	-
RISK MANAGEMENT COMMITTEE	21 838	43 320
MEDICAL EXAMS	28 900	7 020
MUNICIPAL GOV ADMINISTRATION	(760)	-
Siza Water audit fee	174 000	-
FOOD SAMPLING	62 113	35 652
Legal Fees	1 579 857	1 432 573
INVESTIGATIONS	384 834	-
SALGA GAMES	115 717	-
Golden game district selections	37 894	-
golden games	8 050	-
Entertainment	403 489	208 745
SALGA GAMES	207 033	8 050
Cleaning services	783 080	698 671
disability forum	5 362	-
early childhood development programme	3 058	-
disability forum q2	3 150	-
EAP Counselling Referrals to Psychologist	13 650	13 650
YOUTH PROGRAMME	147 917	248 224
EAP Staff Awards Sound	2 139	5 065
Occupational Health and Safety	317 830	180 750
LM SUPPORT	170 400	171 641
CONSUMER DATA ANALYTICS	636 210	736 680
EPWP Grass cutting - EPWP Funded	648 142	-
Hygiene services	99 474	176 455
INTERNAL AUDIT	31 000	35 380

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
GENERAL EXPENSES		
Expenditure reclassified from Contracted Services to General Expenditure in statement of financial performance		
Plant Hire	3 781 449	2 488 335
VEHICLE HIRE for any staff member or Councillor	19 788 080	7 068 688
Software Licences	110 514	118 153
Rent of offices	102 825	158 881
Fax & Copier rentals	5 043 693	2 907 022
Insurance premiums	2 024 964	2 200 345
Wireless Network	42 169	39 222
Specialised Computer Service	22 775	34 445
Specialised Computer Service	25 102	98 598
NETWORK MANAGEMENT SYSTEM	207 500	134 500
TELEPHONE MANAGEMENT SYSTEM	2 701 028	1 725 237
ICT DISASTER RECOVERY	378 000	245 014
30,3 TRANSFER TO / FROM ACCUMULATED SURPLUS	518	74 390
31 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	186 597 298	309 544 782
Adjustment for:-		
Depreciation and amortisation	104 329 755	81 789 590
Transfers to / from accumulated surplus/(deficit)	518	74 390
Forex gain/(loss)	72 550	351 989
Loss on disposal of PPE	6 916 516	-
Contribution to provisions - non-current	65 022 454	41 676 124
Contribution to provisions - current	3 299 859	1 868 930
Finance costs	8 154 624	10 565 607
Prior Year Adjustments	(172 768 326)	18 204 127
Investment Income	(12 284 945)	(8 086 492)
Bad debts written off	1 719 245	3 015 207
Operating surplus before working capital changes:	191 071 549	459 002 264
Increase/ (decrease) in inventories	(3 373 005)	5 102 749
Increase/(decrease) in trade receivables	(15 567 540)	(5 426 360)
(Increase)/decrease in other receivables from non exchange transactions	-	11 288 747
Increase in conditional grants and receipts	60 939 835	14 579 853
(Decrease) Increase in trade payables	9 929 322	(43 784 168)
Other assets (Bad debts recovered)	-	-
Other liability	-	-
Cash generated by/(utilised in) operations	243 000 161	440 763 074
32 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	174 702 791	70 703 174
Net cash and cash equivalents (net of bank overdrafts)	174 702 791	70 703 174
33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	2019 R	2018 R
33,1 Unauthorised expenditure		Restated
Reconciliation of unauthorised expenditure		
Opening balance	14 746 808	22 845 946
Unauthorised expenditure current year	-	-
Certified as irrecoverable and written off by council in terms of MFMA section 32	-	(8 099 138)
	14 746 808	14 746 808
Percentage written off during the period under review	0%	35%

Incident

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

Action taken

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

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
33,2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	76 804	523 114
Fruitless and wasteful expenditure current year	-	76 804
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	-	(523 114)
	<u>76 804</u>	<u>76 804</u>

Incident

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

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

Interest levied by KwaDukuza Local Municipality on late payment of electricity accounts.

Action taken

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

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

33,3 Irregular expenditure

	2019 R	2018 R
Reconciliation of irregular expenditure		
Opening balance	53 406 687	8 523 373
Irregular expenditure raised in current year but relating to prior years	346 989 258	-
Irregular expenditure current year	74 826 349	45 025 027
Certified by council as irrecoverable and written off in terms of MFMA section 32	-	(142 713)
	<u>475 301 294</u>	<u>53 406 687</u>
	0%	0%

Percentage written off during the period under review

Incident

Expenditure disclosed as irregular under 2017/18 and 2018/19 relates to expenditure incurred on lending Security Services and Weebank. These contracts expired in July 2016 and October 2017 respectively, after which contract extensions were applied until the allowed period of 6 months was exhausted. The municipality has since embarked on procurement processes and has appointed a service provider in respect of fleet contract. At the time of reporting, the security tender was still subject to appeals processes by the bidder who had lodged objection.

The expenditure disclosed as irregular during 2017 relates to irregular contract secured through Regulation 32 from another organ of state and one other contract where services were used post expiry of the contract.

33,4 Deviations

	2019 R	2018 R
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:		
Total value	<u>27 243 431</u>	<u>8 704 454</u>
	27 243 431	8 704 454

The majority of transactions that were classified as deviations were for plant hire (water tanker, TLB), mechanical pump and electrical plant repairs, supply of water purification chemicals, mailing of consumer statements, ad hoc security services requests. All these transactions have now been addressed through the contracts/panels of service providers valid for three years. This panel/contract will address the unjustifiable deviations which often created irregular expenditure. These transactions were often as a result of emergency requests from the User Departments. Further significant transactions were in respect purchase of jetting machines after the Municipality had received grant funding from COGTA to procure plant.

34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

34,1 Contributions to organised local government

Opening balance	-	366 198
Council subscriptions	2 188 717	1 945 687
Amount paid - current	(2 188 717)	(1 945 687)
Adjustment	-	(388 198)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

34,2 Audit fees

Current year audit fee	3 277 397	2 668 637
Amount paid - current year	(3 277 397)	(2 668 637)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

34,3 VAT

VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.

34,4 PAYE and UIF

Opening balance	2 619 507	4 539 289
Current year payroll deductions	31 586 572	29 932 287
Amount paid - current year	(28 946 720)	(27 492 780)
Amount paid - previous years	(4 239 507)	(4 259 289)
Balance unpaid (included in payables)	<u>1 019 852</u>	<u>2 619 507</u>

The balance represents PAYE and UIF deducted in June 2019 payroll. This amount was paid in July 2019.

34,5 Pension and Medical Aid Deductions

Opening balance	3 479 821	3 672 283
Current year payroll deductions and Council Contributions	44 698 889	42 309 557
Amount paid - current year	(42 586 387)	(38 829 736)
Amount paid - previous years	(3 479 821)	(3 672 283)
Balance unpaid (included in payables)	<u>2 112 492</u>	<u>3 479 821</u>

The balance represents Pension & Medical aid deducted in June 2019 payroll. These amounts were paid in July 2019 except for RA which was paid in the month of deduction which is June 2019.

34,6 Councillor's arrear consumer accounts

Van Whye GJ	895	142
Councillor MD SHANDU	327	-
Councillor MS SING	2 514	-
Councillor IP DUBE	751	-
Total Councillor Arrear Consumer Accounts	<u>4 487</u>	<u>142</u>

ILEMBE DISTRICT MUNICIPALITY - DC29
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For the period ended 30 June 2019

IDM
2019
R

IDM
2018
R

34.6 Material losses

34.7.1 Asset impairment (losses)/ Reversal (6 220 604) 116 682
The current year Impairment is a result of ageing infrastructure.

34.7.2 Debt Impairment (losses) 1 719 245 3 015 207
Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt Impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.

34.7.3 Distribution Losses	Percentage distribution		
Units lost (kilolitres)			
Illegal connections and other	5%	898 557	2 484 472
Main leaks	26%	4 598 817	5 225 779
Reservoir overflows	1%	158 580	37 327
Metering Inaccuracies		1 198 077	
Service connection leaks	62%	11 100 593	2 202 293
Units lost (kilolitres)	93%	<u>17 954 624</u>	<u>9 949 871</u>
Units lost (sales price per kilolitre - rands)		187 892 388	83 360 505
Units lost (purchase price per kilolitre - rands)		92 967 878	40 482 580
Units lost (percentage)		61,74%	46,80%

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

34.7.4 Non-Compliance with Section 65 (2) of the Municipal Finance Management Act - Payments of creditors within 30 days from date of receipt

	2018/19	2017/18
Number of days unpaid creditors at 30 June	62 days	67 days
Average number of days unpaid creditors during the year	46 days	93 days
Value of creditors not paid within 30 days during the year	78 555 689	78 762 685
Percentage of creditors paid within 30 days	90%	89%

The inability to pay creditors on time is a direct result of the cash flow challenges currently being faced by the municipality and this is linked to the broader financial viability challenge. Council adopted a financial turnaround implementation plan in December 2016 which is currently being implemented. In terms of the financial turnaround strategy, it was envisaged that the municipality would be able to turn the current undesirable financial situation in a period of three years with effect from December 2016. There are improvements in the efficiency of paying creditors on time when comparing to the previous years. On average the longest it took to pay creditors during 2019 financial year was 49 days compared to 95 days during 2017/18. In terms of the number of days calculated at year end, 62 days was reported at 30 June 2019 compared to 67 days in June 2018.

34.7.5 Forex Losses

Total Forex Liability as at 30 June 2 132 197 -

Forex Gain/ (Losses) (72 550) -

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

The Spot rate at 30 June 2019 was 14.1487 should the spot rate increase by 1% the foreign liability will be R2 153 518.61 and the foreign loss will increase to R73 275.54. Should the spot rate decrease by 1% the Forex liability will be R 2 110 874.67 and the Forex loss will decrease to R71 824.54

Foreign Liability Increase R 2 132 196.64*1.01 =R2 153 518.61

Foreign loss increase R 72 550.04* 1.01 =R73 275.54

34.7.6 INVESTMENT IN CONTROLLED ENTITY

Investments in controlled entity - Enterprise Ilembe Development Agency 100 100

% Holding 100% 100%

Ordinary Share: 100 @ R1 each

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2018

	IDM 2019 R	IDM 2018 R
35 CAPITAL COMMITMENTS		
35,1 Commitments in respect of capital expenditure		
- Approved and contracted for Infrastructure Community	262 992 295 262 992 295	486 284 958 486 284 958
Total	262 992 295	486 284 958
This expenditure will be financed from:		
- External Loans		
- Government Grants	262 992 295	486 284 958
- Council funded	-	-
	262 992 295	486 284 958
OPERATIONAL COMMITMENTS		
	2 019	2 018
Commitments in respect of operational expenditure:		
- Approved and contracted for:		<u>Restated</u>
Infrastructure	7 398 815	18 926 946
Community	7 398 815	18 926 946
- Approved but not yet contracted for:		
Infrastructure		
Community		
Total	7 398 815	18 926 946
This expenditure will be financed as follows:		
Grant funded	7 398 815	18 926 946
Council funded		
External Loans		
	7 398 815	18 926 946
TOTAL CONTRACTUAL COMMITMENTS	270 391 110	507 211 904

The amounts disclosed are VAT inclusive

36 EMPLOYEE BENEFITS INFORMATION

36,1 Defined contribution plan

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

36,2 Other Long-term benefit plan

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

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

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

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

The principal actuarial assumptions used were as follows:

Discount rate per annum	8,64%	8,64%
Inflation rate	6,23%	6,23%
Net effective discount rate	2,27%	2,27%
Benchmark Inflation (equal to salary inflation)	7,00%	7,00%
Average retirement age		63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	2%	2%

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

EMPLOYEE BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	9 526 817	8 258 766
Current service cost	932 831	734 000
Interest cost	791 834	708 216
Benefit payments	(739 456)	(599 879)
Actuarial (gains)/losses	1 575 194	424 714
Balance at end of year	12 067 220	9 526 817

The timing of the employee benefits is as follows:

Current portion of employee benefits	1 494 983	739 456
Employee benefit obligation	10 592 237	8 787 361
	12 067 220	9 526 817

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

Current service cost	932 831	734 000
Interest cost	791 834	708 216
Actuarial (gains)/losses	1 575 194	424 714
	3 299 859	1 866 930

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

IDM
2019
R

IDM
2018
R

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

	IDM 2019 R	IDM 2018 R
37 RELATED PARTIES		
Members of key management Controlled Municipal Entity		<i>Section 57 managers Ilembe District Municipality has a 100% holding in Ilembe Development Enterprise (Pty) Ltd. Refer to note 23 & 24</i>
Compensation to councillors and other key management		
Related party balances		
Amount owed to Ilembe Enterprise included in other payables		(646 698)
Amount owed by Ilembe Enterprise included in other receivables	871 751	765 431
Related party transactions		
Transactions with Enterprise Ilembe Development Agency		
Grant funding from the parent Ilembe District Municipality to Enterprise Ilembe	30 647 932	24 888 488
Rental of offices		
Shared Services - Contributions by local municipalities towards the development planning shared services	2 117 666	4 763 045
37.1 STAFF MEMBER: R Pillay		
Expenditure:		
General Expenses for the year		11 107 282
The employee had a brother whom had a share in the company that was awarded a contract to provide capital project consulting service to the municipality.		
37.2 STAFF MEMBER: S Mhlangu		
General Expenses for the year	142 664	
An employee had relations with a service provider whom provided services to the municipality.		
	142 664	11 107 282

38 CONTINGENT LIABILITY

38,1 Icon Construction

Icon Construction | Interest Charges on arrear payments & standing time

1 036 633

This is a historical matter where Umgeni water sanctioned construction of spring grove dam of which the construction costs were to be shared amongst its clients based on the principle of cross subsidization. Ilembe district municipality previously disputed this charge on the basis that there was no direct benefit since the scheme in question did not feed to the lines supplying water to the district. The matter had been referred to SALGA for mediation and SALGA recommended that all the municipalities benefiting from Umgeni water distribution system should contribute (based on the cross subsidization principle) towards the construction costs of the spring grove dam but before doing so, an agreement must be entered between the two parties. Based on SALGA's recommendation, Ilembe District Municipal Council has subsequently rescinded the previous council decision not to contribute. In rescinding this decision, the accounting officer was then mandated to facilitate signing of agreement with Umgeni water which should take into consideration reversing all previous charges, incorporating all payments previously made and determining the future payment plan. At the time of concluding completion of the annual financial statements, the matter was still under discussions with Umgeni water in terms of finalizing the agreement.

Contingent Liability based on interest amounts charged by Icon Construction on arrear payments & standing time

1 036 633

39 RISK MANAGEMENT

39,1 Maximum credit risk exposure

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

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

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

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

Consumer debtors	350 732 511	273 390 840
Other debtors	-	36 172 374
Non Current Receivables	528 084	819 989
	361 260 595	310 383 212
Ageing of consumers		
Current (0 – 30 days)		
31 - 60 Days	33 595 548	12 699 325
61 - 90 Days	7 621 808	18 990 450
91 - 120 Days	12 179 372	11 347 639
121 - 365 Days	12 927 794	7 264 472
+ 365 Days	15 037 236	14 185 976
Total	269 370 753	206 802 984
Less: Provision for bad debts	350 732 511	273 390 840
Net consumer debtors	250 342 015	(186 559 714)
	601 074 526	86 831 126
Cash and cash equivalents	174 702 791	70 703 174
Other investments	-	27 286 429
	174 702 791	97 989 604

These balances represent the maximum exposure to credit risk.

39,2 Liquidity risk

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

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

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

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

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

	Within a year	Between 2 to 5 years	Total
2019			
Gross finance lease obligations	1 867 971	314 969	2 182 960
Borrowings	6 545 964	38 226 416	44 772 380
Trade and other payables	324 284 218	-	324 284 218
Employee Benefit Obligation	1 494 983	10 592 237	12 087 220
	334 193 136	49 133 642	383 326 778

ILEMBE DISTRICT MUNICIPALITY - DC29
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2019

2018	IDM 2019 R	IDM 2018 R	
	Within a year	Between 2 to 5 years	Total
Gross finance lease obligations	1 054 862	1 957 053	3 012 015
Borrowings	7 164 483	72 851 417	80 015 900
Trade and other payables	206 295 742	-	206 295 742
Employee Benefit Obligation	734 000	8 792 817	9 526 817
	<u>215 249 186</u>	<u>83 601 287</u>	<u>298 850 474</u>

39,3 Interest rate risk

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

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

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

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

Cash and cash equivalents	174 702 791	70 703 174
Other investments	-	27 286 429
Gross finance lease obligations	2 182 960	3 012 015
Borrowings	75 568 942	80 015 900
Consumer debtors	<u>360 732 511</u>	<u>273 390 840</u>

40 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

Key	Operating 329 455 544,34	Financing (4 989 500)	Investing (326 636 183)	Total (4 170 139)
Amount as present in the budget statement				
Actual amount as presented in the cash flow statement	247 130 482	(9 536 250)	(133 594 616)	103 999 616
Basels difference	-32 618 498			(32 618 498)
Timing differences	-	-	-	-
Entity differences	-	-	-	-
Variance	<u>114 943 580</u>	<u>4 546 760</u>	<u>(195 041 667)</u>	<u>(75 551 257)</u>
Variance percentage	34,89%	-91,13%	59%	1812%

ILEMBE DISTRICT MUNICIPALITY - DC28
APPENDIX A
AUDITED SCHEDULE OF EXTERNAL LOANS
as at 30 June 2019

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2018		Received during the period		Interest Paid during the period		Interest Accrued During the period		Redeemed / written off during the period		Balance at 30 June 2019	
			R	R	R	R	R	R	R	R	R	R	R	
LONG-TERM LOANS														
ABSA Bank @10.65%		2025	30 786 562	-	-	2 389 685	796 562	796 562					30 786 562	
Development Bank of SA @10.80%		2025/09/30	55 416 077	-	-	2 079 814	1 920 964	1 920 964					57 337 042	
Development Bank of SA		2025	(6 196 740)	-	-	4 469 499	2 717 526	2 717 526					(12 564 661)	
Total long-term loans			80 015 899	-	-	4 469 499	2 717 526	2 717 526	-	-	7 164 483	-	75 568 943	-
Total capital creditors			-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXTERNAL LOANS			80 015 899	-	-	4 469 499	2 717 526	2 717 526	-	-	7 164 483	-	75 568 943	-

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
AUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2019

	Opening Balance		Additions		Change in policy/prior year errors		Cost / Revaluation		Transfers		Under Construction		Closing Balance		Accumulated Depreciation		Disposals		Change in policy/prior year errors		Change in estimates		Reversal of Impairment loss		Impairment loss		Closing Balance		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	3 242 005,00	-	-	-	-	-	-	-	-	-	-	3 242 008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 242 008	
Buildings	32 007 274,42	-	-	-	2 713,887	-	-	-	-	-	-	(9 709 220)	(1 189 789)	-	-	-	-	-	-	-	-	-	-	-	-	(10 878 943)	-	23 642 230		
Infrastructure	210 782 341,79	-	-	-	10 843 082	-	-	-	-	-	-	(64 838 245)	(9 523 472)	-	-	-	-	-	-	-	-	-	-	-	-	-	(748 798)	148 591 830		
Sanitation	2 027 652 716,41	-	-	-	272 538 940	-	-	-	-	-	-	(443 318 133)	(81 412 022)	3 100 164,39	(7 353 066)	-	-	-	-	-	-	-	-	-	-	-	(7 430 056)	1 755 200 310		
Water Mains & Purification	602 985 921,20	-	-	-	235 352 395	-	-	-	-	-	-	(608 151 379)	(97 636 369)	3 100 164	(8 089 727)	-	-	-	-	-	-	-	-	-	-	-	(6 180 314)	1 755 200 310		
Under construction	2 831 470 893,37	-	-	-	(2 713 887)	-	-	-	-	-	-	(617 860 866)	(92 108 165)	3 100 164	(8 089 727)	-	-	-	-	-	-	-	-	-	-	-	(6 180 314)	2 463 737 482		
Total carried forward	2 856 561 258,78	-	-	-	(9 709 220)	-	-	-	-	-	-	(1 189 789)	(1 189 789)	3 111 848 569	(8 089 727)	-	-	-	-	-	-	-	-	-	-	(6 180 314)	(6 180 314)	2 490 922 801		

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2019

	Opening Balance		Additions		Change in policy/prior year errors		Cost / Revaluation		Under Construction		Closing Balance		Accumulated Depreciation		Disposals		Impairment loss/Reversal of Impairment loss		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	2 856 561 258,79	-	(9 709 220)	-	(8 089 727)	-	-	-	-	(1 189 789)	(1 189 789)	3 111 848 569	(8 089 727)	-	-	-	-	-	-	2 490 922 801
Other Assets	9 033 037,28	-	-	-	(45 029)	-	-	-	-	-	-	3 152 828	(411 040)	23 167	-	-	-	-	-	1 003 138
Office Equipment	1 473 191,96	-	-	-	(80 223)	-	-	-	-	-	-	9 820 275	(913 919)	40 197	-	-	-	-	-	2 770 542
Transport Equipment	8 478 227,01	-	-	-	(480 123)	-	-	-	-	-	-	9 865 570	(1 094 345)	337 894	-	-	-	-	-	1 749 791
Computer Equipment	4 827 786,77	-	-	-	(891 874)	-	-	-	-	-	-	1 543 120	(820 315)	-	-	-	-	-	-	2 243 050
Finance Lease Assets	17 818 192,00	-	-	-	(961 874)	-	-	-	-	-	(6 774 181)	(2 842 712)	(2 842 712)	401 188	-	-	-	-	-	12 171 464
Other Assets	3 328 957,04	-	-	-	(187 721)	-	-	-	-	-	(895 009)	(1 102 359,70)	(1 102 359,70)	111 936	-	-	-	-	-	1 288 714
Total	2 847 806 418,74	-	(9 709 220)	-	(8 089 727)	-	-	-	-	-	(1 189 789)	(1 189 789)	(1 189 789)	3 873 298	-	-	-	-	-	2 504 242 786

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016

	Opening Balance	Additions	Change in policy/prior year errors	Cost / Revaluation	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Accumulated Depreciation Change in policy/prior year errors	Impairment loss/Reversal of Impairment loss	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	3 242 006,00	-	-	-	-	-	3 242 006	-	-	-	-	-	-	3 242 008
Buildings	18 458 829,00	-	(306 089)	13 874 639	-	-	32 097 377	(8 959 046)	(1 155 893)	-	284 718	-	(8 799 260)	22 298 157
Infrastructure	142 589 889,15	-	(1 699 468)	69 907 022	-	-	210 792 342	(65 755 265)	(8 079 078)	-	315 745	-	(64 639 248)	145 054 006
Sewerage Works & Purification	1 844 044 000,82	-	(1 919 873)	484 026 692	-	-	2 027 832 710	(380 190 512)	(85 142 611)	-	1 580 582	-	(2 500 249)	1 504 339 589
Water Mains & Purification	538 042 310,51	-	(3 613 439)	(543 403 292)	302 431 892	-	692 995 971	(455 654 609)	(74 218 589)	-	1 908 084	-	(449 313 133)	692 995 971
Under construction	2 846 467 184,48	-	(3 613 439)	(13 874 639)	302 431 892	-	2 857 410 892	(455 654 609)	(74 218 589)	-	1 908 084	-	(449 313 133)	2 437 369 014
Total carried forward	2 088 148 827,45	-	(5 610 622)	(0)	302 431 892	(0)	2 398 661 238	(444 812 612)	(78 355 451)	-	3 100 612	-	(877 820 699)	2 448 800 689

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016

	Opening Balance	Additions	Change in policy/prior year errors	Cost / Revaluation	Transfers	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Accumulated Depreciation Change in policy/prior year errors	Impairment loss/Reversal of Impairment loss	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	2 899 148 827,45	-	(3 610 622)	(0)	302 431 892	(0)	2 899 661 238	(444 812 612)	(78 355 451)	-	3 100 612	-	(877 820 699)	2 448 800 689
Other Assets	3 998 917,82	152 470,00	(644 050)	(2 030)	-	-	3 497 007	(2 008 931)	(172 744)	1 428	2 116 945	-	(1 281 691)	1 840 318
Office Equipment	302 413	100 787,00	(990 669)	(399 222)	-	-	1 473 163	(1 884 224)	(1 042 173)	281 908	1 300 327	-	(613 618)	840 275
Machinery & Equipment	6 823 889,48	-	(238 084)	(0)	-	-	6 413 227	(1 609 393)	(1 045 173)	5 244	4 016 094	-	(2 395 400)	6 057 728
Transport Assets	7 150 950,48	-	(0)	(0)	-	-	4 027 708	(5 482 183)	(103 5 989)	5 244	4 016 094	-	(1 549 129)	3 084 969
Computer Equipment	22 071 630,02	282 357,00	(4 399 739)	(37 158)	-	-	17 616 184	(12 138 120)	(2 858 869)	281 640	8 931 112	-	(5 774 235)	11 841 890
Finance Lease Assets	41 025 983,02	3 329 807,00	-	(41 028 594)	-	-	3 328 957	(80 890 840)	(1 098 840)	40 732 581	-	-	(608 029)	3 740 928
Other Assets	41 026 983,02	3 329 807,00	-	(41 028 594)	-	-	3 328 957	(80 890 840)	(1 098 840)	40 732 581	-	-	(608 029)	3 740 928
Total	3 781 248 181,32	3 894 244,00	(6 221 252)	(41 373 823)	(0)	302 431 892	2 897 066 419	(445 841 612)	(80 142 108)	41 054 222	11 751 924	-	(874 839 374)	2 448 800 689

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX C
AUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2019

	Accumulated Depreciation										
	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposal	& Impairment Loss/Reversal	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	13 041 024	793 328	-	(480 123)	13 354 229	(3 898 628)	(1 904 658)	337 834	-	(5 465 452)	7 886 777
Finance & Admin	39 825 456	2 369 585	-	(111 851)	42 083 189	(11 584 753)	(1 907 819)	63 364	-	(13 428 208)	28 653 981
Waste Management	210 792 342	-	-	(9 796 891)	210 792 342	(84 838 245)	(9 523 475)	-	(681 864)	(75 043 585)	135 748 757
Water	2 027 652 719	-	-	(9 796 891)	2 017 855 829	(443 313 133)	(81 412 922)	3 160 164	(13 638 467)	(535 204 359)	1 482 651 470
Other	692 965 921	-	155 085 137	(187 721)	848 051 058	(895 099)	(1 109 360)	-	-	(1 892 523)	848 051 058
	3 328 957	-	3 141 236	(187 721)	3 141 236	(895 099)	(1 109 360)	111 936	-	(1 892 523)	1 248 714
Total	2 987 606 418	3 162 913	155 085 137	(10 576 586)	3 135 277 883	(524 529 860)	(95 858 234)	3 673 298	(14 320 331)	(631 035 127)	2 504 242 754

ILEMBE DISTRICT MUNICIPALITY - DC29
APPENDIX D
AUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2019

	2018	2018	2018	2019	2019	2019
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
	19 372 632	16 383 161	2 989 471	21 296 272	16 087 120	5 209 152
	136 253 705	288 900 825	(152 647 120)	151 575 487	199 680 046	(48 104 559)
	349 876 934	66 333 591	283 543 343	319 458 111	161 828 437	157 629 675
	41 582 653	27 781 445	13 801 209	64 122 564,47	29 864 954	34 257 611
	160 410 160	31 408 930	119 001 230	105 978 210	31 763 204	74 215 007
	265 462 911	229 717 880	35 745 031	325 453 879	362 063 467	(36 609 588)
Total	962 958 995	660 525 832	302 433 161	987 884 524	801 287 227	186 597 297

