



uPhongolo Local Municipality

**Draft Annual Financial Statements
for the year ended 30 June 2017**

Annual Financial Statements

for

uPhongolo Local Municipality

for the year ended 30 June **2017**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Acting Municipal Manager:	Nxumalo W M
Name of Acting Chief Financial Officer:	Mkhize S F
Contact telephone number:	034 413 1223
Contact e-mail address:	sthembisom@uphongolo.gov.za
Name of contact at provincial treasury:	Ndumo M
Contact telephone number:	034 413 4423
Contact e-mail address:	ndumo.mthokozisi@kzntreasury.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	033 264 7498 / 083 512 8058
Contact e-mail address:	farhaanA@agsa.co.za
Name of contact at National Treasury:	Ayanda Lekopa
Contact telephone number:	012 315 5453
Contact e-mail address:	Ayanda.Lekopa@treasury.gov.za

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

General information

Members of the Council

Nhlabathi B C	Mayor
Mvelase B	Deputy Mayor
Masuku V G	Speaker
Nxumalo K E	Member of the Executive Committee
Buthelezi E N	Member of the Executive Committee
Stokfeer I A	Member of the Executive Committee
Mtungwa N	MPAC Chairperson
Ntshangase P S	Member
Kumalo Z	Member
Simelane F F	Member
Mkhwanazi N J	Member
Mavimbela N T	Member
Ndlangamandla C B	Member
Gumbi B C	Member
Khumalo M P (Posthumus)	Member
Ndlangamandla S V	Member
Nxumalo N E	Member
Nyawo D	Member
Myeni J S	Member
Nkanjabanga D M	Member
Ntshangase S R	Member
Theron J C	Member
Shongwe B R	Member
Sikhosana P R	Member
Masuku M S	Member
Mpanza G H	Member
Buthelezi J W	Member
Thadebe A Z	Member
Mavuso N P	Member
Ntshangase T A	Member

Members of the Audit Committee

Chairperson	Perumal S
Members	Stock A
	Nxumalo L G
	Nxumalo C D

Acting Municipal Manager

E-mail address	mm@uphongolo.gov.za
----------------	--

Acting Director Financial Services

E-mail address	sthembisom@uphongolo.gov.za
----------------	--

Director Corporate Services

E-mail address	musan@uphongolo.gov.za
----------------	--

Director Technical Services

E-mail address	nicholasb@uphongolo.gov.za
----------------	--

Acting Director Community Services

E-mail address	zamak@uphongolo.gov.za
----------------	--

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

General information (continued)

Grading of Local Authority	Grade: 3 Low Capacity
Auditors	Auditor-General Pietermaritzburg
Legal Advisors	Norton Rose Fulbright Mdledle and Associates
Bankers	First National Bank
Registered Office:	uPhongolo Municipality
Physical address:	61 Martin Street uPhongolo 3170
Postal address:	P O Box 191 Pongola 3170
Telephone number:	034 413 1223
Fax number:	034 413 1706
E-mail address:	www.uphongolo.gov.za
Offices:	Traffic Department : 034 413 2497 Ncotshane : 034 316 1530 Belgrade : 034 413 6363

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of 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 were given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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.

The Accounting Officer is of the opinion, based on the information and explanations given by the 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 control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year ended 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 61, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer.

Nxumalo W M
Acting Municipal Manager:

Date: 31 August 2017

uPhongolo Local Municipality

**Annual Financial Statements
for the year ended 30 June 2017**

Municipal Manager's approval of annual financial statements

I, Nxumalo W M, Acting Accounting Officer of the uPhongolo Local Municipality, am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The reports and statements set out on pages 6 to 61 comprise the annual financial statements which have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) as prescribed by the Minister of Finance in terms of General Notice 516 of 2008 and the Accounting Framework as set out in the Accounting Standards Board (ASB) directives read together with directive 3 transitional provisions for low capacity municipalities.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



**Nxumalo W M
Acting Municipal Manager**

Date: 31 August 2017

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2017

Index	Page
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Information	10-13
Accounting Policies	14-28
Notes to the Annual Financial Statements	29-61
Appendix A: Schedule of External Loans	62
Appendix B: Analysis of Property, Plant and Equipment	63-66
Appendix C: Segmental Analysis of Property, Plant and Equipment	67
Appendix D: Segmental Statement of Financial Performance	68
Appendix E: Budget Financial Performance by Vote	69
Appendix F: Unspent Conditional Grants	70
Appendix G: Deviation From Procurement Process	71-76

ABBREVIATIONS

VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PPE	Property Plant and Equipment
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension

uPhongolo Local Municipality

Statement of Financial Position
as at 30 June 2017

	Note	2017 R	Restated 2016 R
ASSETS			
Current assets			
Cash and cash equivalents	2	89,012,950	87,016,765
Trade and other receivables from exchange transactions	5	1,603,862	9,774,199
Trade and other receivables from non-exchange transactions	6	9,455,648	8,778,320
VAT receivable	14	66,800,881	54,003,888
Prepayments	7	11,103,299	13,915,002
		49,260	545,356
Non-current assets			
Non-current receivables from exchange transactions	4	430,183,956	368,230,305
Property, plant and equipment	8	-	-
Intangible assets	9	350,220,998	301,744,853
Investment property	10	262,013	349,507
Heritage assets	11	79,630,000	66,065,000
		70,945	70,945
Total assets		519,196,906	455,247,070
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	12	50,745,924	55,361,443
Consumer deposits	13	37,233,961	32,052,748
Current provisions	15	2,507,818	1,724,477
Current portion of unspent conditional grants and receipts	16	6,008,181	5,896,196
Current portion of long-term borrowings	17	2,537,303	12,045,770
Current portion of finance lease liability	18	-	243,236
		2,458,661	3,399,016
Non-current liabilities			
Non-current portion of long-term borrowings	17	11,981,043	12,175,611
Non-current portion of finance lease liability	18	-	-
Non-current provisions	15	2,664,441	3,745,218
Revenue received in advance		5,578,102	4,948,939
Defined benefit plan obligations	47	623,134	456,134
		3,115,366	3,025,320
Total liabilities		62,726,967	67,537,054
Net assets		456,469,939	387,710,016
NET ASSETS			
Accumulated surplus		456,469,939	387,710,016
Total net assets		456,469,939	387,710,016

uPhongolo Local Municipality

Statement of Financial Performance
for the year ending 30 June 2017

	Note	2017 R	Restated 2016 R
REVENUE			
Revenue from exchange transactions		57,338,803	51,995,465
Service charges	20	44,507,885	40,754,026
Rental of facilities and equipment	21	745,718	709,472
Interest earned - external investments	22	1,292,521	1,615,135
Interest earned - outstanding receivables	23	7,384,951	5,119,151
Licences and permits		1,360,951	1,488,674
Other income from exchange transactions	25	2,046,777	2,309,007
Revenue from non-exchange transactions		202,540,355	185,115,184
Property rates	19	31,402,246	26,832,648
Fines		202,274	258,632
Government grants and subsidies	24	170,935,835	158,023,904
Total revenue		259,879,158	237,110,649
EXPENSES			
Employee related costs	26	70,631,709	64,216,923
Remuneration of councillors	27	8,264,176	7,757,782
Contribution to provisions	28	1,960,434	(492,149)
Debt impairment		10,387,246	9,952,999
Collection costs		201,422	121,214
Depreciation and amortisation expense	29	9,152,295	7,678,900
Repairs and maintenance		4,498,063	6,458,710
Finance costs	30	905,082	(569,913)
Bulk purchases	31	26,191,668	25,370,106
Contracted services	32	24,776,528	20,484,271
Grants and subsidies paid	33	1,663,287	2,450,840
General expenses	34	43,749,898	38,811,525
Total expenses		202,381,808	182,241,208
(Profit)/Loss on disposal of assets	35	119,505	(276,768)
Impairment loss	36	2,182,922	43,062
Fair value gain	37	(13,565,000)	(7,270,000)
Surplus for the period		68,759,923	62,373,147

uPhongolo Local Municipality

Statement of Changes in Net Assets as at 30 June 2017

	Note	Accumulated Surplus R	Total: Net Assets R
Balance at 30 June 2016 as previously reported		387,345,979	387,345,979
Correction of prior period errors		364,037	364,037
Restated balance at 30 June 2016		387,710,016	387,710,016
Surplus for the period		68,759,923	68,759,923
Balance at 30 June 2017		456,469,939	68,759,923

uPhongolo Local Municipality

Cash Flow Statements
as at 30 June 2017

	Note	2017 R	Restated 2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		229,243,600	222,881,626
Sale of goods and services		54,442,847	51,267,055
Grants		161,968,000	159,734,000
Interest income		8,677,472	7,363,970
Other receipts		4,155,281	4,516,601
Payments		(176,028,380)	(171,306,266)
Employee costs		(70,631,709)	(64,216,923)
Councillors allowances		(8,264,176)	(7,757,782)
Suppliers		(94,922,076)	(97,451,004)
Interest paid		(645,395)	570,283
Other payments		(1,565,024)	(2,450,840)
Net cash flows from operating activities	38	53,215,220	51,575,360
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(59,843,373)	(59,920,191)
Decrease in other property, plant and equipment		-	-
Proceeds from disposal of assets		-	309,536
Purchase of intangibles		-	(347,584)
Decrease heritage assets		-	-
Decrease/(Increase) in loans and receivables		-	-
Net cash flows from investing activities		(59,843,373)	(59,958,239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(256,103)	(265,979)
Proceeds from finance lease liability		1,878,902	6,349,585
Repayment of finance lease liability		(3,947,524)	(2,387,865)
Increase in consumer deposits		782,541	1,324,222
Net cash flows from financing activities		(1,542,184)	5,019,963
Net increase / (decrease) in cash and cash equivalents		(8,170,337)	(3,362,916)
Net cash and cash equivalents at beginning of period		9,774,199	13,137,115
Net cash and cash equivalents at end of period	2	1,603,862	9,774,199

uPhongolo Local Municipality

Statement of Financial Position
as at 30 June 2017

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Position					
Assets					
Current assets					
Cash and cash equivalents	19,085,808	(9,306,809)	9,778,999	1,603,862	8,175,137
Trade and other receivables from exchange transactions	43,060,524	(1,222,774)	41,837,750	9,455,648	32,382,102
Trade and other receivables from non-exchange transactions			-	66,800,881	(66,800,881)
VAT receivable	9,546,047	-	9,546,047	11,103,299	(1,557,252)
Prepayments	-	-	-	49,260	(49,260)
Non-current assets					
Non-current receivables from non-exchange transactions	-	-	-	-	-
Property, plant and equipment	370,810,144	4,918,500	375,728,644	350,220,998	25,507,646
Intangible assets	2,008,424	(1,658,917)	349,507	262,013	87,494
Investment property	58,795,000	7,270,000	66,065,000	79,630,000	(13,565,000)
Heritage assets	70,945	-	70,945	70,945	-
Total assets	503,376,892	-	503,376,892	519,196,906	(15,820,014)
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transactions	49,028,774	-	49,028,774	37,233,961	11,794,813
Consumer deposits	452,507		452,507	2,507,818	(2,055,311)
VAT payable	-	-	-	-	-
Current provisions	-	-	-	6,008,181	-
Current portion of unspent conditional grants and receipts	-	-	-	2,537,303	(2,537,303)
Current portion of long-term borrowings	4,253,434	-	4,253,434	-	4,253,434
Current portion of finance lease liability	-	-	-	2,458,661	(2,458,661)
Non-current liabilities					
Non-current portion of long-term borrowings	4,479,496	-	4,479,496	-	4,479,496
Non-current portion of finance lease liability	-	-	-	2,664,441	(2,664,441)
Non-current provisions	7,313,077		7,313,077	5,578,102	1,734,975
Defined benefit plan obligations	-	-	-	3,115,366	(3,115,366)
Payment received in advance	-	-	-	623,134	(623,134)
Total liabilities	65,527,288	-	65,527,288	62,726,967	8,808,502
Net assets	437,849,604	-	437,849,604	456,469,939	(24,628,516)
NET ASSETS					
Accumulated surplus	437,849,604	-	437,849,604	456,469,939	(24,628,516)
Total net assets	437,849,604	-	437,849,604	456,469,939	(24,628,516)

uPhongolo Local Municipality

Statement of Financial Performance
as at 30 June 2017

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	45,412,261	(2,932,932)	42,479,329	44,507,885	(2,028,556)
Rental of facilities and equipment	674,320	-	674,320	745,718	(71,398)
Interest earned - external investments	1,968,356	(448,356)	1,520,000	1,292,521	227,479
Interest earned - outstanding receivables	5,458,014	962,406	6,420,420	7,384,951	(964,531)
Licences and permits	1,610,530	(188,725)	1,421,805	1,360,951	60,854
Other income from exchange transactions	1,846,860	(83,127)	1,763,733	2,046,777	(283,044)
Total revenue from exchange transactions	56,970,341	(2,690,734)	54,279,607	57,338,803	(3,059,196)
Revenue from non-exchange transactions					
Property rates	26,161,735	5,405,830	31,567,565	31,402,246	165,319
Fines	441,292	-	441,292	202,274	239,018
Government grants and subsidies	170,966,000	3,251,552	174,217,552	170,935,835	3,281,717
Public contributions and donations	-	-	-	-	-
Total revenue from non-exchange transactions	197,569,027	8,657,382	206,226,409	202,540,355	3,686,054
Total revenue	254,539,368	5,966,648	260,506,016	259,879,158	626,858
Expenses					
Employee related costs	66,760,144	3,115,376	69,875,520	70,631,709	(756,189)
Remuneration of councillors	8,276,502	129,830	8,406,332	8,264,176	142,156
Debt impairment	10,084,396	-	10,084,396	10,387,246	(302,850)
Collection costs	-	-	-	201,422	(201,422)
Depreciation and amortisation expense	8,802,762	-	8,802,762	9,152,295	(349,533)
Repairs and maintenance	11,797,959	-	11,797,959	4,498,063	7,299,896
Finance costs	1,105,577	1,000,000	2,105,577	905,082	1,200,495
Bulk purchases	27,021,125	-	27,021,125	26,191,668	829,457
Contracted services	17,109,059	6,557,628	23,666,687	24,776,528	(1,109,841)
Grants and subsidies paid	4,947,964	-	4,947,964	1,663,287	3,284,677
General expenses	40,843,668	1,514,424	42,358,092	45,710,332	(3,352,240)
Total expenses	196,749,156	12,317,258	209,066,414	202,381,808	6,684,606
(Gain)/Loss on disposal of assets	-	-	-	119,505	(119,505)
Impairment loss	-	-	-	2,182,922	(2,182,922)
Gain on fair value adjustment	-	-	-	(13,565,000)	13,565,000
Surplus / (deficit) for the period	57,790,212	(6,350,610)	51,439,602	68,759,923	(17,320,321)

uPhongolo Local Municipality

Cash Flow Statement
as at 30 June 2017

Statement of Comparison of Budget and Actual Information

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Cash Flow Statement					
Receipts					
Taxation	-	-	-	-	-
Sales of goods and services	55,309,306	-	55,309,306	54,442,847	866,459
Grants	170,966,000	(6,444,000)	164,522,000	161,968,000	2,554,000
Interest received	7,384,570	555,850	7,940,420	8,677,472	(737,052)
Other receipts	4,547,264	-	4,547,264	4,155,281	-
Payments					
Employee costs	(148,553,881)	(11,376,000)	(159,929,881)	(78,555,611)	(81,374,270)
Suppliers	-	-	-	(95,262,350)	95,262,350
Interest paid	(1,105,577)	-	(1,105,577)	(645,395)	(460,182)
Other payments	(4,947,962)	-	(4,947,962)	(1,565,024)	(3,382,938)
Net cash flows from operating activities	83,599,720	(17,264,150)	66,335,570	53,215,220	12,728,367
Cash Flows From Investing Activities					
Purchase of fixed assets (PPE)	(74,658,000)	(2,673,183)	(77,331,183)	(59,843,373)	(17,487,810)
Proceeds from sale of fixed assets	-	-	-	-	-
Proceeds from sale of investments	-	-	-	-	-
Decrease in heritage assets	-	-	-	-	-
Decrease/(Increase) in Loans and receivable Movement	-	-	-	-	-
Net cash flows from investing activities	(74,658,000)	(2,673,183)	(77,331,183)	(59,843,373)	(17,487,810)
Cash Flows From Financing Activities					
Proceeds from borrowings	3,050,000	11,950,000	15,000,000	-	15,000,000
Repayment of borrowings	(3,470,307)	(529,639)	(3,999,946)	(256,103)	(3,743,843)
Proceeds from finance lease liability	-	-	-	1,878,902	(1,878,902)
Repayment of finance lease liability	-	-	-	(3,947,524)	3,947,524
Increase in consumer deposits	-	-	-	782,541	(782,541)
Net cash flows from financing activities	(420,307)	11,420,361	11,000,054	(1,542,184)	12,542,238
Net increase / (decrease) in cash and cash equivalents	8,521,413	(8,516,972)	4,441	(8,170,337)	8,174,778
Net cash and cash equivalents at beginning of period	10,564,095	(789,896)	9,774,199	9,774,199	-
Net cash and cash equivalents at end of period	19,085,508	(9,306,868)	9,778,640	1,603,862	8,174,778

uPhongolo Local Municipality Statement of Comparison of Budget and Actual Information as at 30 June 2017

	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Re-audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Financial Performance															
Property rates	26 161,735	5,405,830	31,567,565			31,567,565	31,402,246		165,319	99%	120%				
Service charges	45,412,261	(2,932,932)	42,479,329			42,479,329	44,507,885		(2,028,556)	105%	98%				
Transfers recognised - operational	170,966,000	3,251,552	174,217,552			174,217,552	170,935,835		3,281,717	98%	100%				
Other own revenue	11,999,372	242,198	12,241,570			12,241,570	13,033,192		(791,622)	106%	109%				
Total Revenue (excluding capital transfers and contributions)	254,539,368	5,966,648	260,506,016			260,506,016	259,879,158		626,858	100%	102%				
Employee costs	66,750,144	3,115,376	69,875,520			69,875,520	70,631,709		(756,189)	101%	106%				
Remuneration of councillors	8,276,502	129,830	8,406,332			8,406,332	8,284,178		142,156	98%	100%				
Debt impairment	10,084,396	-	10,084,396			10,084,396	10,387,246		(302,850)	103%	103%				
Depreciation & asset impairment	8,802,762	-	8,802,762			8,802,762	9,905,082		(1,092,320)	129%	129%				
Finance charges	1,105,577	1,000,000	2,105,577			2,105,577	30,689,731		1,200,495	43%	82%				
Materials and bulk purchases	38,819,084	-	38,819,084			38,819,084	1,663,287		3,294,677	79%	79%				
Transfers and grants	4,947,964	-	4,947,964			4,947,964	70,807,787		(4,783,008)	107%	122%				
Other expenditure	57,952,727	8,072,052	66,024,779			66,024,779	204,684,235		4,382,179	96%	104%				
Total Expenditure	196,748,156	12,317,258	209,065,414			209,065,414	59,843,373		26,152,362	70%	89%				
Surplus/(Deficit)	67,408,000	18,587,735	85,995,735			85,995,735	115,038,296		22,397,041	84%	92%				
Transfers recognised - capital & contributed assets	-	-	-			-	-		-	0%	0%				
Surplus/(Deficit) after capital transfers & contributions	125,198,212	12,237,125	137,435,337			137,435,337	115,038,296		22,397,041	84%	92%				
Share of surplus/(deficit) of associate	-	-	-			-	-		-	0%	0%				
Surplus/(Deficit) for the year	125,198,212	12,237,125	137,435,337			137,435,337	115,038,296		22,397,041	84%	92%				
Capital expenditure & funds sources															
Capital expenditure	67,408,000	18,587,735	85,995,735			85,995,735	59,843,373		26,152,362	70%	89%				
Transfers recognised - capital	50,640,000	17,834,552	68,474,552			68,474,552	56,309,353		12,165,199	82%	111%				
Public contributions & donations	10,800,000	4,200,000	15,000,000			15,000,000	1,377,886		13,622,114	9%	0%				
Borrowing	5,968,000	-	5,968,000			5,968,000	2,156,134		3,811,866	13%	36%				
Internally generated funds	67,408,000	18,587,735	85,995,735			85,995,735	59,843,373		26,152,362	70%	89%				
Total sources of capital funds	67,408,000	18,587,735	85,995,735			85,995,735	59,843,373		26,152,362	70%	89%				
Cash flows															
Net cash from (used) operating	83,599,720	(17,264,150)	66,335,570			66,335,570	53,215,220		13,120,350	80%	64%				
Net cash from (used) investing	(74,658,000)	(2,673,183)	(77,331,183)			(77,331,183)	(59,843,373)		(17,487,810)	77%	80%				
Net cash from (used) financing	(420,307)	11,420,361	11,000,054			11,000,054	(1,542,184)		12,542,238	-14%	367%				
Net increase/(decrease) in cash and cash equivalents	8,521,413	(8,516,972)	4,441			4,441	(8,170,337)		8,174,778	-183975%	-95%				
Cash/cash equivalents at the beginning of year	10,564,095	(789,896)	9,774,199			9,774,199	9,774,199		-	100%	95%				
Cash/cash equivalents at the year end	19,085,508	(9,306,868)	9,778,640			9,778,640	1,603,862		8,174,778	16%	8%				

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1 Accounting Policies

1.1 Basis of Accounting

Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

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.

Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

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.

1.2 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Post-retirement benefits

The entity provides post-employment benefits for its officials. These benefits are provided as defined contribution plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined 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 medical obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are 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 medical liability.

Retirement funds

The municipality contributes towards retirement benefits of its employees to the under-mentioned pension funds:

- Natal Joint Municipal Pension Fund
- Government Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors do not contribute to any pension fund.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post employment medical care benefits

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment. Post employment medical care benefits are accounted for in accordance with GRAP 25.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flow based on past recovery trends discounted at the effective interest rate computed at initial recognition.

Impairment of non-financial assets

Recognition

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

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

Where the asset is a non-cash generating asset the recoverable amount is determined as the higher of the value in use and fair value less cost to sell.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

Reversal of impairment

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Impairment of non-financial assets

Property, plant and equipment

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.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Intangible assets

The entity 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 performed at each reporting date. 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.

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.

Investment property held at cost

The entity 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 Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Heritage assets

Where the carrying amount of an item of heritage 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.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Provisions

A constructive obligation to restructure arises only when an entity:

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

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

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation of the amount or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the

Contingent assets are not recognised.

Comparative

Budget information in accordance with GRAP 1 and 24, has been provided in an appendix D & E to these financial statements and forms part of the audited annual financial statements.

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.

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:

GRAP 20 - Related Party Disclosures

Compliance with this standard would have had an effect of the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not

GRAP 32 - Service Concession Arrangements

The objective of this Standard is to prescribe accounting requirements for service concession arrangements by the grantor, the public service entity.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 108 - Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

GRAP 109 - Accounting by Principal and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is a party to the principal-agent arrangement, or whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The effective date of the standard is for years beginning on or after 1 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has not yet formulated an accounting policy for this reporting period based on the standard.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June

IGRAP 17 - Service Concession Arrangements where a grantor controls a significant residual interest in an asset.

The standard requires the grantor to recognise a service concession asset provided by the operator and an upgrade to an existing asset of the grantor if:

- the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

If one or both of these criteria are not met the grantor needs to determine whether the arrangement constitutes a lease. If the arrangement does not constitute a finance lease or operating lease the grantor shall consider the principles for the presentation of financial information relating to accounting for revenue and expenses incurred in terms of the arrangement.

1.3 Property, Plant and Equipment

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 when:

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

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.

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.

Assets under construction are recognised as the assets are being constructed. Work in progress is stated at cost and is not depreciated. Upon completion of the construction the assets, other than electricity assets which are transferred to Eskom, are transferred to property, plant and equipment. Depreciation of constructed assets commences when the assets are ready for their intended use.

Initial measurement

Items of property, plant and equipment are initially measured at cost at the acquisition date.

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.

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

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

Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Subsequent measurement

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.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Details	Years
Infrastructure	
Roads and Paving	20 years
Electricity	20-30 years
Courseway bridges	5 years
Community	
Buildings	30 years
Halls	30 years
Libraries	30 years
Heritage assets	
Paintings and artifacts	0 years
Finance lease assets	
Machinery and equipment	5 years
Motor vehicles	5 years
Other	
Land	Indefinite
Buildings	30 years
Specialised vehicles	5 years
Other vehicles	5 years
Office equipment	1-5 years
Furniture and fittings	1-5 years
Computer equipment	3 years
Plant and equipment	5 years
Landfill sites	0 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number 1.2

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.

1.4 Heritage assets

Initial recognition

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

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Initial measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

Refer to accounting policy number 1.2

Derecognition

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.5 Intangible assets

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;
- the municipality has the ability to measure reliably the expenditure during development.

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.

Subsequent measurement

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.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Assignment:

Amortisation

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 3 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.

Impairment

Refer to accounting policy number 1.2

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.

1.6 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The assumptions for determining the fair value of the Investment property is set out in note 10 of the Financial Statements.

Derecognition

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.7 Financial Instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

Investment at amortised costs

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investment at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Investment at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade payables and borrowings

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1.8 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.9 Irregular expenditure

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

1.10 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11 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:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating ;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(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.



uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1.12 Budget information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.13 Leases

Operating lease - Municipality as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Operating lease - Municipality as lessor

Recognition

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.14 Revenue

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity 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.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

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 arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

Measurement

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. The income is recognised in terms of the agency agreement.

Expenditure from exchange transactions

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

Revenue from non-exchange transactions

Recognition

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is due to the Municipality, it is recognised as interest earned in the Statements of Financial Performance.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Expenditure from non-exchange transactions

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.16 Borrowing costs

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 on assets are recognised as an expense in the statement of financial performance when incurred.

1.17 Long service awards

Provision for long service awards represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employees' services provided up to Statement of Financial Position date.

1.18 Retirement benefits

Short-term employee benefits

Short term employee benefits encompass all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.19 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2016 to 30 June 2017.

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

1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local 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.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2017

1.21 Commitments

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods, e.g. A contract for construction of infrastructure assets. In these events, the municipality has a commitment to future transactions that will normally result in the outflow of cash.

Commitments are not recognised in the Statement of Financial Position as a liability, but are disclosed in the annual financial statements provided:

- they are non-cancellable or only cancellable at significant cost; and
- they relate to something other than the routine, steady, state business of the municipality.

1.22 Landfill restoration

The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 18 years. It is expected that the cost to rehabilitate the landfill site will amount to R14,384 million at the end of 6 years. The landfill site rehabilitation provision is created for the rehabilitation of the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the site discounted back to the reporting date at the cost of capital, which is 6.4%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful life and makes assumptions as to the useful life of the assets, which influence the provision for future costs.

1.23 Value added tax

The Value-Added Tax is accounted for on an accrual basis in the financial statements. However, the municipality accounts for Value Added Tax to the South African Revenue on the payment basis.

1.24 Taxation

The uPhongolo Local Municipality is exempted from tax in terms of Section 10(1)(c)(i)(ff) of the Income Tax Act.

1.25 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	2017 R	2016 R
2 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Cash on hand	1,615	2,544
Cash at bank	896,427	941,174
Call deposits	705,820	8,830,481
Closing balance cash and cash equivalents	1,603,862	9,774,199

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank Limited - uPhongolo Branch: Account No. 62027530858	896,427	941,174
---	---------	---------

Cash book balance at end of year	896,427	941,174
---	----------------	----------------

Bank statement balance at end of year	896,427	941,174
--	----------------	----------------

Call Accounts

First National Bank Limited - uPhongolo Branch: Account No. 62375357186	-	3,934
First National Bank Limited - uPhongolo Branch: Account No. 62375342377	4	15,048
First National Bank Limited - uPhongolo Branch: Account No. 62377992104	5	6,553
First National Bank Limited - uPhongolo Branch: Account No. 62380902017	3,371	19,675
First National Bank Limited - uPhongolo Branch: Account No. 62389553085	5	297,130
First National Bank Limited - uPhongolo Branch: Account No. 62389564024	9	939,336
First National Bank Limited - uPhongolo Branch: Account No. 62389585286	9	1,715,108
First National Bank Limited - uPhongolo Branch: Account No. 62389586507	7,458	299,940
Standard Bank Limited - Newcastle Branch: Account No. 068686234-003	1,348	1,348
First National Bank Limited - uPhongolo Branch: Account No. 62404561377	219	12,497
First National Bank Limited - uPhongolo Branch: Account No. 62404287345	80	19,354
First National Bank Limited - uPhongolo Branch: Account No. 62417482289	-	1,233
First National Bank Limited - uPhongolo Branch: Account No. 62417484235	-	1,615
First National Bank Limited - uPhongolo Branch: Account No. 62417486190	167,891	15,609
First National Bank Limited - uPhongolo Branch: Account No. 62305239718	490,490	329,929
First National Bank Limited - uPhongolo Branch: Account No. 74275780911	32,745	25,872
First National Bank Limited - uPhongolo Branch: Account No. 62596797559	394	5,040,268
First National Bank Limited - uPhongolo Branch: Account No. 62253771896	298	19,567
First National Bank Limited - uPhongolo Branch: Account No. 62230436405	1,494	66,465
Standard Bank Limited - Vryheid Branch: Account No. 068686234-002	-	-
Nedbank Limited - uPhongolo Branch: Account No. 3/7165014950/000003	-	-
Cash book balance at end of year	705,820	8,830,481

3 Cash and Cash Equivalents

Bank statement balance at beginning of year	8,830,481	8,403,058
--	------------------	------------------

Bank statement balance at end of year	705,820	8,830,481
--	----------------	------------------

Cash on hand

Cash balances	1,615	2,544
----------------------	--------------	--------------

Total cash and cash equivalents	1,603,862	9,774,199
--	------------------	------------------

Call investments amounting to R705 820 (2016: R8 830 481) have been ring-fenced for the purposes of defraying capital expenditure financed with conditional grants as set out in Note 16.

4 Non-current Receivables

KZN Department of Human Settlement (Housing Scheme)	3,262,978	3,262,978
Receivables in respect of properties sold	128,551	240,638
	3,391,529	3,503,616
Less: Provision for impairment	(3,391,529)	(3,503,616)
Total	-	-

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

2017
R

2016
R

The Municipality bridge-financed the Ncotshane Housing Project in 2006 with an amount of R3,2 million after the KZN Department of Human Settlement had withheld funding due to expenditure not commensurate with the work executed. As some structures were incomplete, the Council resolved to complete the project in order to avoid wasteful expenditure. Negotiations with the Department of Human Settlement have commenced to recover the debt, however, it has been considered prudent to impair the debt as the recovery thereof is not assured beyond reasonable doubt.

Properties were sold to certain residents of Ncotshane Township prior to 1994, however, according to the Deeds Office the properties are not registered in the names of the buyers. Further delays are due to the fact that some of the properties are occupied by families who are not the rightful owners or the rightful owners are deceased and the beneficiaries are unknown.

5 Trade and other receivables for exchange transactions	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Trade receivables as at 30 June 2017			
Service debtors			
Electricity	8,209,121	(1,800,915)	6,408,206
Refuse	69,719,912	(67,172,840)	2,547,072
Total	77,929,033	(68,973,755)	8,955,278
Other receivables	1,938,533	(1,438,163)	500,370
Other receivables	1,938,533	(1,438,163)	500,370
Total Trade and other receivables	79,867,566	(70,411,918)	9,455,648
Trade receivables as at 30 June 2016			
Service debtors			
Electricity	6,949,009	(1,406,727)	5,542,282
Refuse	59,927,498	(57,234,131)	2,693,367
Total	66,876,507	(58,640,858)	8,235,649
Other trade receivables	1,944,102	(1,401,431)	542,671
Other receivables	1,944,102	(1,401,431)	542,671
Total Trade and other receivables	68,820,609	(60,042,289)	8,778,320
Electricity: Ageing			
Current (0 – 30 days)		3,084,544	4,109,504
31 - 60 Days		1,315,574	1,332,214
61 - 90 Days		288,435	605,501
91 - 120 Days		172,207	122,563
121 - 365 Days		695,495	469,970
+ 365 Days		1,092,084	890,537
Total		6,648,339	7,530,289
Refuse: Ageing			
Current (0 – 30 days)		889,147	845,817
31 - 60 Days		723,594	720,302
61 - 90 Days		654,414	630,460
91 - 120 Days		641,917	615,331
121 - 365 Days		5,446,788	5,034,782
+ 365 Days		61,361,615	52,311,816
Total		69,717,475	60,158,508
Rental: Ageing			
Current (0 – 30 days)		53,884	56,046
31 - 60 Days		26,288	23,836
61 - 90 Days		34,618	23,437
91 - 120 Days		12,802	21,470
121 - 365 Days		148,275	212,155
+ 365 Days		710,026	655,657
Total		985,893	992,601
Other: Ageing			
Current (0 – 30 days)		5,474	23,077

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	2017 R	2016 R
31 - 60 Days	2,805	9,001
61 - 90 Days	996	1,408,120
91 - 120 Days	905	764
121 - 365 Days	16,620	640
+ 365 Days	264,861	172,976
Total	291,661	1,614,578

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial R	National and Provincial Government R
as at 30 June 2017			
Current (0 – 30 days)	2,032,293	3,144,875	916,149
31 - 60 Days	1,358,926	1,271,924	1,888,670
61 - 90 Days	1,047,671	281,535	629,758
91 - 120 Days	998,911	175,384	594,821
121 - 365 Days	7,556,060	1,255,622	3,086,900
+ 365 Days	88,421,787	3,792,529	13,362,273
Sub-total	101,415,648	9,921,869	20,478,571
Less: Provision for doubtful debts	(66,145,306)	(3,571,187)	-
Total debtors by customer classification	35,270,342	6,350,682	20,478,571
as at 30 June 2016			
Current (0 – 30 days)	1,992,942	2,883,293	873,491
31 - 60 Days	1,277,945	1,360,930	500,779
61 - 90 Days	1,235,638	1,598,892	586,188
91 - 120 Days	972,457	142,387	304,896
121 - 365 Days	6,945,401	878,147	1,955,813
+ 365 Days	75,115,776	3,130,063	6,567,859
Sub-total	87,540,159	9,993,712	10,789,026
Less: Provision for doubtful debts	(54,657,187)	(1,521,290)	-
Total debtors by customer classification	32,882,972	8,472,422	10,789,026

	Other R	Total R
as at 30 June 2017		
Current (0 – 30 days)	594,259	6,687,576
31 - 60 Days	396,871	4,916,391
61 - 90 Days	321,068	2,280,032
91 - 120 Days	310,718	2,079,834
121 - 365 Days	2,002,525	13,901,107
+ 365 Days	8,863,145	114,439,734
Sub-total	12,488,586	144,304,674
Less: Provision for doubtful debts	(713,042)	(70,429,535)
Total debtors by customer classification	11,775,544	73,875,139
as at 30 June 2016		
Current (0 – 30 days)	621,565	6,371,291
31 - 60 Days	378,158	3,517,812
61 - 90 Days	337,859	3,758,577
91 - 120 Days	316,574	1,736,314
121 - 365 Days	2,036,169	11,815,530
+ 365 Days	11,570,699	96,384,397
Sub-total	15,261,024	123,583,921
Less: Provision for doubtful debts	(3,863,812)	(60,042,289)
Total debtors by customer classification	11,397,212	63,541,632

Reconciliation of the doubtful debt provision

Balance at beginning of the year	60,042,289	50,521,750
Change in estimate	-	-
Contributions to provision	10,387,245	9,520,539
Balance at end of year	70,429,534	60,042,289

Trade and other receivables impaired

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

2017
R

2016
R

As of 30 June 2017, trade and other receivables of R69 873 322 (2016: R60 042 289) were impaired and provided for. The amount of the provision was R69 873 322 (2016: R60 042 289).

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

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. For the year under review no amounts were written off as uncollectible. The amounts are generally written off when there is no reasonable expectation of recovery.

6 Trade and other receivables for non-exchange transactions

Trade receivables - Property Rates	66,321,342	53,440,647
Outstanding deposit	277,265	307,305
Traffic fines	202,274	255,936
Total	66,800,881	54,003,888

<u>Trade receivables - Property Rates</u>	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
as at 30 June 2017			
Property Rates	66,321,342	-	66,321,342
	66,321,342	-	66,321,342

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
as at 30 June 2016			
Property Rates	53,440,647	-	53,440,647
	53,440,647	-	53,440,647

Property Rates: Ageing

Current (0 – 30 days)	2,654,528	2,371,923
31 - 60 Days	2,848,129	1,419,699
61 - 90 Days	1,301,569	1,091,060
91 - 120 Days	1,252,003	976,186
121 - 365 Days	7,592,402	6,076,675
+ 365 Days	50,655,732	42,008,451
Total	-	66,304,363
		53,943,994

Property rates are not considered in the computation of debt impairment since they are collectable in terms of the Property Rates Act and the relevant property serves as security for non-payment.

7 Prepayments

Prepaid subscriptions - SALGA	-	-
Deposit for computers purchased		30,126
Microsoft licences		491,131
Fuel deposit		12,800
Other	49,261	11,299
	49,260	545,356

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

8 Property, plant and equipment

Reconciliation of Carrying Value - 2017

	Land	Buildings	Infrastructure	Buildings- AUC	Electricity- AUC	Roads- AUC	Other Assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2016	65,541,478	19,022,555	73,332,772	28,397,986	47,112,672	53,142,880	15,194,510	301,744,853
Cost	65,541,478	27,699,663	96,769,793	28,397,986	47,112,672	53,142,880	24,104,810	342,769,282
Accumulated depreciation and impairment losses	-	(8,677,108)	(23,437,021)	-	-	-	(8,910,300)	(41,024,429)
Reclassification:								
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions								
Work in progress acquisitions	-	-	250,000	-	-	-	1,906,134	2,156,134
Capital under construction released	-	-	-	9,486,152	18,037,369	30,163,718	-	57,687,239
Depreciation	-	5,967,372	38,305,364	-	-	(44,310,939)	38,203	-
Impairment loss/Reversal of impairment loss	-	(1,154,144)	(5,242,171)	-	-	-	(2,668,486)	(9,064,801)
Carrying value of disposals	-	(51,600)	(2,087,422)	-	-	-	(43,900)	(2,182,922)
Cost	-	-	(23,539)	-	-	-	(95,966)	(119,505)
Accumulated depreciation and impairment losses	-	-	(29,500)	-	-	-	(391,831)	(421,331)
	-	-	5,961	-	-	-	295,865	301,826
as at 30 June 2017	65,541,478	23,784,183	104,535,004	37,884,138	65,150,041	38,995,659	14,330,495	350,220,998
Cost	65,541,478	33,667,035	135,295,657	37,884,138	65,150,041	38,995,659	25,657,316	402,191,324
Accumulated depreciation and impairment losses	-	(9,882,852)	(30,760,653)	-	-	-	(11,326,821)	(51,970,326)

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

8 (Restated) Property, plant and equipment

Reconciliation of Carrying Value - 2016

as at 1 July 2015

	Land	Buildings	Infrastructure	Buildings- AUC	Electricity- AUC	Roads- AUC	Other Assets	Total
	R	R	R	R	R	R	R	R
Cost	65,541,478	14,730,212	75,722,498	12,456,125	29,570,748	41,200,300	10,226,201	249,447,562
Accumulated depreciation and impairment losses	65,541,478	22,419,881	94,662,990	12,456,125	29,570,748	41,200,300	17,075,323	282,926,845
	-	(7,689,669)	(18,940,492)	-	-	-	(6,849,122)	(33,479,283)

Reclassification:

Cost	-	(304,976)	976,156	-	-	(671,196)	16	-
Accumulated depreciation and impairment losses	-	(304,976)	976,164	-	-	(671,196)	8	-
	-	-	(8)	-	-	-	8	-

Acquisitions

Capital under construction released	-	166,802	1,130,639	15,941,861	17,541,924	18,049,136	7,103,131	59,939,493
-------------------------------------	---	---------	-----------	------------	------------	------------	-----------	------------

Depreciation

	-	5,417,956	-	-	-	(5,435,360)	17,404	-
--	---	-----------	---	---	---	-------------	--------	---

Impairment loss/Reversal of impairment loss

	-	(951,170)	(4,489,728)	-	-	-	(2,125,474)	(7,566,372)
--	---	-----------	-------------	---	---	---	-------------	-------------

Carrying value of disposals

Cost	-	(36,269)	(6,793)	-	-	-	-	(43,062)
------	---	----------	---------	---	---	---	---	----------

Accumulated depreciation and impairment losses

	-	-	-	-	-	-	(32,768)	(32,768)
	-	-	-	-	-	-	(97,056)	(97,056)
	-	-	-	-	-	-	64,288	64,288

as at 30 June 2016

Cost	65,541,478	19,022,555	73,332,772	28,397,986	47,112,672	53,142,880	15,194,510	301,744,853
Accumulated depreciation and impairment losses	65,541,478	27,699,663	96,769,793	28,397,986	47,112,672	53,142,880	24,104,810	342,769,282
	-	(8,677,108)	(23,437,021)	-	-	-	(8,910,300)	(41,024,429)

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2016 R
8 Property, plant and equipment (Continued)		
Property, plant and equipment pledged as security		
Plant and Machinery		

Certain plant and machinery with a carrying amount of R 5 801 791 are pledged as security for the loan amounting to R5 123 102 as disclosed in note 18.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

9 Intangible assets

Reconciliation of carrying value- 2017

	Computer Software R	Other R	Total R
as at 1 July 2016	349,507	-	349,507
Cost	625,367	-	625,367
Accumulated amortisation and impairment losses	(275,860)	-	(275,860)
Additions	-	-	-
Amortisation	(87,494)	-	(87,494)

as at 30 June 2017

Cost	262,013	-	262,013
Accumulated amortisation and impairment losses	625,367	-	625,367
	(363,354)	-	(363,354)

Reconciliation of carrying value- 2016

	Computer Software R	Other R	Total R
as at 1 July 2015	54,178	-	54,178
Cost	277,783	-	277,783
Accumulated amortisation and impairment losses	(223,605)	-	(223,605)
Additions	347,584	-	347,584
Amortisation	(52,255)	-	(52,255)

Carrying value at 30 June 2016

Cost	349,507	-	349,507
Accumulated amortisation and impairment losses	625,367	-	625,367
	(275,860)	-	(275,860)

10 Investment property carried at fair value

Reconciliation of Carrying Value - 2017

	R
as at 1 July 2016	
Fair value	66,065,000
Change in fair value	13,565,000
Carrying value of disposals	
Fair value	-
Carrying value at 30 June 2017	
Fair value	<u>79,630,000</u>

Reconciliation of Carrying Value - 2016

as at 1 July 2015	
Fair value	58,795,000
Change in fair value	7,270,000
Carrying value of disposals	
Fair value	-
Carrying value at 30 June 2016	
Fair value	<u>66,065,000</u>

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Investment property comprises a number of vacant land and commercial properties that are leased to third parties. Each of these leases contain an option of renewal by lessee. No contingent rent is charged.

Method of valuation

Three methods of valuation were used in the assessment of fair value:

- Market Approach - This approach also referred to as the Comparison Approach was applied in the valuation of vacant erven; agricultural property and residential dwellings. This method uses prices and other relevant information generated by market transactions involving identical or comparable properties.

- Cost Approach - This method has been applied in the valuation of specialized, non-market property. This approach applies the basic economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

- Income Approach - This approach also referred to as the Investment Approach has been applied in the valuation of business premises on Erf 214 Ncotshane A. It has also been used with the Market Approach in the valuation of Portion 5 of the Farm Simdlangetsha No. 16956.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
as at 30 June 2017

11 Heritage assets

Reconciliation of carrying value- 2017	Historical Buildings R	Paintings and Artefacts R	Other R	Total R
as at 1 July 2016	-	70,945	-	70,945
Cost	-	70,945	-	70,945
Accumulated impairment losses	-	-	-	-
Acquisitions	-	-	-	-
Carrying value of disposals	-	-	-	-
Cost	-	-	-	-
Accumulated impairment losses	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-
Transfers	-	-	-	-
Under Construction	-	-	-	-
Other movements	-	-	-	-
as at 30 June 2017	-	70,945	-	70,945
Cost	-	70,945	-	70,945
Accumulated impairment losses	-	-	-	-
Reconciliation of carrying value- 2016	Historical Buildings R	Paintings and Artefacts R	Other R	Total R
as at 1 July 2015	-	70,945	-	70,945
Cost	-	70,945	-	70,945
Accumulated impairment losses	-	-	-	-
Acquisitions	-	-	-	-
Carrying value of disposals	-	-	-	-
Cost	-	-	-	-
Accumulated impairment losses	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-
Transfers	-	-	-	-
Under Construction	-	-	-	-
Other movements	-	-	-	-
as at 30 June 2016	-	70,945	-	70,945
Cost	-	70,945	-	70,945
Accumulated impairment losses	-	-	-	-

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
12 Trade and other payables from exchange transactions			
Trade creditors		19,249,686	16,267,308
Payments received in advance		299,187	580,984
Retentions		5,295,466	3,960,391
Staff leave accrual		6,043,081	5,370,188
Payroll deductions		3,845,779	3,646,912
Accrued bonus		1,842,210	1,581,506
Deposits - other		658,552	645,459
Workmens compensation assurance		-	-
Total		37,233,961	32,052,748

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

13 Consumer deposits			
Electricity		2,507,818	1,724,477
Total consumer deposits		2,507,818	1,724,477

No interest is paid on deposits and no guarantees are held in lieu of electricity deposits.

14 Vat Refundable			
VAT refundable		11,103,299	13,915,002
Total VAT refundable		11,103,299	13,915,002

The Value-Added Tax is accounted for on an accrual basis in the financial statements. However, the municipality accounts for Value Added Tax to the South African Revenue on the payment basis.

15 Provisions			
Current provisions			
Current portion of bonus provision		344,042	356,680
Provision for VAT and PAYE liability		5,664,139	5,539,516
Total		6,008,181	5,896,196

The provision is to provide for performance bonuses of the section 56 employees. Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

Sars issued a notice of assessment in respect of the underpayment of VAT and Paye for the period 2008 to 2012 based on the results of its audit finding. The amount of the alleged liability was R6 297 860. The municipality appealed against the finding. During the 2015/16 financial year, Sars conceded that the additional VAT assessment was wrong and was reversed. The objection against the additional PAYE assessment is still

Non-current provisions			
Provision for rehabilitation of landfill sites		4,618,653	4,213,865
Provision for long-service awards		959,449	735,074
Total Non-Current Provisions		5,578,102	4,948,939

Long service benefits

Employees who achieve 20 years service are either granted 20 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 30 years service are either granted 30 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 35 years service are either granted 50 days paid leave (once off) or encashment of leave depending on their preference.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions Service, and may be taken, converted to cash in full or partially or accumulated. The abovementioned leave is only applicable to those employees who achieve the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2017 (2016: 30 June 2016). It has been assumed that the staff turnover rate will be insignificant based on historical data. The provision has not been discounted based on the fact that the interest cost would be insignificant and the fair presentation of the provision would not be materially affected.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

Landfill site

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the future estimated time of closure. The value of the provision is based on the expected future costs to rehabilitate the site discounted back to the reporting date at the annual inflation rate, which was currently 6.4%. The municipality has an obligation to rehabilitate the landfill site. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which the municipality incurs as a result of having used the property during a particular period for landfill purposes.

Rehabilitation costs were calculated based on the following assumptions:

- an annual inflation rate of 6.4%
- discount rate of 6.4%
- the landfill site comprises 5 hectares. The area expected to be rehabilitated: 3 hectares
- the estimated closure date of the landfill site is 2033/34.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	4,213,865	3,764,860
Contributions to provision	404,788	449,005
Balance at the end of year	4,618,653	4,213,865

Provision for long-service awards:

Balance at the beginning of year	735,074	578,651
Contributions to provision	224,375	156,423
Balance at the end of year	959,449	735,074

Total non-current provisions	5,578,102	4,948,939
------------------------------	-----------	-----------

16 Unspent conditional grants and receipts

16.1 Expanded Public Works Programme Grant (EPWP)	-	-
16.2 Financial Management Grant (FMG)	-	-
16.3 Municipal Systems Improvement Grant (MSIG)	-	-
16.4 Municipal Infrastructure Grant (MIG)	492,949	2,471,329
16.5 Integrated national electrification programme Grant (INEP)	1,494	-
16.6 Mass Electrification Programme	-	4,927,890
16.7 Small Town Improvement Grant	7,458	428,222
16.8 Imbube Cultural Village Grant	-	2,232,062
16.9 Sub-rank Facility Grant	3,417	463,792
16.10 Flea Market Grant	-	-
16.11 Sports Facility Grant	-	-
16.12 Sports Facility Maintenance Grant	-	-
16.13 Provincialisation of Libraries Grant	-	-
16.14 Community Library Services Grant	-	-
16.15 ZDM Tourism Grant	-	-
16.16 Thusong Centre Grant	-	-
16.17 Pound Grant	1,000,000	490,490
16.18 Planning and Development Grant	47,621	47,621
16.19 Administration Capacity Building Grant	205,686	205,686
16.20 Synergistic Partnership Grant	123,104	123,104
16.21 Strategic Support Grant	93,848	93,848
16.22 Integrated Electrification Reds Grant	98,000	98,000
16.23 Housing Community Gardens Grant	72,864	72,864
16.24 Tourism Candover Grant	290,862	290,862
16.25 Municipal Development Planning and Capacity Building Grant	100,000	100,000

Total Unspent Conditional Grants and Receipts	2,537,303	12,045,770
---	-----------	------------

Conditional grants funds (16.1 - 16.17) are invested in ring-fenced investments until utilised. Some of these grants were not cash-backed at year end. Conditional grants (16.18 - 16.25) were received prior to 2006 and are not cash-backed. The municipality has contacted Cogta and Provincial Treasury for a directive on how to treat these grants.

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	3,021,000	4,449,000
Conditions met - transferred to revenue	(3,021,000)	(4,449,000)
Conditions still to be met - remain liabilities	-	-

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works programme through the employment of previously unemployed people. The condition of the grant was met and no funds have been withheld.

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1,825,000	1,800,000
Conditions met - transferred to revenue	(1,825,000)	(1,800,000)
Conditions still to be met - remain liabilities	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met and no funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	2,471,329	4,744,289
Current year receipts	42,136,000	27,852,000
Adjustments and transfers	(2,471,329)	-
Conditions met - transferred to revenue	(41,643,051)	(30,124,960)
Conditions still to be met - remain liabilities	492,949	2,471,329

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met. National Treasury disallowed the rollover of unspent funds amounting to R2 471 329.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
Conditions still to be met - remain liabilities	-	-

This grant was used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems. The conditions of the grant were met and no funds have been withheld.

Integrated national electrification programme Grant (INEP)

Balance unspent at beginning of year	-	(14,549,302)
Current year receipts	18,000,000	12,000,000
Adjustments and transfers	-	14,549,302
Conditions met - transferred to revenue	(17,998,506)	(12,000,000)
Conditions still to be met - remain liabilities	1,494	-

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. In the previous years the council approved the funding of this programmed partially from own resources in order to expedite the eradication of electrification backlog. This amount is not recoverable from the Department of Energy, hence the adjustment processed.

Mass Electrification Programme

Balance unspent at beginning of year	4,927,890	-
Current year receipts	-	10,000,000
Conditions met - transferred to revenue	(4,927,890)	(5,072,110)
Conditions still to be met - remain liabilities	-	4,927,890

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. COGTA approved the rollover of unspent funds amounting to R4 927 890. The conditions of the grant were met and no funds were withheld.

Small Town Improvement Grant

Balance unspent at beginning of year	428,222	536,990
Current year receipts	-	-
Conditions met - transferred to revenue	(420,764)	(108,768)
Conditions still to be met - remain liabilities	7,458	428,222

The purpose of this grant was to install street lights and high masts in uPhongolo Town. Other than the unspent amount. COGTA approved the rollover of unspent funds amounting to R428 222. The conditions of the grant were met and no funds were withheld.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Imbube Cultural Village Grant			
Balance unspent at beginning of year		2,633,038	1,063,879
Current year receipts		-	4,500,000
Conditions met - transferred to revenue		(2,633,038)	(2,930,841)
Conditions still to be met - remain liabilities		-	2,633,038

This grant is for the construction of the Imbube Cultural Village to take advantage of the Route 66 as part of investment strategy to boost tourism in uPhongolo. COGTA approved the rollover of unspent funds amounting to R2 633 038. The conditions of the grant were met and no funds were withheld.

Sub-rank Facility Grant

Balance unspent at beginning of year		463,792	1,598,427
Adjustments and transfers		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		(460,385)	(1,134,635)
Conditions still to be met - remain liabilities		3,407	463,792

The purpose of the grant is to construct the sub-rank facility in uPhongolo town. COGTA approved the rollover of unspent funds amounting to R463 792. The conditions of the grant were met and no funds were withheld.

Flea Market Grant

Balance unspent at beginning of year		211,611	703,750
Current year receipts		-	-
Conditions met - transferred to revenue		(211,611)	(492,139)
Conditions still to be met - remain liabilities		-	211,611

This grant was used for the construction of the flea market. Permission was granted by the MEC for Cooperative Governance and Traditional Affairs to utilise the unspent funds for the purpose of acquiring furniture for the Flea Market. COGTA approved the rollover of unspent funds amounting to R211 611. The conditions of the grant were met and no funds were withheld.

Sports Facility Grant

Balance unspent at beginning of year		-	165,863
Current year receipts		167,000	-
Conditions met - transferred to revenue		(167,000)	(165,863)
Conditions still to be met - remain liabilities		-	-

The purpose of the grant is to upgrade the sports facility at Ncotshane Township. Other than the unspent amount, the conditions of the grant have been met and no funds have been withheld.

Provincialisation of Libraries Grant

Balance unspent at beginning of year		-	-
Current year receipts		965,000	973,000
Conditions met - transferred to revenue		(965,000)	(973,000)
Conditions still to be met - remain liabilities		-	-

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of the grant were met and no funds were withheld.

Community Library Services Grant

Balance unspent at beginning of year		-	-
Current year receipts		358,000	340,000
Conditions met - transferred to revenue		(358,000)	(340,000)
Conditions still to be met - remain liabilities		-	-

This grant is used to pay the salary of the library Cyber Cade and subsidise operational costs associated with Libraries. The conditions of the grant were met and no funds were withheld.

Pound Grant

Balance unspent at beginning of year		490,490	490,490
Current year receipts		-	-
Adjustments and transfers		509,510	-
Conditions still to be met - remain liabilities		1,000,000	490,490

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
<i>This grant was provided in order to construct a pound in the uPhongolo Municipal area. COGTA disallowed the rollover of unspent funds amounting to R490 490. The Municipality have been requested to pay back the amount of R509 510 spent in prior years for paying the Pound consultant.</i>			
Planning and Development Grant			
Balance unspent at beginning of year		47,621	47,621
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		47,621	47,621
<i>The purpose of the grant is to assist the municipality with the implementation of development administration capacity building</i>			
Administration Capacity Building Grant			
Balance unspent at beginning of year		205,686	205,686
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		205,686	205,686
<i>The purpose of the grant is to assist the municipality with the implementation of development administration capacity building</i>			
Synergistic Partnership Grant			
Balance unspent at beginning of year		123,104	123,104
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		123,104	123,104
<i>The purpose of the grant is to facilitate the involvement of the Traditional Leaders in the Council meetings.</i>			
Strategic Support Grant			
Balance unspent at beginning of year		93,848	93,848
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		93,848	93,848
<i>The purpose of the grant is to with the implement institutional and governance systems.</i>			
Integrated Electrification Reds Grant			
Balance unspent at beginning of year		98,000	98,000
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		98,000	98,000
<i>The purpose of the grant is to assist with the planning for the implementation of reds.</i>			
Housing Community Gardens Grant			
Balance unspent at beginning of year		72,864	72,864
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		72,864	72,864
<i>The purpose of the grant is to assist the community of uPhongolo with the establishment of gardens</i>			
Tourism Candover Grant			
Balance unspent at beginning of year		290,862	290,862
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		290,862	290,862
<i>The purpose of the grant is to promote tourism in Candover</i>			
Municipal Development Planning and Capacity Building Grant			
Balance unspent at beginning of year		100,000	100,000
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities		100,000	100,000
<i>The purpose of the grant is to assist the municipality with capacity development</i>			

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 2 of 2014), the level of government grant funding is expected to increase by R14 021 million over the forthcoming 3 financial years.

17 Borrowings

Annuity Loans

Non - current borrowings

Current portion transferred to current liabilities

Annuity Loans

Other borrowings

	-	-
	-	-
	-	243,236
	-	243,236
	-	-

Total borrowings

- 243,236

Refer to Appendix A for more detail on borrowings.

The loan with Absa Bank for the acquisition of additional office buildings bears interest at the average effective borrowing rate which varied between 8.25% - 10.5% (2015: 8% - 8.25%). The loan was fully redeemed in April 2017.

18 Finance lease liability

2017

Amounts payable under finance leases

Within one year

Within two to five years

Less: Amount due for settlement within 12 months (current portion)

Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
2,913,750	(437,520)	2,476,230
2,871,434	(224,562)	2,646,872
5,785,184	(662,082)	5,123,102
		(2,458,661)
		2,664,441

2016

Amounts payable under finance leases

Within one year

Within two to five years

Less: Amount due for settlement within 12 months (current portion)

Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
3,947,524	(548,508)	3,399,016
4,093,131	(347,913)	3,745,218
8,040,655	(896,421)	7,144,234
		(3,399,016)
		3,745,218

The instalment sale agreements with Standard Bank for the purchase of property, plant and equipment bear interest at the average effective borrowing rate which varied between 8.35% and 9.75% (2016: 8.35% and 9.75%) per annum. The loans are repayable on a monthly basis and the final is due on 30 June 2021. Obligations under finance leases are secured by the lessor's title to the leased asset with a carrying value of R3 261 292 (2016: R3 261 292). Refer to note 8.

Certain motor vehicles, and plant and machinery with a combined carrying value of R7 715 281 have been pledged as security for the finance lease agreements. Refer to note 8.

19 Property rates

Actual

Residential

Commercial

State

Other

Total property rates

Property rates - penalties imposed and collection charges

Total

7,305,936	6,468,672
8,291,671	7,467,234
10,078,619	7,036,513
5,726,020	5,860,229
31,402,246	26,832,648

31,402,246 26,832,648

Valuations

Residential

Commercial

State

Municipal

Other

Total Property Valuations

690,026,000	690,026,000
467,390,000	467,390,000
331,534,000	331,534,000
86,577,000	86,577,000
1,524,659,600	1,524,659,600
3,100,186,600	3,100,186,600

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
<p>Valuations on land and buildings are performed every five years. The current general valuation was implemented on 1 July 2014 instead of 1 July 2013. The MEC for Cooperative Governance and Traditional Affairs condoned the late implementation. Interim valuations are processed on a annual basis to take into account changes in individual property values due to alterations and subdivisions including new developments.</p> <p>Rebates of R60 000 are granted to residential and 30% state property owners. Rates are levied on a monthly basis on property owners.</p> <p>Rates are levied on a monthly basis for other properties and on an annual basis for government properties with the final date of payment being 31 August 2017 (2016: 31 August). Interest at 10% per annum (2016: 10%) is levied on outstanding rates. No collection charges are levied by the municipality.</p>			
20 Service charges			
Sale of electricity		35,130,129	32,259,269
Refuse removal		9,377,756	8,494,757
Total Service Charges		44,507,885	40,754,026
21 Rental of facilities and equipment			
Rental of facilities		745,718	709,472
Total rentals		745,718	709,472
22 Interest earned - external investments			
Current Account		89,878	124,279
External investments		1,202,643	1,490,856
Total interest		1,292,521	1,615,135
23 Interest earned - outstanding receivables			
Property rates		3,073,676	2,708,062
Services		2,664,038	2,393,281
Other		1,647,237	17,808
Total interest		7,384,951	5,119,151
24 Government grants and subsidies			
Operating grants			
Equitable Share		97,800,000	96,890,000
Expanded Public Works Programme Grant (EPWP)		3,021,000	4,449,000
Financial Management Grant (FMG)		1,825,000	1,800,000
Municipal Systems Improvement Grant (MSIG)		-	930,000
Provincialisation of libraries Grant		965,000	973,000
Community Library Services Grant		358,000	340,000
Sports Facility Maintenance Grant		-	-
Pound Grant		(509,510)	-
ZDM Tourism Grant		-	-
Total operating grants		103,459,490	105,382,000
Capital grants			
Municipal Infrastructure Grant (MIG)		41,269,748	30,124,961
Integrated National Electrification Programme Grant (INEP)		17,998,506	12,000,000
Massification Electricity Programme		4,927,890	5,072,110
Small Town Improvement Grant		420,764	108,768
Flea Market Grant		-	703,750
Sub-Rank Facility Grant		460,375	1,134,635
Imbube Cultural Village Grant		2,232,062	3,331,817
Sports Facility Grant		167,000	165,863
Total capital grants		67,476,345	52,641,904
Total Government Grant and Subsidies		170,935,835	158,023,904
Equitable Share			
Transfers received		97,800,000	96,890,000
Equitable Share		97,800,000	96,890,000

This grant is an unconditional grant and is partially used for the provision of free basic services to indigent community members. Registered indigents receive a rebate of 100% on assessment rates, 50 kwh of electricity (per household) as well as alternative source of energy (green gel).

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
25 Other Income From Exchange Transactions			
Other income			
NPA fees		794,991	853,719
Transport subsidy		487,183	738,491
Sign boards		62,207	59,214
Burial fees		108,607	104,903
Building plans		16,218	42,354
Tender document fees		195,216	183,773
Certificate clearance and validation		21,932	12,621
Dumping fees		9,940	8,514
Electricity connection and reconnection fees		56,321	83,773
Other income		294,162	221,645
Total Other Income		2,046,777	2,309,007

26 Employee Related Costs

Employee related costs - Salaries and Wages	48,572,504	44,062,763
Employee related costs - Contributions for UIF, pensions and medical aids	8,293,477	8,477,615
Travel, motor car, accommodation, subsistence and other allowances	4,019,465	3,318,793
Housing benefits and allowances	408,170	484,468
Overtime payments	2,857,855	2,209,496
Performance and other bonuses	3,605,313	3,297,235
Other employee related costs	1,893,928	1,305,658
Workmens compensation assurance	399,076	494,211
Skills development levy	581,921	566,684
Total	70,631,709	64,216,923

There were no advances to employees. The municipality does not give loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	1,012,234	733,944
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	229,623	-
Contributions to UIF, Medical and Pension Funds	16,909	8,888
Total	1,258,766	742,832

Appointed 1 October 2015.

Remuneration of the Chief Finance Officer

Annual Remuneration	831,097	857,067
Performance- and other bonuses	61,689	-
Travel, motor car, accommodation, subsistence and other allowances	223,196	5,722
Contributions to UIF, Medical and Pension Funds	15,104	12,234
Total	1,131,086	875,023

Remuneration of Technical Services Manager

Annual Remuneration	762,651	71,278
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	222,032	-
Contributions to UIF, Medical and Pension Funds	14,091	868
Total	998,774	72,146

Appointed 1 June 2016.

Remuneration of Community Services Manager

Annual Remuneration	831,097	866,914
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	117,405	19,487
Contributions to UIF, Medical and Pension Funds	11,960	11,860
Total	960,462	898,261

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Remuneration of Corporate Services Manager			
Annual Remuneration		910,657	67,272
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		72,532	-
Contributions to UIF, Medical and Pension Funds		13,582	829
Total		996,771	68,101
Appointed 1 June 2016.			
27 Remuneration of Councillors			
Mayor		453,661	443,351
Deputy Mayor		368,350	359,574
Speaker		367,989	424,239
Executive Committee Members		1,040,363	1,018,909
Councillors		6,033,813	5,439,070
Other allowances		-	72,639
Total Councillors' Remuneration		8,264,176	7,757,782
Councillors' remuneration comprises:			
Councillors' remuneration		5,833,024	5,170,826
Motor vehicle allowance		1,822,457	1,723,610
Cellphone allowance		608,695	660,636
Other allowances		-	202,710
Total Councillors' Remuneration		8,264,176	7,757,782
The municipality has 29 part time councillors. 1 Part time councillor is a chairperson of section 79 committee.			
In-kind Benefits			
The Mayor, Speaker, Deputy Mayor and Executive Committee Members are not full time. The Mayor, Speaker and Dep Mayor are provided with an office and secretarial support at a cost to the Council.			
The Mayor, Speaker and Dep Mayor make use of the Council owned vehicle for official duties. The Mayor and Dep Mayor has 3 contracted bodyguards respectively.			
28 Contribution to provisions			
Contribution to Leave Provision		1,555,846	1,807,473
Contribution to Landfill Provision		404,788	449,005
Contribution to VAT and PAYE Provision - Sars		-	(2,748,627)
Total contribution to provisions		1,960,434	(492,149)
29 Depreciation and amortisation			
Property, plant and equipment		9,064,801	7,563,736
Intangible assets		87,494	115,164
Total Depreciation and Amortisation		9,152,295	7,678,900
30 Finance costs			
Borrowings		578,942	404,066
South African Revenue Service		242,116	(1,374,313)
Suppliers		84,024	399,964
Total Finance Costs		905,082	(569,913)
31 Bulk purchases			
Electricity		26,191,668	25,370,106
Total Bulk Purchases		26,191,668	25,370,106
Electricity distribution losses			
Distribution losses (units)		4,773,668	4,855,083
Percentage electricity distribution losses		16.2%	15.9%

The municipality purchased 29 380 000 units (2016: 30 596 675 units) from Eskom but only sold 24 606 332 (2016: 25 741 592 units) to consumers. This represents a loss of 4 773 668 units equating R4 255 627 (2016: 4 855 083 units equating R4 025 731) translating to a percentage loss of 16.2% (2016: 15.9%).

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
32 Contracted services			
Contracted services for:			
Security services		5,714,207	6,264,102
Financial and ICT systems support		4,579,280	2,394,771
Value-Added Tax services		-	-
Refuse removal and landfill site maintenance		4,811,091	4,678,212
Outsourced electricity services		572,221	546,772
Maintenance of parks and gardens		9,099,729	6,490,629
Total Contracted Services		24,776,528	20,374,486
33 Grants and subsidies paid			
Free basic services to indigents		722,116	1,071,231
Alternative energy for households without electricity		941,171	1,379,609
Total Grants and Subsidies Paid		1,663,287	2,450,840
34 General expenses			
Advertising		312,886	205,193
Audit committee fees		248,231	237,165
Audit fees		1,725,313	1,575,335
Bank charges		184,784	272,821
Cleaning		271,150	289,701
Consulting and professional fees		3,479,680	951,772
Electricity and refuse		616,923	1,277,843
Expanded Public Works Programme		3,712,972	5,868,868
Fuel and oil		1,690,278	1,528,285
Hire of equipment		2,864,125	620,741
Insurance		1,136,846	839,440
Legal expenses		227,176	339,944
Licence fees		741,159	224,950
Postage and courier		4,132	15,934
Printing and stationery		790,980	910,931
Public Participation		3,495,300	3,830,266
Refreshments		324,463	252,550
Rental of office equipment		1,064,229	1,016,445
Security - cash banking		94,697	166,598
Shared services		-	235,610
Subscriptions and membership fees		877,510	836,421
General expenses (Continued)			
Telephone and fax		1,447,657	917,754
Training		1,016,971	1,399,140
Transport		516,309	541,933
Travel and subsistence		7,826,157	6,573,156
Uniforms and overalls		381,921	547,744
Ward Upliftment and LED projects		2,976,926	3,442,519
Water and Sanitation		199,947	539,133
Other		5,521,176	3,353,333
Total General Expenses		43,749,898	38,811,525
35 (Profit)/Loss on disposal of assets			
Property, plant and equipment		119,505	(276,768)
Total Loss on Sale of Assets		119,505	(276,768)
36 Impairment loss			
Property, plant and equipment		2,182,922	43,062
Total Impairment loss		2,182,922	43,062
37 Fair value gain			
Investment property carried at fair value		(13,565,000)	(7,270,000)
Total Profit on Fair Value Adjustment		(13,565,000)	(7,270,000)

The fair value of investment properties was determined by external, independent property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The valuation was performed in line with GRAP 16.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
38 Cash generated by operations			
Surplus for the year		68,759,923	62,373,147
Adjustment for:-			
Depreciation and amortisation		9,152,295	7,678,900
Interest income		(8,677,472)	(6,734,298)
(Gain)/Loss on sale of assets		119,505	-
Contribution to provisions - non-current		1,960,434	(492,149)
Debt impairment		10,387,246	9,952,999
Finance costs		905,082	(569,913)
Fair value adjustments		(13,565,000)	(7,270,000)
Impairment loss		2,182,922	43,062
Non-cash items		-	-
Operating surplus before working capital changes:		71,224,935	64,981,760
Decrease in inventories		-	-
(Decrease)/Increase in exchange receivables		(635,328)	(1,532,777)
(Decrease)/Increase in non-exchange receivables		(12,796,993)	(6,582,531)
(Increase)/Decrease in prepayments		496,096	(40,094)
Increase in exchange payables		(8,668,534)	806,272
Increase in consumer deposits		783,341	1,324,222
Increase / Decrease in VAT refundable		2,811,703	(7,381,492)
Cash generated by operations		53,215,220	51,575,360

39 Cash and cash equivalents

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

Bank balances and cash	1,603,862	9,774,199
Net cash and cash equivalents	1,603,862	9,774,199

There was no bank overdraft outstanding at the end of the financial year.

40 Correction of prior period errors

The comparatives for 2015/16 have been restated in respect of the following errors:

Trade and other receivables from exchange transactions

In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under trade and other receivables from exchange transactions, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2016	9,590,609
Correction of error: Service charges reversed	(812,289)
Restated balance	8,778,320

Trade and other receivables from non-exchange transactions

In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under trade and other receivables from non-exchange transactions, was incorrectly stated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2016	54,521,903
Correction of error: Property rates reversed	(518,515)
Restated balance	54,003,388

Property, plant and equipment

In the previous set of financial statements for the year ended 30 June 2016, the figure indicated under property, plant and equipment, was incorrectly stated. This was corrected and the balance is restated as follows:

The comparative amount has been restated as follows:

Closing balance as at 30 June 2016	306,250,542
Correction of error: Cost	(4,578,326)
Correction of error: Accumulated depreciation	72,638
Restated balance	301,744,854

Trade and other payables from exchange transactions

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30 June 2017

	Note	2017 R	2016 R
After the compilation and submission of the annual financial statements for the year ended 30 June 2016, it became apparent that the trade and other payables from exchange transactions was mistated. This was corrected and the balance is restated as follows:			
Closing balance as at 30 June 2016			37,545,658
Correction of error: Expenditure overstated in previous years			(5,492,910)
Restated balance			32,052,748
Vat receivable			
After the compilation and submission of the annual financial statements for the year ended 30 June 2016, it became apparent that the vat receivable			
Closing balance as at 30 June 2016			13,925,592
Correction of error: Vat receivable overstated in previous years			(10,590)
Restated balance			13,915,002
Unspent conditional grants and receipts			
After the compilation and submission of the annual financial statements for the year ended 30 June 2016, it became apparent that the conditional grants were mistated. This was corrected and the balance is restated as follows:			
Closing balance as at 30 June 2016			12,763,480
Correction of error: Expenditure understated in previous years			(717,710)
Restated balance			12,045,770
Statement of Financial Performance:			
Service charges			
Service charges previously reported			41,423,596
Correction of error: Refuse and electricity income mistated			(669,570)
Effect on financial performance			40,754,026
Interest earned outstanding receivable			
Interest earned outstanding receivable previously reported			5,748,835
Correction of error: Interest earned outstanding receivable incorrectly recognised and now adjusted			(629,684)
Effect on financial performance			5,119,151
Other income from exchange transactions			
Other income previously reported			2,309,007
Correction of error: Other income incorrectly not recognised and now adjusted			500
Effect on financial performance			2,309,507
Property rates			
Property rates previously reported			26,874,788
Correction of error: Property rates incorrectly recognised and now adjusted			(42,140)
Effect on financial performance			26,832,648
Government grants and subsidies			
Government grants and subsidies previously reported			157,308,194
Revenue recognised in respect of Flea market grant reversed			211,611
Revenue recognised in respect of Library community services grant reversed			105,123
Revenue recognised in respect of Imbube cultural village grant reversed			400,976
Effect on financial performance			158,023,904
Employee related cost			
Employee related cost previously reported			65,896,348
Correction of error: employee related cost double captured and now adjusted			(1,679,425)
Effect on financial performance			64,216,923
Depreciation and amortisation			
Depreciation and amortisation previously reported			7,606,150
Correction of error: Depreciation in respect of electricity infrastructure misstated			72,750
Effect on financial performance			7,678,900
Repairs and maintenance:			
Repairs and maintenance previously reported			6,389,942
Correction of error: Repairs and maintenance not accrued in 2015/16			68,768
Effect on financial performance			6,458,710
Finance charges:			
Finance charges previously reported			(570,283)
Correction of error: Interest on Sars provision			370

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Effect on financial performance			(569,913)
Contracted services:			
Contracted services previously reported			20,374,486
Correction of error: Contracted services not accrued in 2015/16			109,785
Effect on financial performance			20,484,271
General expenses:			
General expenses previously reported			38,469,280
Correction of error: General expenses not accrued			342,245
Effect on financial performance			38,811,525

After all corrections of errors and changes in accounting policies are accounted for, the restated accumulated surplus as at 30 June 2016, will be as follows:

Statement of Changes in Net Assets	
Closing balance as at 30 June 2016	387,345,979
Correction of error	364,037
Restated balance 30 June 2016	387,710,016

41 Unauthorised, irregular, fruitless and wasteful Expenditure

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	13,971,143	31,701,905
Unauthorised expenditure current year	-	13,971,143
Prior year corrections	-	-
Condoned or written off by Council	-	(31,701,905)
Unauthorised expenditure awaiting authorisation	13,971,143	13,971,143

The above unauthorised expenditure within the votes is as a result of year-end accounting transactions not budgeted for. This unauthorised expenditure will be tabled in a special adjustment budget when the annual report is tabled accordance with section 23(6) of the Budget and Reporting Regulations. Despite the significant overspending on some of the votes, the total expenditure exceeded the budget by an insignificant amount.

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	342,341	296,167
Fruitless and wasteful expenditure current year	341,630	106,291
Condoned or written off by Council	-	(60,117)
Fruitless and wasteful expenditure awaiting condonement	683,971	342,341

The fruitless and wasteful expenditure incurred during the current has not yet been presented to council. The following incidents occurred in the previous year and have not yet been finalised.

Incident	Disciplinary steps/criminal proceedings
Payment for refuse drums	Handed over to lawyers for collection
Payment for accommodation	Handed over to lawyers for collection
Interest on late payments	Condoned

41.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	25,594,039	55,804,889
Irregular expenditure current year	8,121,519	25,594,039
Condoned or written off by Council	-	(55,804,889)
Irregular expenditure awaiting condonement	33,715,558	25,594,039

Incident	Disciplinary steps/criminal proceedings
Non-adherence to Supply Chain Regulations	None

The councillors referred the irregular expenditure incurred prior to 2016/17 to MPAC for investigation. The irregular expenditure will be submitted to the MEC for Cogta and National Treasury for condonement during 2017/18. The irregular expenditure for the current year has yet to be presented to council.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

42 Supply chain management regulations - Other Matters

Paragraph 13(c)(iii) of Government Gazette No. 27636 issued in May 2005 indicates that a supply chain management policy must state that a municipality may not consider a written quotation or bid unless the provider who submitted a quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Paragraph 45(a), (b) and (c) of Government Gazette No. 27636 issued in May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2,000 to a person who is a spouse, child, parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Awards to employees from other organs of state

Dzeworx Construction - KZN Social Development	-	168,575
Sobethu Mgazi (Pty) Ltd - KZN Education	-	21,800
W W Mgilija (Pty) Ltd - South African Post Office Ltd	-	1,900
Help Africa Companies (Pty) Ltd - Ekurhuleni Metro	-	25,972
P Gerhadus - Mossel Bay Municipality (Imesa)	-	12,500
N E Dlamini - National Public Works & Administration	-	700,979
B E Ngobese - KZN Education	-	232,558
	-	1,164,284

43 Additional disclosures in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	500,000	500,000
Council subscriptions	713,000	-
Amount paid - current	(500,000)	(500,000)
Balance unpaid (included in payables)	713,000	-

Audit fees

Opening balance	-	-
Current year audit fee	1,725,313	1,575,335
Amount paid - current year	(1,703,741)	(1,575,335)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	21,572	-

VAT refundable

VAT refundable is shown in note 14. All VAT returns have been submitted by the due date throughout the year.

The municipality is on the payment basis.

PAYE and UIF

Opening balance	771,879	587,340
Current year payroll deductions	-	8,910,354
Amount paid - current year	-	(9,514,679)
Adjustment- movement	1,387,062	788,864
Balance unpaid (included in payables)	2,158,941	771,879

The balance represents PAYE and UIF deducted from the June 2016 payroll. These amounts were paid during July 2016.

Pension and Medical Aid Deductions

Opening balance	1,054,397	639,810
Current year payroll deductions and Council Contributions	-	5,544,733
Amount paid - current year	-	(5,486,792)
Adjustment- movement	(51,600)	356,646
Balance unpaid (included in payables)	1,002,797	1,054,397

The balance represents pension and medical aid contributions deducted from employees in the June 2017. These amounts were paid during July 2017.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2017

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Cllr N J Mkhwanazi	294	294	-
Cllr B Mvelase	923	923	-
Cllr K E Nxumalo	445	445	-
Cllr A Z Thabede	2,558	2,558	-
Total Councillor Arrear Consumer Accounts	4,220	4,220	-

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2016

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Cllr N J Mkhwanazi	545	545	-
Cllr B Mvelase	145	145	-
Cllr K E Nxumalo	412	412	-
Cllr Z L Nxumalo	130	130	-
Cllr A Z Thabede	2,061	2,061	-
Cllr C N Mavundla	374	374	-
Total Councillor Arrear Consumer Accounts	3,667	3,667	-

44 Capital commitments

Commitments in respect of capital expenditure

Approved and contracted for (Exclusive of VAT)

Infrastructure

Community

Other

30,425,045

21,418,640

8,498,643

15,414,035

21,928,402

6,004,605

-

-

Approved but not yet contracted for (Exclusive of VAT)

Infrastructure

Community

Other

82,450,365

86,129,000

27,026,300

66,000,500

15,875,100

17,796,500

39,548,965

2,332,000

Total

112,875,410

107,547,640

This expenditure will be financed from:

Government Grants

External loans

Own resources

Total source of funds

76,005,350

72,797,844

29,830,000

32,417,796

9,718,965

2,332,000

115,554,315

107,547,640

45 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year

In the second to fifth year inclusive

After five years

Total

209,706

516,356

13,915

223,621

-

-

223,621

739,977

Operating Leases consists of the following:

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Operating leases – as lessor			
Minimum lease payments due			
Within one year		-	-
In second to fifth year inclusive		-	-
After five years		-	-
Total		-	-

Operating Leases consists of the following:

Certain of the municipality's property is held to generate rental income. Rental income recognised from major operating leases has not been accounted for on the straight-line basis over the lease terms because the lease agreements had expired and in the process of being renewed. There are contingent rents receivable.

46 Traffic fines

Fines recoverable at beginning of year	255,936	716,224
Less: Receipts during the year	(233,559)	(231,450)
Fines recoverable raised during the year	22,377	484,774
Less: Impairment	202,274	255,936
Fines recoverable at end of year	(22,377)	(484,774)
	202,274	255,936

The recoverability of traffic fines is uncertain. 15.3% (2016: 14.52%) of the total outstanding fines are considered recoverable, in accordance with a 3 year trend analysis, and have been accrued.

47 Employee benefit Obligation

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Thus, some of the entities defined benefit plans are not treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. These are listed under the defined contribution plan heading as a GRAP 25 Exception.

This is in line with the exemption in GRAP 25 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

Pension benefits

The Municipality's personnel are members of one of the pension funds listed below:

- KwaZulu-Natal Joint Municipal Pension Fund
- Municipal Gratuity Fund
- Municipal Employees Pension Fund
- Government Employees Pension Fund

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2017 actuarial valuations have not yet been released.

Superannuation Fund

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 100% funded.

Retirement and Provident Fund

The latest statutory valuation of the Retirement/Provident Fund (defined contribution) as at 31 March 2017 revealed that:

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 100% funded.

The following are defined benefit plans:

Long service benefits

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by KPMG Services (Pty) Ltd as at 30 June 2017.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

The fund benefit liability as at 30 June 2017 has been discounted at the rate determined by using the yield curve determined by the Bond Exchange of South Africa.

	Note	2017 R	2016 R
	2018 Projected	2017	2016
Changes in the present value of the defined benefit obligation are as follows:			
Opening balance	959,449	735,074	578,651
Service cost	116,961	101,993	77,709
Interest cost	87,063	67,627	48,491
Actual gains or losses recognised	-	54,755	74,049
Benefits paid	(36,405)	-	(43,826)
Total contributions expensed to the Statement of Financial Performance	1,127,068	959,449	735,074

The amounts recognised in the statement of financial performance

Service cost	116,961	101,993	77,709
Interest	87,063	67,627	48,491
Actuarial (gain)/loss recognised	-	54,755	74,049
Amount recognised in the statement of financial performance	204,024	224,375	200,249

Reconciliation of net statement of financial position amount

Opening value	959,449	735,074	578,651
Amount recognised in statement of financial performance	204,024	224,375	200,249
Payment made to pensioners	(36,405)	-	(43,826)
Closing value	1,127,068	959,449	735,074

Principal actuarial assumptions:

Assumptions used at the reporting date:

Discount rate used	9.30%	9.20%
Salary inflation	8.30%	8.20%

Principal actuarial assumptions:

Sensitivities

1% increase in discount rate		
- Increase in defined benefit obligation	842,180	641,757
- Percentage	-12.2%	-12.7%
1% decrease in discount rate		
- Decrease in defined benefit obligation	1,099,656	847,032
- Percentage	14.6%	15.2%
1% decrease in salary inflation		
- Decrease in defined benefit obligation	844,068	643,116
- Percentage	-12.0%	-12.5%

Medical benefits

Included in defined contribution plan information is the above plan which is a multi-year employer fund and is a defined benefit plan, but due to the fact sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan. The municipality accounted for this plan as a defined contribution plan.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by KPMG Services (Pty) Ltd

	2018 Projected	2017	2016
Present value of funded obligations	3,187,919	3,115,366	3,025,320
Total present value of obligations	3,187,919	3,115,366	3,025,320
Liability for defined benefit obligations in the statement of financial position	3,187,919	3,115,366	3,025,320

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Changes in the present value of the defined benefit obligation are as follows:			
Opening value	2018	2017	2016
Interest costs	3,115,366	3,025,320	2,618,513
Actuarial losses/(gains)	289,798	278,329	227,154
Benefits paid	-	11,626	368,822
Closing value	(217,245)	(199,909)	(189,169)
	3,187,919	3,115,366	3,025,320
Expenses and income recognised in surplus for the period			
Current service costs			
Interest costs			
Actuarial gains and losses	289,798	278,329	227,154
Amount recognised in income statement	-	11,626	368,823
	289,798	289,955	595,977
Reconciliation of net balance sheet amount			
Opening value			
Amount recognised in income statement	3,115,366	3,025,320	2,618,513
Payment made to pensioners	289,798	289,955	595,976
Closing value	(217,245)	(199,909)	(189,169)
	3,187,919	3,115,366	3,025,320
Principal actuarial assumptions:			
Discount rate used		9.30%	9.20%
Salary inflation		8.30%	8.20%
Sensitivity to medical inflation assumptions			
1% increase in medical inflation			
Percentage		3,487,869	3,402,774
		12.0%	12.5%
1% decrease in medical inflation			
Percentage		2,801,797	2,709,455
		-10.1%	-10.4%
1% increase in Discount rate			
Percentage		4,153,505	2,703,694
		-9.6%	-10.6%
1% decrease in Discount rate			
Percentage		5,116,609	3,416,784
		11.4%	12.90%
Mortality less 2 years			
		5,024,369	3,234,787
		9.40%	8.63%

48 Contingent liabilities

Claim for breach of contract

Mayibuye Earthworks cc - this is a claim for damages in the amount of R2 062 915.34 excluding VAT against the municipality for breach of contract. The matter is defended by Council's attorneys.

Claim for use of private property without agreement

The Impala Water Users Association - this is a claim for the amount of R5 606.11 for the use of private property by the municipality without entering into a formal lease agreement with the owner of the property.

Claim for damages to vehicle

This is a claim for damages in the amount of R92 163.42 whereby the municipal vehicle collided with the private passenger vehicle owned by the claimant.

Claim for damages to private property

This is a claim against the municipality for damages to telephone cables allegedly caused by the municipal employees. The amount of the claim is R120 958.

Claim for for services rendered but not paid for

Lekwa Consulting Engineers is claiming from the municipality the amount of R612 175.93 for services rendered. The municipality is disputing this claim since the consult was dismissed for shoddy work before incurring the alleged costs.

Claim for the balance of the contract price

Isibili Developments were contracted to construct a flea market but were dismissed before the completion of the project due to lack of performance. They are now claiming R617 464.36 representing the balance of the contract price.

Claim for the damages allegedly on medicines

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

Dr Lean Van Aard is claiming from the municipality an amount of R55 368.94 for damages on medicines stored in the cold storage facilities caused by disconnected electricity supply to property.

Claim to enforce the sale agreement concluded with the Municipality

The trust and its Trustees brought an application against the Municipality to enforce the sale agreement concluded with the municipality to the value of approximately R43 million. The matter is defended by Councils Attorneys

49 Contingent asset

Lessor - rental agreements

The municipal has submitted all expired lease agreements to its legal advisors to determine the recovery of rentals in arrear. These lease agreements expired in the previous financial years and were never renewed. The recoverable amount cannot be estimated accurately.

Payment made for Accommodation during the SALGA games

The municipality paid Elam investments the amount of R164 480 for the accommodation during the SALGA games. The accommodation was not provided. The expenditure was condoned by Council.

50 In-kind assistance

Description

Department of Cooperative Governance and Traditional Affairs

- Implementation of Back to Basics (Service Delivery)
- Monthly review of reconciliations and compliance with MFMA and SCM Regulations
- Review of the Annual Financial Statements (AFS) for the year ended 30 June 2017

Provincial Treasury

- Monitoring the implementation of the Supply Chain Management Regulations.
- Implementation of cash management.
- Review of the Annual Financial Statements (AFS) for the year ended 30 June 2017

50 Events after the reporting date

There were no events that occurred subsequent to year end that materially affected fair presentation of annual financial statements as at 30 June 2017. Subsequent to year end, the National Treasury disallowed the rollover of the MIG unspent funds - refer note 16.

51 Key sources of estimation uncertainty and judgments

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions
- Other

52 Risk Management

Maximum credit risk exposure

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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Amounts owing consumers debtors for rates and services are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
--	------	-----------	-----------

Capital risk management

The municipality's objective when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 22, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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.

	2017	2016
Consumer deposits	2,507,818	1,724,477
Trade payables from exchange transactions	37,233,961	32,052,748
Current portion of long-term borrowings	-	243,236
Current portion of finance lease liability	2,458,661	3,399,016
Non-current portion of long-term borrowings	-	-
Non-current portion of finance lease liability	2,664,441	3,745,218

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately all of its borrowings in fixed rate instruments where possible.

Credit risk

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 evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the council. Sales to customers are settled in cash.

At year end, the maximum exposure to credit risk was as follows:

	2017	2016
Cash and cash equivalents	1,603,862	9,774,199
Trade and other receivables from exchange transactions	9,455,648	9,455,648
Trade and other receivables from non-exchange transactions	66,800,881	54,003,888
Long term receivables from exchange transactions	3,391,529	3,503,616
Total credit risk exposure	81,251,920	76,737,351

53 Reclassification of information

After the compilation of the financial statements for the year ended 30 June 2017, it became apparent that certain items of property, plant and equipment were incorrectly classified as shown below:

Statement of Financial Position:

Roads & stormwater previously reported

Reclassification: amount transferred to electricity mains

Effect on financial position

82,020,571

(138,669)

81,881,902

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Statement of Financial Position:			
Electricity mains previously reported			
Reclassification: amount transferred from Roads & stormwater			14,433,422
Effect on financial position			138,689
			14,572,091
Statement of Financial Position:			
Accumulated depreciation on Electricity mains previously reported			7,017,648
Reclassification: amount transferred to roads & stormwater accumulated depreciation			(4,596,231)
Effect on financial position			2,421,417
Statement of Financial Position:			
Other assets previously reported			16,470,372
Reclassification: amount transferred from buildings			4,596,231
Effect on financial position			21,066,603

54 Going concern

Attention is drawn to the fact that at 30 June 2017, the municipality had cash resources of R1 603 862 (2016: R9 774 199 and current liabilities of R50 745 924 (2016: R55 361 443). This meant that the municipality was not in a position to meet its current obligations as at that date.

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

55 Budget differences

The comparison of the Municipality's actual financial performance with that budgeted is set out on page 11.

Material differences between budget and actual amounts

The actual expenditure over the final approved budget was 98%.

Material differences was considered for variances above 5% in the budget statement.

Revenue

- 58.1 The increase in service charges is attributable to the increase in rates/tariffs as well
- 58.2 Rental of facilities and equipment increased due to increased demand for community halls and changes in approved rates/tariff and market stalls added to revenue streams.
- 58.3 Interest from external investments decreased to less funds invested in call accounts.
- 58.4 Interest earned on outstanding debtors increased mainly due to increased level of outstanding receivables.
- 58.5 Other income from exchange transactions increased mainly due to KZN subsidy and anticipated revenue from tender documents. Overall sundry revenue increased more than anticipated.
- 58.7 Property rates increased due to increase in property values and changes in rates category.
- 58.8 Fines revenue collected decreased during the year. The collection of fines depends mainly on the decision of the magistrates office.
- 58.9 Government grants and subsidies allocation decreased due disallowed roll-over of other conditional Grants.

Expenditure

- 58.10 Employee related costs increased due to increase in staff complement and general increase in salary scales.
- 58.11 Repairs and maintenance decreased due to the municipality is investing on new capital assets in order address the badlogs.
- 58.12 Finance changes decreased due to some loans were fully paid and the municipality raised only one new loan in current year.
- 58.13 The increase in contracted services is attributable to increased VIP protection expenditure, Implementation of MSCOA regulation, refuse removal
- 58.14 General expenses: Increases over 10% of prior year expenditure:
 - Advertising
 - Less advertising was undertaken during the year under review
 - Audit committee fees
 - Number of special meetings increased and the appointment of an additional member.
 - Audit fees
 - The increase is attributable to inflation and volume of work undertaken as
 - Bank charges
 - Speedpoints were installed at the cashier's office and traffic department to enable customers to pay using bank cards

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

	Note	2017 R	2016 R
Consulting and professional fees	Less consultants in compliance with the request by National Treasury that the use of consultants should be decreased.		
Electricity and refuse	The increase is due to the increase in tariff approved by NERSA and wastage by staff leaving offices without switching off the lights and airconditioners		
Expanded Public Works Programme	The EPWP grant allocation increased hence the the increase in expenditure		
Fuel and Oil	Increase is due to increase in motor vehicle fleet and machinery.		
Hire of equipment	Increase in own fleet has resulted in the decrease in the hire of equipment and machinery		
Insurance	The increase is partly due to inflation and increase in assets.		
Legal fees	Fewer matters were referred to the lawyers during the year.		
Postage and courier	Increase due to use of postage stamps franking machine for the first time		
Public participation	National Treasury encourages municipalities to be continually in contact with the community, hence the increase in expenditure		
Refreshments	The municipality stopped the provision of beverages to its staff		
Rental of office equipment	The increase is due to inflation		
Security - banking services	The money is now banked in Richards Bay and not uPhongolo branch anymore, hence the increase in the security cost		
Subscriptions and membership fees	The increase is attributable to the Salga levy which is based on the salaries budget which increased for the year under review		
Telephone and fax	Increase is attributable mainly to inflation		
Training	Decrease is due to a number of officials having completed the CPMD training		
Travel and subsistence	The increase is moderate and is a combination of increased number of meetings as well as transport costs due to implementation of new regulation (MSCOA).		
Uniforms and overalls	More protective clothing was purchased due to the increase in the number of general workers		
Water and sanitation	The municipality took the decision to pay for water accounts owing by its own staff since the District Municipality demanded payment from the municipality for arrears		
Other	The increase is mainly attributable to accommodation and communication expenditure		

56 Deviation from supply chain management regulations

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

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

During the year certain expenditure as outlined in appendix G was incurred and the process followed by incurring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

Deviations for the current year		
Approved by Accounting Officer	1,858,920	908,075
Balance carried forward	(1,858,920)	(908,075)

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2017

Note	2017 R	2016 R
------	-----------	-----------

56 Deviation from supply chain management regulations

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

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

During the year certain expenditure as outlined in appendix G was incurred and the process followed by incurring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

Deviations for the current year	1,858,920	908,075
Approved by Accounting Officer	(1,858,920)	(908,075)
Balance carried forward	-	-

uPhongolo Local Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2017

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2016	Received during the period	Redeemed / written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Amalgamated Banks of South Africa (Absa)	8061728158		243,236	12,867	(256,103)	-0	-	-
Total long-term loans			243,236	12,867	(256,103)	-0	-	-

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

-	(6,702)	-	376,534,010	(32,114,137)	(6,396,315)	5,961
---	---------	---	-------------	--------------	-------------	-------

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2017

for the year ended 30 June 2017													
	Cost / Revaluation				Accumulated Depreciation								
	Opening Balance R	Additions R	Disposals R	Prior year Adjustment R	Work in Progress Capitalised R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Prior Year Adjustment R	Closing Balance R
Total brought forward	316,664,473	57,937,239	-	-	(67,702)	-	376,534,010	(32,114,137)	(6,396,315)	5,961	(2,139,022)	-	(40,843,523)
Other Assets													
Furniture & Fittings	3,220,848	378,945	(71,800)	1,403	-	-	3,528,596	(1,875,651)	(405,428)	54,132	(11,284)	-	(2,238,231)
Machinery & Equipment	10,031,047	12,618	(69,009)	-	38,202	-	10,012,858	(3,360,543)	(871,267)	50,783	(30,040)	-	(4,211,067)
Motor Vehicles	8,519,289	1,180,706	(62,408)	-	-	-	9,637,587	(2,522,074)	(1,004,561)	50,889	(156)	-	(3,476,102)
Computer Equipment	2,333,625	298,023	(168,813)	34,436	-	-	2,477,273	(1,152,034)	(387,230)	140,275	(2,420)	-	(1,401,403)
	24,104,809	1,870,292	(391,830)	35,841	38,202	-	25,657,314	(8,910,302)	(2,668,486)	295,879	(43,900)	-	(11,326,803)
Finance Lease Assets													
Machinery & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	342,769,282	59,807,534	(391,830)	35,841	(29,500)	-	402,191,324	(41,024,439)	(9,064,801)	301,840	(2,182,922)	-	(51,970,326)

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2019

for the year ended 30 June 2016													
	Cost / Revaluation				Accumulated Depreciation and Accumulated Impairment								
	Opening Balance R	Additions R	Disposals R	Work in progress Capitalised	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Prior Year Adjustment R	Closing Balance R	Carrying Value R
Land	64 563 299	-	-	-	-	64 563 299	-	-	-	-	-	-	64 563 299
Land	948 179	-	-	-	-	948 179	-	-	-	-	-	-	948 179
Landfill Sites	65 541 478	0	-	-	0	65 541 478	0	0	0	0	0	0	65 541 478
Buildings	22 114 905	147 500	-	-	5 437 258	27 699 663	(8 677 052)	(55)	-	-	-	(8 677 107)	19 022 556
Infrastructure													
Roads	81 881 902	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	14 572 092	-	-	-	-	81 881 902	(17 125 022)	(3 941 580)	-	-	-	(21 066 602)	60 815 300
Solid Waste Disposal	315 800	-	-	-	-	14 572 092	(2 310 336)	-	-	-	(55 530)	(2 365 864)	12 206 208
	96 769 794	-	-	-	-	315 800	(4 544)	-	-	-	-	(4 544)	96 765 250
Under construction													
Buildings	28 397 986	-	-	-	-	96 769 794	(19 439 902)	(3 941 580)	-	-	(55 530)	(23 437 030)	73 332 764
Roads & Storm Water	53 142 880	-	-	-	-	28 397 986	-	-	-	-	-	-	28 397 986
Electricity Mains	47 112 672	-	-	-	-	53 142 880	-	-	-	-	-	-	53 142 880
	128 653 538	-	-	-	-	47 112 672	-	-	-	-	-	-	47 112 672
Community Assets													
Parks & Gardens	-	-	-	-	-	128 653 538	-	-	-	-	-	-	128 653 538
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	313 079 715	147 500	-	5 437 258	-	318 664 473	(28 116 954)	(3 941 635)	-	-	(55 538)	(32 114 137)	286 550 336
This schedule does not form part of the annual financial statements and is presented for additional information purposes only													

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2016

for the year ended 30 June 2016													
	Cost / Revaluation				Accumulated Depreciation								
	Opening Balance R	Additions R	Disposal R	Work in Progress Capitalised	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposal R	Impairment loss/Reversal of impairment loss R	Prior Year Adjustments R	Closing Balance R	Carrying Value R
Total brought forward	313,079,715	147,500	-	-	-	318,664,473	(28,116,954)	(3,941,635)	-	-	-	(32,114,137)	286,550,336
Other Assets													
Furniture & Fittings	2,728,511	482,337	(1,963)	-	-	3,220,848	(1,875,651)	-	-	-	-	(1,875,651)	1,345,197
Machinery & Equipment	6,398,680	3,616,626	(74,611)	17,404	-	10,031,047	(3,373,699)	-	-	-	13,156	(3,360,543)	6,670,504
Motor Vehicles	6,202,984	2,390,916	(20,482)	-	-	8,519,289	(2,522,074)	-	-	-	-	(2,522,074)	5,997,215
Computer Equipment	1,744,856	608,251	-	-	-	2,333,625	(1,152,034)	-	-	-	-	(1,152,034)	1,181,591
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets	17,075,331	7,109,130	(97,056)	17,404	-	24,104,809	(8,923,458)	-	-	-	13,156	(8,910,302)	15,194,507
Machinery & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	330,155,046	7,256,630	(97,056)	17,404	-	342,769,282	(37,040,412)	(3,941,635)	-	-	13,156	(41,924,439)	301,744,843

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2017

	as at 30 June 2017									
	Cost / Revaluation				Accumulated Depreciation					
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying value R
Executive & Council	2,497,955				2,497,955	(198,020)			(198,020)	2,299,935
Budget and Treasury	2,784,218				2,784,218	(1,866,471)	(362,580)		(2,229,051)	555,167
Corporate Services	101,354,620	1,870,292	9,486,152	(423,705)	112,287,359	(7,563,505)	(1,205,744)		(8,769,249)	103,518,110
Community & Social Services	17,669,948	38,202			17,708,150	(2,664,796)	(249,389)		(2,914,185)	14,793,965
Sport & Recreation	23,255				23,255	(125,312)			(125,312)	(102,057)
Public Safety	378,124				378,124	(966,087)			(966,087)	(587,963)
Planning & Development	6,192,890				6,192,890	(1,896,841)	(1,804,552)		(3,701,393)	2,491,497
Road Transport	140,952,338		30,163,718		171,116,056	(19,596,182)	(6,720,701)		(26,316,883)	144,799,173
Electricity	69,651,409	250,000	18,037,369		87,938,778	(6,147,215)	(558,094)		(6,705,309)	81,233,469
Waste Management	1,264,525				1,264,525	-	(44,823)		(44,823)	1,219,702
Under Construction	-	-	-	-	-	-	-	-	-	-
Total	342,769,282	2,158,494	57,687,239	(423,705)	402,191,310	(41,024,429)	(10,945,883)	-	(51,970,312)	350,220,998

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2017

2016	2016		2016	2017		2017
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
16,965,295	9,841,786	7,123,509	Executive & Council	16,185,954	12,441,038	3,744,916
3,807,777	4,218,402	(410,625)	Municipal Manager	3,843,553	4,384,605	(541,052)
66,537,759	20,670,822	45,866,937	Budget and Treasury	73,634,794	32,906,284	40,728,510
14,641,678	26,704,185	(12,062,507)	Corporate Services	14,603,063	22,453,960	(7,850,897)
8,497,564	18,385,143	(9,887,579)	Community & Social Services	8,874,038	22,920,193	(14,046,155)
3,791,040	8,946,765	(5,155,725)	Sport & Recreation	3,840,454	11,154,410	(7,313,956)
8,182,625	15,909,025	(7,726,400)	Public Safety	8,136,689	14,092,348	(5,955,659)
58,636,455	19,956,276	38,680,179	Planning & Development	59,745,049	20,226,798	39,518,251
12,905,120	12,520,063	385,057	Road Transport	12,886,138	13,965,015	(1,078,877)
38,205,463	28,906,201	9,299,262	Electricity	57,885,745	31,677,531	26,208,214
11,046,568	14,994,176	(3,947,608)	Waste Management	12,535,524	15,706,084	(3,170,560)
2,063,757	1,855,110	208,647	Other	1,273,157	2,755,969	(1,482,812)
245,281,101	182,907,954	62,373,147		273,444,158	204,684,235	68,759,923
			Less: Inter-Department Charges			
245,281,101	182,907,954	62,373,147	Total	273,444,158	204,684,235	68,759,923

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX E

BUDGET FINANCIAL PERFORMANCE BY MUNICIPAL VOTE
for the year ended 30 June 2017

	2016		2016		2017		2017	
Revenue	Final Budget	Actual	Variance		Final Budget	Actual	Variance	
Executive & Council	16,033,000	16,965,295	(932,295)		16,185,901	16,185,954	(53)	
Municipal Manager	3,805,000	3,807,777	(2,777)		3,843,540	3,843,553	(13)	
Budget and Treasury	51,619,051	66,537,759	(14,918,708)		59,661,508	73,634,794	(13,973,286)	
Corporate Services	15,257,496	14,641,678	615,818		14,520,902	14,603,063	(82,161)	
Community & Social Services	8,853,156	8,497,564	355,592		8,904,443	8,874,038	30,405	
Sport & Recreation	3,626,796	3,791,040	(164,244)		3,837,568	3,840,454	(2,886)	
Public Safety	8,234,663	8,182,625	52,038		8,384,128	8,136,689	247,439	
Planning & Development	55,089,133	58,636,455	(3,547,322)		62,069,690	59,745,049	2,324,641	
Road Transport	12,951,817	12,905,120	46,697		12,950,043	12,886,138	63,905	
Electricity	56,010,907	38,205,463	17,805,444		56,274,754	57,885,745	(1,610,991)	
Waste Management	10,593,260	11,046,568	(453,308)		11,791,403	12,535,524	(744,121)	
Other	2,060,000	2,063,757	(3,757)		2,083,141	1,273,157	809,984	
	244,134,279	245,281,101	(1,146,822)		260,507,021	273,444,158	(12,937,137)	
Expenditure								
Executive & Council	11,004,904	9,841,786	1,163,118		13,361,710	12,441,038	920,672	
Municipal Manager	4,134,666	4,218,402	(83,736)		5,051,010	4,384,605	666,405	
Budget and Treasury	27,133,069	20,670,822	6,462,247		30,237,808	32,906,284	(2,668,476)	
Corporate Services	25,885,182	26,704,185	(819,003)		26,959,234	22,453,960	4,505,274	
Community & Social Services	17,039,300	18,385,143	(1,345,843)		22,909,833	22,920,193	(10,360)	
Sport & Recreation	7,070,367	8,946,765	(1,876,398)		10,937,719	11,154,410	(216,691)	
Public Safety	10,510,382	15,909,025	(5,398,643)		14,225,562	14,092,348	133,214	
Planning & Development	15,970,579	20,418,099	(4,447,520)		16,314,895	20,226,798	(3,911,903)	
Road Transport	17,302,273	12,520,063	4,782,210		15,089,701	13,965,015	1,124,686	
Electricity	31,263,946	28,906,201	2,357,745		35,516,823	31,677,531	3,839,292	
Waste Management	15,133,307	14,994,176	139,131		15,299,990	15,706,084	(406,094)	
Other	2,363,425	1,855,110	508,315		3,162,129	2,755,969	406,160	
	184,811,400	183,369,777	1,441,623	-	209,066,414	204,684,235	4,382,179	

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX F

UNSPENT CONDITIONAL GRANTS

as at 30 June 2017

Name of Grant	Unspent portion 2015/16 financial statements	Adjustments and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2016/17 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
Capital Grants									
Flea Market Grant	211,613		-	(211,613)	-	No	N/a	Yes	N/a
Municipal Infrastructure Grant	2,471,329	(2,471,329)	42,136,000	(41,643,051)	492,949	No	N/a	Yes	N/a
Integrated National Electrification Programme Grant	-		18,000,000	(17,998,506)	1,494	No	N/a	Yes	N/a
Mass Electrification Programme	4,927,890			(4,927,890)	-	No	N/a	Yes	N/a
Sub-Rank Facility Grant	463,792			(460,375)	3,417	No	N/a	Yes	N/a
Cultural Village Grant	2,633,038			(2,633,038)	-	No	N/a	Yes	N/a
Street Lights Grant	428,222			(420,764)	7,458	No	N/a	Yes	N/a
Sports Facility Grant	-		167,000	(167,000)	-	No	N/a	Yes	N/a
Sub-total	11,135,884	(2,471,329)	60,303,000	(68,462,237)	505,318				
Operating Grants									
Municipal Systems Improvement Grant	-				-	No	N/a	Yes	N/a
Finance Management Grant	-		1,825,000	(1,825,000)	-	No	N/a	Yes	N/a
Pound Grant	490,490	509,510			1,000,000	No	N/a	Yes	N/a
Provincialisation of Libraries Grant	-		965,000	(965,000)	-	No	N/a	Yes	N/a
Library Community Services Grant	105,123	(105,123)	358,000	(358,000)	-	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-				-	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	-		3,021,000	(3,021,000)	-	No	N/a	Yes	N/a
Zululand District Municipality Tourism Grant	-				-	No	N/a	Yes	N/a
Development Administration Grant	205,886		-	-	-	No	N/a	Yes	N/a
Integrated Electrification Redds	98,000		-	-	205,886	No	N/a	Yes	N/a
Tourism Grant Candover	290,862		-	-	98,000	No	N/a	Yes	N/a
Strategic Support Grant	93,848		-	-	290,862	No	N/a	Yes	N/a
Synergistic Partnership Grant	123,104		-	-	93,848	No	N/a	Yes	N/a
Housing Community Gardens Grant	72,864		-	-	123,104	No	N/a	Yes	N/a
Planning and Development Grant	47,621		-	-	72,864	No	N/a	Yes	N/a
Municipal Development Grant	100,000		-	-	47,621	No	N/a	Yes	N/a
Sub-total	1,627,598	404,387	6,169,000	(6,169,000)	2,031,985	No	N/a	Yes	N/a
Total Grants	12,763,482	(2,066,942)	66,472,000	(74,631,237)	2,537,303				

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX G

DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Management Regulation 42

as at 30 June 2017

Supplier	Amount (VAT incl.) R	Reason for deviation	Motivation	Department
IKHWEZI L&L DISTANCE	11,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	10,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	36,200.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	11,200.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

APPENDIX G

DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Management Regulation 42

as at 30 June 2017

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
IKHWEZI L&L DISTANCE	9,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	30,600.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	7,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	14,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	28,800.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	6,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3,100.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	15,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	5,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Management Regulation 42
as at 30 June 2017

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
IKHWEZI L&L DISTANCE	16,100.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	6,200.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	27,900.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	13,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	3,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	7,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	4,500.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	21,000.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE
IKHWEZI L&L DISTANCE	11,600.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES

Supply Chain Management Regulation 42

as at 30 June 2017

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
PAARL MEDIA	4,604.00	EMERGENCY ADVERT	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	17,601.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	7,981.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	7,120.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	54,237.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
INISWA PROMOTIONS	2,117.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
SIGMA IT	61,808.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
AMUKELANI CONSTRUCTION	78,114.00	EMERGENCY	SECTION 36(1)(a)(ii)	COUNCIL

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

APPENDIX G DEVIATION FROM PROCUREMENT PROCESSES Supply Chain Management Regulation 42 DEVIATION FROM PROCUREMENT PROCESSES

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
----------	--------------------	----------------------	------------	------------

PONGOLA COMMUNITY RADIO	70,200.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	MM
BEST THOUGHT TRADING	190,000.00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
PREMIER HOTEL	490,868.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	COUNCIL
MTHOBA CONSTRUCTION	154,413.00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
EXCELSIOR PRINTERS	3,680.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
SABC SALES GROUP	45,160.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	CORPORATE
NOKUTHETHA GENERAL	105,700.00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
IMBOKODE AGRICULTURAL	2,600.00	EMERGENCY	SECTION 36(1)(a)(ii)	COMMUNITY
SABS COMMERCIAL	4,183.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	COMMUNITY

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

APPENDIX G **DEVIATION FROM PROCUREMENT PROCESSES** **Supply Chain Management Regulation 42** **APPENDIX G**

Supplier	Amount (VAT incl.)	Reason for deviation	Motivation	Department
TONY'S TOOL HIRE	4,097.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	TECHNICAL
DUZE MSIZI TRADING	35,000.00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
MPEKWENI BEACH RESORT	14,737.00	EMERGENCY	SECTION 36(1)(a)(ii)	FINANCE

ULWEZELIHLE TRADING ENTERP	130,720.00	EMERGENCY	SECTION 36(1)(a)(ii)	TECHNICAL
PREMIER HOTEL RICHARDS	55,281.00	SOLE SUPPLIER	SECTION 36(1)(a)(ii)	FINANCE

This schedule does not form part of the annual financial statements and is presented for additional information purposes only