UMZINYATHI UMASIPALA WESIFUNDA
UMZINYATHI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Mayoral committee

Executive Mayor	Cllr. J.M. Mthethwa	**Mayor**
Councillors	Cllr. N.J. Mbatha	**Deputy Mayor**
	Cllr. B.S. Chambule	**Speaker**
	Cllr. L.D. Ngubane	Member of the Exco
	Cllr. N.C. Xaba	Member of the Exco
	Cllr. M.S. Yengwa	Member of the Exco
	Cllr. N.N. Khanyile	Member
	Cllr. I. Bedassi	Member
	Cllr. N.P. Zulu	Member
	Cllr. X.S. Xaba	Member
	Cllr. P.M. Ngobese	Member
	Cllr. T.M. Mahaye	Member
	Cllr. J. Mfeka	Member
	Cllr. Z.G. Ngcobo	Member
	Cllr. T Ngubane	Member
	Cllr. V.B. Ntombela	Member
	Cllr. N.S.V. Machaba	Member
	Cllr. F.J. Sikhakhane	Member
	Cllr. B.P. Ngcobo	Member
	Cllr. E.N. Mofefe	Member
	Cllr. M.E. Mnguni	Member
	Cllr. M. Mkhwanazi	Member
	Cllr. B.N. Zondi	Member
	Cllr. L.G. Mabaso	Member
	Cllr. R.N. Ngubane	Member
		Member

Grading of local authority		Grade 4
Accounting Officer	Dr E.M.S Ntombela	
Acting Chief Finance Officer (CFO)		
Registered office	39 Victoria Street Princess Magogo Building Dundee 3000	
Business address	39 Victoria Street Princess Magogo Building Dundee 3000	
Postal address	P O Box 1965 Dundee 3000	
Bankers	First National Bank	
Auditors	Auditor General	

UMZINYATHI DISTRICT MUNICIPALITY
Annual financial statements for the year ended 30 June 2015
The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on pages 4 to 51, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 of these annual financial statements
are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Dr E.M.S Ntombela
Municipal Manager
31 08 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
ASSETS			
Current Assets			
Receivables from non exchange transactions	2	9 230 735	10 604 525
VAT receivable	3	8 050 663	21 794 075
Trade Consumer debtors	4	48 562 619	54 177 649
Cash and cash equivalents	5	57 974 481	101 555 617
Inventory	46	818 028	783 296
		124 636 527	**188 915 162**
Non-Current Assets			
Investment property	6	944 620	994 452
Property, plant and equipment	7	34 247 465	33 673 572
Infrastructure Assets	7	1 386 088 395	1 301 923 909
Intangible assets	8	167 791	406 132
Interest in joint ventures	9	377 542 226	352 532 810
Investments	10	-	16 002 506
		1 798 990 497	**1 705 533 380**
Total Assets		**1 923 627 023**	**1 894 448 543**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	11	52 721 279	60 711 686
Unspent conditional grants and receipts	12	4 717 602	9 796 726
Current portion of long term liabilities	13	93 252 178	195 030 716
Consumer deposits	11	534 501	548 149
Short term liabilities	13	1 771 329	
		152 996 889	**266 087 277**
Non-Current Liabilities			
Retirement benefit obligation	14	18 190 000	15 510 003
Long term liabilities	13	65 562 806	62 888 168
		-	-
Total Liabilities		**83 752 806**	**78 398 171**
Total Liabilities		236 749 695	344 485 448
NET ASSETS		**1 686 877 329**	**1 549 963 094**
		1 686 877 349	1 549 963 094
		-20	-0
Reserves			
Other reserves		698 434 731	698 434 731
Accumulated surplus		988 442 618	851 528 363
Revaluation Reserve	15	-	-
Total Net Assets		**1 686 877 349**	**1 549 963 094**

UMZINYATHI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Revenue			
Service charges	16	55 774 979	39 537 457
Rental of facilities and equipment	33	332 688	186 299
Interest received - investment	17	23 708 293	23 696 230
Government grants & subsidies	18	494 203 601	494 790 917
Gain attributed to transfer of assets		-	264 311 488
Other income	47	2 524 736	1 307 399
Total revenue		**576 544 298**	**823 829 790**
Expenditure			
Employee Related Costs	19	93 545 296	80 926 694
Remuneration of councillors	20	4 037 643	3 760 073
Agency Fees	21	-	-
Depreciation and amortisation	22	56 317 390	55 444 588
Debt Impairement	4	54 259 072	46 597 110
Finance costs	23	7 812 811	7 574 025
Bulk Purchases		14 627 998	13 246 050
Post retirement benefits	14	2 908 029	8 841 000
Repairs and maintenance	43	9 910 080	7 140 754
Grants and subsidies paid	24	75 459 854	151 833 381
General Expenses	25	145 761 287	169 556 597
Total expenditure		**464 639 460**	**544 920 272**
Operating surplus		111 904 838	278 909 518
Loss on disposal of assets and liabilities		-	-
Investment in joint venture		25 009 417	189 539 579
		25 009 417	**189 539 579**
Surplus/ (Deficit) for the year		**136 914 255**	**468 449 097**

Statement of Changes in Net Assets

Figures in Rand	Other Reserves	Accumulated Surplus	Total Net Assets
Balance at 30 June 2014	**698 434 731**	**605 770 536**	**1 304 205 267**
Prior year adjustment on interest in joint venture			
Opening balance		224 555 575	224 555 575
	698 434 731	**830 326 111**	**1 528 760 842**
Prior year adjustment on assets		1 540 528	1 540 528
Prior year adjustment on uThukela creditor		43 400 474	43 400 474
Prior year adjustment on debtors		-10 850 265	-10 850 265
Prior year adjustment on creditors		796 632	796 632
Prior year adjustment on Post Retirement Benefits		3 392 000	3 392 000
Prior year adjustment on cash and cash equivalents		-106 846	-106 846
Prior year adjustment Of Infrastructure		1 722 812	1 722 812
Prior year adjustment Of Infrastructure		-19 946 415	-19 946 415
Adjustments on the uThukela DBSA loan		470 036	470 036
Prior year adjustment on inventory		783 296	783 296
Balance at 01 July 2014	698 434 731	851 528 363	1 549 963 094
Surplus/ (Deficit) for the year	-	136 914 255	136 914 255
	-	-	-
Balance at 30 June 2015	**698 434 731**	**988 442 618**	**1 686 877 349**

UMZINYATHI DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2015

Statement of Cash Flows

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activitiesReceipts			
Sale of goods and services		31 629 010	13 331 488
Grants		488 964 609	448 504 927
Interest income		7 160 351	23 696 230
Other receipts		853 404	1 307 399
		528 607 374	**486 840 044**
Payments			
Employee costs		-97 582 938	-84 686 767
Suppliers		-295 144 302	-304 248 629
Other non-cash item(long term movement liabilitie		-48 447 080	-577 142
		-441 174 320	**-389 512 538**
Net cash flows from operating activities	27	**87 433 054**	**97 327 506**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	-141 085 128.29	-183 043 747
Proceeds from sale of property, plant and equipment	7		-
Purchase of investment property	6	-	-45 548
Purchase of other intangible assets	8	-67 746	30 849
Proceeds from sale of financial assets		16 002 506	-847 738
Movement in pension assets / liabilities		-712 000	
Net cash flows from investing activities		**-125 862 368**	**-183 906 184**
Cash flows from financing activities			
Finance Charges		-7 812 811	-7 574 025
Movement in long term liabilities		2 674 638	170 384 270
Movement in consumer deposits		-13 648	-27 508
Net cash flows from financing activities		**-5 151 821**	**162 782 737**
Net increase/(decrease) in cash and cash equivalents		**-43 581 136**	**76 204 058**
Cash and cash equivalents at the beginning of the year		101 555 617	25 351 559
Cash and cash equivalents at the end of the year	5	**57 974 481**	**101 555 617**
		57 974 481	101 555 617

UMZINYATHI DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

	Budget on Accrual Basis						
Figures in Rand	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**	**Reason**
Statement of Financial Performance							
Revenue							
Water sales	45 573 000	-7 925 564	37 647 436	44 152 678	-6 505 242	-17%	Increase in the number of meters installed
Sanitation	12 192 000	-1 688 558	10 503 442	11 622 301	-1 118 859	-11%	Increase in the number of meters installed
Rental of Facilities and equipment	229 865	173 671	403 536	332 688	70 848	18%	Lessees on rented premises stopped paying rental income
Interest Earned - External Investment	6 941 939	-2 365 161	4 576 778	7 160 351	-2 583 573	-56%	Rate variance and period differences
Interest Earned - Outstanding Debtors	7 090 033	8 611 729	15 701 762	16 547 942	-846 180	-5%	Interest levied on outstanding debtors
Government and Provincial grants and subsidies	569 105 000	64 356 660	633 461 660	494 203 601	139 258 059	22%	R100 mil deducted for RBIG grant
Other	575 440	251 752	827 192	2 524 736	-1 697 545	-205%	Increase Sale of tender documents
Total	**641 707 277**	**61 414 529**	**703 121 806**	**578 544 298**	**126 577 508**		
Revenue from exchange transactions							
Employee Related Costs	98 373 940	6 356 315	104 730 255	93 545 296	11 184 959	11%	Positions budgeted for not filled. S 57 positions
Remuneration of Councillors	3 767 011	0	3 767 011	4 037 643	-270 631	-7%	Minister approved 6% and we had budgeted for 5.5%
Depreciation	90 414 913	0	90 414 913	56 317 390	34 097 523	38%	Delays experienced in completion of projects
Post Retirement benefit	1 584 000		1 584 000	2 908 029	-1 324 029	-84%	Change in assumptions of calculation of post retirement benefits
General expenses	168 676 697	5 653 811	174 330 508	145 761 287	28 569 221	16%	Based on demand
Bulk Purchases	15 417 309	0	15 417 309	14 627 998	789 310	5%	Increase in line with inflationary increases
Repairs and maintenance	13 633 985	-3 591 752	10 042 233	9 910 080	132 153	1%	Increase in line with inflationary increases
Interest Paid	13 582 601	-3 893 514	9 689 087	7 812 811	1 876 276	19%	Interest paid differed from the amortisation schedule when budget was prepared
Grant Expenditure and Loan Expenditure	355 026 726	63 056 941	418 083 667	210 217 364	207 866 302	50%	An amount of R100 mil for RBIG grant was not transfred to municipality
Capital contribution	-	787 544	787 544		787 544	100%	
Total	**760 477 181**	**68 369 345**	**828 846 526**	**545 137 899**	**283 708 627**		

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note. Changes in accounting policy.

2. New standards and interpretations

2.1. Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits
The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.
- The standard states the recognition, measurement and disclosure requirements of:
- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements
Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors
Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions
Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial

statements.
The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases
Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property
Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.
The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 16: Intangible Assets - Website Costs
The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an

internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

2.2. Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it become effective.
It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

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

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions

between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.
A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.
In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.
The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus /(deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.
The municipality expects to adopt the standard for the first time once it becomes effective.
It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 5 (revised 2013): Borrowing Costs
Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has early adopted this standard for the 2013/14 financial period.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2.3. Going concern assumption

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

2.4. Post retirement benefits

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. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

2.5. Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for: use in the production or supply of goods or services; or administrative purposes; or sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item Useful life Property - buildings x years

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

2.6. Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when: it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value. The annual depreciation rates are based on the following estimated average asset lives;

Infrastructure	**Years**
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 -80
Water	15 – 100
Watercraft	15
Community	
Buildings	30
Recreational Facilities	20 – 30
Security	5
Other	
Buildings	25
Specialists vehicles	10
Other vehicles	4
Office Equipment	5
Furniture and Fittings	7-10
Watercraft	15
Bins and containers	5
Specialised plant and equipment	10 -15
Other items of plants and equipment	
Landfill sites	15

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.

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

Item Average useful life Buildings x years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model: (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period; (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

2.7. Intangible assets

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

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when: it is technically feasible to complete the asset so that it will be available for use or sale; there is an intention to complete and use or sell it; there is an ability to use or sell it; it will generate probable future economic benefits or service potential; there are available technical, financial and other resources to complete the development and to use or sell the asset; and the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Intangible assets (continued)

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

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

Item Useful life Computer software x years

Intangible assets are derecognised: on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

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

2.8. Leases

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

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets in the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

2.9. Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as: wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service: as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service: as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts: the present value of the defined benefit obligation at the reporting date; minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly; plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of: the amount determined above; and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from: the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises: any resulting change in the present value of the defined benefit obligation; and any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases; the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or

- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

2.10. Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

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

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

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

A contingent asset is a possible asset 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.

A contingent liability:

- 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 than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; - the amount of the obligation cannot be measured with sufficient reliability.

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

2.11. Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

2.12. Services in-kind

Services in-kind are not recognised.

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality 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.
Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.
Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.
The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.
Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.
Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

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

Transfers
Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
Transferred assets are measured at their fair value as at the date of acquisition.

2.13. Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

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

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

2.14. Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

2.15. Services in-kind

Services in-kind are not recognised.

2.16. Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.
The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.
The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

2.17. Borrowing costs

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

2.18. Unauthorised expenditure

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

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

2.19. Fruitless and wasteful expenditure

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

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

2.20. 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), and 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.

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

2.21. Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not: receive any goods or services directly in return, as would be expected in a purchase or sale transaction; expect to be repaid in future; or expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

2.22. Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

2.23. Budget information

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

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

2.24. Related parties

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;

- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled
  entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of
  an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.
The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and

- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.25. Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

2.26. Transfer of functions between entities not under common control

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

Not under common control - For a transaction or event to occur between entities not under common control, the transaction or event needs to be undertaken between entities not within the same sphere of government or between entities that are not part of the same economic entity. Entities that are not ultimately controlled by the same entity before and after the transfer of functions are not within the same economic entity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with the Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Assets and liabilities, which cannot be measured reliably, are recorded at provisional amounts which are finalised within 24 months of the acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

The excess is determined as the consideration paid, plus the fair value of any interest held prior to obtaining control, plus non-controlling interest less the fair value of the identifiable assets and liabilities of the acquiree.

2.27. Impairment of cash-generating assets

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 entity, it generates a commercial return.

Identification

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

Value in use
Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.
When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).
If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss
The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have

decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.
An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.
A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.
In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
its recoverable amount (if determinable); and
the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

2.28. Impairment of non-cash-generating assets

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

Identification

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

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

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

Depreciated replacement cost approach
The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement
If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.
An impairment loss is recognised immediately in surplus or deficit.
After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss
The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.
An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

2.29. Financial instruments

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

Classification
The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category
Receivables from exchange transactions Financial asset measured at amortised cost
Receivables from non-exchange transactions Financial asset measured at amortised cost
Cash and cash equivalents Financial asset measured at fair value
The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category
Payables from exchange transactions Financial liability measured at amortised cost
Finance lease obligation Financial liability measured at amortised cost
Bank overdraft Financial liability measured at amortised cost

Initial recognition
The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality
becomes a party to the contractual provisions of the instrument.
The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
The municipality measures all other financial assets and financial liabiliites initially at fair value.
The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities
The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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

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

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.
For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.
Financial assets measured at amortised cost:
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.
Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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

2.30. Derecognition

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

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

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

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

2.31. Financial liabilities

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

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

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

Changes in accounting policies, estimates and errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening. The provisions of IGRAP 1 have been applied prospectively in line with IGRAP .

Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.
Subsequently inventories are measured at the lower of cost and net realisable value.
Inventories are measured at the lower of cost and current replacement cost where they are held for; distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.
Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.
Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.
The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.
The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.
When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
2. Receivables from non exchange transactions		
Other Receivables		
Debtor - Interest accrued	114 891	820 001
SALGA Games	288 577	432 250
Sundry Debtors Deposits	3 824 016	3 617 159
MIG Grant Control	-	-
Debtor - Grader	221 392	221 392
Prepaid Creditor	-	-
Uthukela Receipting	4 384 502	4 330 625
Agreement / Arrangement Suspense	397 357	852 787
Grant Debtor	-	330 312
MIG Debtor	-	-
Greytown Bulk Water		
	9 230 735	10 604 525

	2015	2014
3. VAT receivable	8 050 663	21 794 075
	8 050 663	21 794 075

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

	2015	2014
4. Consumer debtors		
Gross balances		
Water	136 403 358	111 716 845
Sewerage	44 754 831	39 610 210
VAT Payable on consumer debtors	23 299 877	19 307 925
Interest	47 786 545	33 180 825
Add back credit balances	-2 359 212	-2 574 449
Total Service Debtors	249 885 398	201 241 356
	249 885 398	
Less: Allowance for impairment	-201 322 780	-147 063 707
Net Balance	48 562 619	54 177 649
Water		
Current (0 -30 days)	3 794 187	2 494 713
31 - 60 days	3 111 085	2 975 366
61 - 90 days	3 226 006	2 128 726
91 - 120 days	3 106 086	2 028 975
121 - 365 days	123 165 995	102 089 065
Less: Allowance for impairment	-106 685 734	-
	29 717 623	111 716 845
SewerageCurrent (0 -30 days)		
Current (0 -30 days)	1 021 946	858 057
31 - 60 days	874 381	1 064 152
61 - 90 days	731 196	802 769
91 - 120 days	665 294	760 214
121 - 365 days	41 462 013	36 125 017
Less: Allowance for impairment	-37 784 048	
	6 970 784	39 610 210
VAT		
Current (0 -30 days)	665 480	469 121
31 - 60 days	562 191	554 895
61 - 90 days	539 396	406 370
91 - 120 days	521 749	403 195
121 - 365 days	21 011 061	17 474 344
Less: Allowance for impairment	-17 989 195	
	5 310 682	19 307 925
Interest		
Current (0 -30 days)	-	1 278 522
31 - 60 days	1 534 737	1 262 239
61 - 90 days	1 511 686	1 054 405
91 - 120 days	1 480 990	1 045 681
121 - 365 days	43 259 131	6 311 138
Less: Allowance for impairment	-38 863 802	22 228 841
	8 922 742	33 180 825
Add back credits		
Current (0 -30 days)	-552 891	
31 - 60 days	-55 746	
61 - 90 days	-228 236	
91 - 120 days	-42 393	
121 - 365 days	-1 479 945	
	-2 359 212	

4. Consumer debtors (continued)Summary of debtors by customer classification Consumers

Current (0 -30 days)	3 010 719	2 392 149
31 - 60 days	3 473 079	3 312 372
61 - 90 days	3 490 718	2 834 306
91 - 120 days	3 366 519	2 564 887
121 - 365 days	171 859 163	139 755 348
Add back credit balances	-1 072 975	-1 216 053
	184 127 223	**149 643 008**

Business/ Industrial/Commercial

Current (0-30 days)	723 966	852 358
31 - 60 days	605 887	1 027 642
61 - 90 days	564 053	678 891
91 - 120 days	477 895	670 029
121 - 365 days	19 115 894	17 784 424
Add back credit balances	-376 634	-234 485
TotalNet debtors after impairment :	**21 111 061**	**20 778 858**

Indigent

Current (0-30 days)	525 755	-
31 - 60 days	750 901	400 698
61 - 90 days	691 471	399 171
91 - 120 days	689 629	183 499
121 - 365 days	28 452 750	21 797 574
Add back credit balances	22 817	5 060
	31 133 324	**22 786 002**

Provincial Government

Current (0-30 days)	1 221 173	570 032
31 - 60 days	1 252 528	1 127 830
61 - 90 days	1 262 041	687 462
91 - 120 days	1 240 075	828 084
121 - 365 days	9 470 393	5 858 307
Add back credit balances	-932 419	-1 128 971
	13 513 791	**7 942 744**

Net balance		
Less: Provision for debt impairment	54 259 072	46 597 110
Reconciliation of allowance for impairment	-201 322 779	-147 063 707
	-201 322 779	**-147 063 707**

Reclassification of debt impairment

The provision for debt impairment was classified under general expenses in the prior period, this has now been rectified

Allowance for impairment

Water	-106 685 734	-
SewerageCurrent (0 -30 days)	-37 784 048	
VAT	-17 989 195	
Interest	-38 863 802	22 228 841
	-201 322 779	

5. Cash and cash equivalents

	2015	2014
Cash and cash equivalents consist of:		
Cash on hand	4 100	4 100
Bank balances	11 856 281	1 792 120
Short-term deposits	46 114 100	99 759 397
	57 974 481	101 555 617

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	2015	2014	2015	2014
FNB Current Cheque Account (Main) 62358106279	11 734 762	1 797 810	11 734 762	1 797 810
ABSA Current Account 4050280759			-	-
FNB Water Account 62358438044	101 705	91 156	101 705	91 156
FNB 7 Days Notice Account 74321014438	18 608 632	11 893 348	18 703 195	11 893 348
ABSA Bank Investment Account 2073784316	-	-	-	-
FNB DBSA Secondary Account	19 814	10 000	19 814	-96 919
ABSA Bank Investment Account 2074161298	-	1 778 571	-	1 778 571
ABSA Bank Investment Account 2074360319	-	67 259 629	-	67 259 629
ABSA Bank Investment Account 9253667878	60 300	7 673	60 563	7 673
FNB Investment Account 62353578564	1 621 005	5 377 252	1 628 000	5 377 252
Petty Cash			4 100	4 100
Rand Merchant Call Investment Account 021900664	2 613 394	7 000 401	2 626 365	7 000 401
Nedbank Investment Account 7337000049	4 757	4 516	4 776	4 516
Investec Investment Account 1100461826502	23 206 011	6 438 006	23 206 011	6 438 080
Investec Investment Account 1100461826503	-	-	-	-
	57 970 381	101 658 362	58 089 291	101 555 617

6. Investment property

	2015 Cost / Valuation	2015 Accumulated Depreciation and Accumulated Impairment	2015 Carrying Value	2014 Cost / Valuation	2014 -	2014 Accumulated Depreciation and Accumulated Impairment	2014 Carrying Value
Investment property	1 160 845	-216 225	944 620	1 160 845		-166 393	994 452
	1 160 845	-216 225	944 620	1 160 845		-166 393	994 452

Reconciliation of investment property - 2015

	Opening Balance	Depreciation	Total
Investment property	994 452	-49 832	944 620
	994 452	-49 832	944 620

Reconciliation of investment property - 2014

	Opening Balance	Depreciation	Total
Investment Property	1 040 000	-45 548	994 452
	1 040 000	-45 548	994 452

7. Property, plant and equipment

	2015 Cost/ Valuation	2015 Accumulated Depreciation and Accumulated Impairment	2015 Carrying Value	2014 Cost/ Valuation	2014 Transfer	2014 Accumulated Depreciation and Accumulated Impairment	2014 Carrying Value
Buildings	23 529 342	-6 251 300	17 278 042	23 304 168	-	-6 031 289	17 272 879
Plant and machinery	22 791 668	-10 414 921	12 376 747	6 832 160	10 431 718	-6 991 868	10 272 010
Furniture and fixtures	8 602 185	-6 373 011	2 229 174	6 999 283	162 260	-5 944 025	1 217 518
Motor vehicles	11 839 137	-9 475 637	2 363 500	9 042 243	1 125 389	-6 796 995	3 370 637
Total	66 762 333	-32 514 869	34 247 464	46 177 854	11 719 367	-25 764 177	32 133 044

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	17 272 680	225 174		-220 011	17 278 042
Plant and machinery	10 272 010	3 967 112		-1 862 374	12 376 748
Furniture and fixtures	1 217 518	1 383 348	-101 518	-270 173	2 229 174
Motor vehicles	3 370 673	22 667	-	-1 029 840	2 363 501
	-	-		-	-
Total	32 133 061	5 598 299	-101 518	-3 382 398	34 247 465

Reconciliation of property, plant and equipment - 2014

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	16 611 063	374 442		-1 712 626	17 272 879
Plant and machinery	2 613 629	13 655 244		-6 196 863	10 272 010
Furniture and fixtures	1 492 869	617 267	-13 665	-877 664	1 218 807
Motor vehicles	2 718 060	3 517 218	-514 816	-2 006 737	3 713 745
	25 635 841	18 164 171	-528 481	-10 793 880	33 673 572

7b. Infrastructure

	Cost/ Valuation	Work-in-Progress	Completed Assets	Accumulated Depreciation	Carrying Value 2 015
InfraStructure Assets	974 445 114		-	-98 666 010	875 779 104
Work-in Progress	380 595 543	129 713 749	-	-	510 309 292
Total	1 355 040 657	129 713 749	-	-98 666 010	1 386 088 396

7B Infrastructure Assets (Note 7 continued) 2015

	1 301 923 908 Opening Balance	Work-in Progress Opening Balance	Additions	Work-in-Progress	Completed Assets	Accumulated Depreciation	Depreciation	Total
7B Infrastructure Assets (Note 7 continued)	921 328 355	380 595 543	5 773 080	129 713 749	-	-	-51 322 342	1 386 088 395
	-							
	921 328 355	380 595 543	5 773 080	129 713 749	-	-	-51 322 342	1 386 088 395

7B Infrastructure Assets (Note 7 continued) 2014

Transfer	Work-in Progress Opening Balance	Additions	Work-in-Progress	Completed Assets	Depreciation	Total
901 289 706	276 742 792	67 382 328	109 216 616	-5 363 865	-47 343 669	1 301 923 909
-						
901 289 706	276 742 792	67 382 328	109 216 616	-5 363 865	-47 343 669	1 301 923 909

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

8. Intangible assets

Cost	2015 Cost/Valuation	2015 Transfer	2015 Accumulated amortisation and Accumulated Impairment	2015 Carrying value	2014 Cost/Valuation	2014 Transfer	2014 Accumulated amortisation and Accumulated Impairment	2014 Carrying value
Computer software	3 591 805		-3 424 014	167 791	3 427 078	92 960	-3 113 906	406 132
	3 591 805	-	-3 424 014	167 791	3 427 078		-3 113 906	406 132

Reconciliation of intangible assets - 2015

	Opening Balance	Transfer	Additions	Amortisation	Total
Computer software	406 132	-	67 746	-306 088	167 791
	406 132	-	67 746	-306 088	167 791

Reconciliation of intangible assets - 2014

	Opening Balance	Transfer	Additions	Amortisation	Total
Computer software	1 836 809	92 960	30 849	-1 554 486	406 132
	1 836 809	92 960	30 849	-1 554 486	406 132

377 542 225 352 532 810

9. Interest in joint ventures

	2015	2014
uThukela Water Pty Ltd-shortfall Funding	377 542 226	352 532 810
	-	
	377 542 226	**352 532 810**

The Interest in Uthukela Water (Pty) Ltd was reduced due to the transfer of reticulation function.

Reconciliation of Interest in Joint Venture

Opening balance as at 30 June 2014	352 532 810
Adjustment of Interest in transfer of function between entities not under common control	
Share of Deficit	25 009 417
Value of investment in joint venture @30/06/2015	**377 542 226**

	2015	2014
10. Investments		
Residual interest at cost	-	16 002 506
Unlisted shares: Long term deposits		
Non-current assets	-	
Unlisted shares: Long term deposits	-	16 002 506
First National Bank 74321014438	-	7 986 700
Investec 1100461826450	-	8 015 806
	-	16 002 506

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

	2015	2014
Institution		
First National Bank & Investec	-	16 002 506
Receivables from Exchange TransactionsOther Receivables		
Other Receivables	4 438 357	72 396 213
Receivables from Non-exchange Transactions		
Other Receivables	5 164 829	2 878 354
Cash and Cash Equivalents		
Call Deposits	46 114 100	99 759 398
Bank Balances	11 856 281	1 898 966
Cash Floats and Advances	4 100	4 100
	57 974 481	**101 662 464**

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised CostReceivables from Exchange Transactions - Other Debtors

	2015	2014
Receivables from Non-exchange Transactions	4 438 357	72 396 213
Receivables from Exchange TransactionsOther Receivables	5 164 829	2 878 354
	9 603 186	**75 274 567**
Financial Assets at Fair Value	**57 974 481**	**101 662 464**

Figures in Rand

11. Payables from exchange transactions

	2015	2014
Trade payables	-	-
Retentions Held Suspense	9 263 534	9 532 677
Creditors Control	5 452 483	482 625
Leave Pay	8 139 268	5 922 182
Accruals Suspense Account	29 865 994	41 266 033
Municipal Funded Projects	-	-
Creditor Interest Accrued	-	3 508 169
Consumer Creditors - Uthukela	-	-
	52 721 279	**60 711 686**

There were no guarantees in lieu of deposits.

Consumer Deposits	534 501	548 149

The consumer deposits relate to monies paid for connections before any services could be rendered. These amounts relate to prior period deposits.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	2014
Rural Transport and Infrastructure Grant	-	77 079
Disaster Management Grant	3 296 033	-
Greytown Bulk Water Project	-	-
Asisukume Maize Mill	61 382	638 472
Massifikation of Bulk Water	-	2 084 951
EPWP Incentives	-	528
LGSETA Training Grant	-	129 888
COGTA Rural Development	289 799	289 799
Mtshongweni Veg Project	70 389	1 137 063
Water Service Operational Grant	-	-
Municipal Water Infrastructure Grant	-	1 438 948
Rural Household Infrastructure Grant	-	4 000 000
Dundee July Grant	-	-
Environmental management framework	1 000 000	
	4 717 602	**9 796 726**

See note 18 for reconciliation of grants from National/Provincial Government.

13. Loans

	2015	2014
uThukela Water Pty Ltd	**160 586 313**	67 334 135
Long Term Liability - uThukela Water	65 562 806	62 888 168
Short Term Liability - uThukela Water	1 771 329	4 445 967
	-	
	67 334 135	**67 334 135**
Reconciliation - Uthukela Water (Pty) Ltd		
Opening balance	-	
less: Unsupported claims by Uthukela Water (Pty) Ltd Raw Water User Licenses	-	
Closing balance	-	

Development Bank of South Africa

	Opening Balance 30 June 2014	Discount Received	Receipt	Accrued Interest	Interest Capitalise	Capital Repayment	Carrying Value 30 June 2015
DBSA/ Uthukela Loan	21 135 265	-2 004 020	-	-	319 737	-1 980 906	17 470 076
DBSA MIG Loan	169 919 519		69 166 667	-	9 536 043	-172 840 127	75 782 102
	191 054 784		**69 166 667**	-	**9 855 780**	**-174 821 033**	**93 252 178**

Consolidated Loan balances	2015	2014
Total Short term portion		
uThukela Water (Pty) Ltd	1 771 329	4 445 967
Development Bank of South Africa	93 252 178	190 613 033
	95 023 507	195 059 000
Total Long term portion		
uThukela Water (Pty) Ltd	65 562 806	62 888 168
Total Loans	160 586 313	257 947 168

The approved MIG funding allocation received from National Treasury has been pledged against the loan.

14. Employee benefit obligations

	2015	2014
The amounts recognised in the statement of financial position are as follows:	18 190 000	18 902 003
Prior year adjustment	18 190 000	-3 382 650
Carrying value		15 519 353
Post-Employment Medical Benefits	**14 071 000**	**15 519 353**

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

	2015	2014
Opening balance	15 400 176	9 004 176

Movement during the year	-1 032 176	6 415 000
Benefits paid	-297 000	-19 000
	14 071 000	15 400 176

Carrying Value		
Long service award	4 119 000	1 184 000

Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	3 502 000	1 184 000
Movement during the year	669 000	2 426 000
Benefits paid	-52 000	-108 000
	4 119 000	3 502 000

Post Retirement Healthcare subsidy liability as at 30 June 2015

The economic assumptions for the 30 June 2015 valuation are shown in the table below, and compared to those used for the previous valuation

	30 June 2014	30 June 2015
Gross Discount rate	9.60%	9.40%
Healthcare cost inflation	9.10%	8.90%
Net discount rate	0.46%	0.46%

Rationale for assumptions

Discount Rate
GRAP 25 requires the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25
and current market practise, government bond yields are therefore used when setting our best estimate discount rate assumption.
The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.
The estimated discount rate was set to the yield on the BESA zero-coupon yield curve with a term of 17 years, the expected duration of the liability based on the current membership data, as at 30 June 2015.

Healthcare cost inflation
In the past, helathcarecost inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of 1% to 2%.
The Bond Exchange of South Africa fit a real yield curve on index-linked bonds. This real yield curve is published together with the BESA yield curve on zero-coupon
government bond yields, which is a nominal yield.
The best estimate inflation assumption is calcualted as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0,5% inflation risk premium
adjustment to make appropriate allowance for the current economic environment. In order to be consistent between the LSA and PHRS valuations, the calcualted inflation assumption for each using above methodology
and then calcualted one liability weighted inflation assumption for both valuations. This would result in one best estimate inflation assumption to be used.
A margin of 2% was added to this value to determine the healthcare cost inflation assumption.
The CPI inflation assumption using the methodology is 6.9% as at 30 June 2015. This, the healthcare cost inflation has been set as 8.9%
at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net Discount Rate
The relationship between the gross discount rate and the healthcare cost inflation rate is more important that the
individual values. The net discount rate is also a highly significant assumption in the respective valuations.
The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting at their current level at the net discount rate
The net discount rate therefore depends on the relationship between the gross discount rate and the healthcre cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates
as shown above, the resulting net discounting rate is 0.46% (calculated as (1+discount rate)/(1+healthcare cost inflation rate)-1) for the 30 June 2015 valuation.

Withdrawal Assumption

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

	30 June 2015		30 June 2014	
Age	Males	Females	Males	Females
	%	%	%	%
20	13.30	13.30	13.30	13.30
25	13.30	13.30	13.30	13.30
30	10.90	10.90	10.90	10.90
35	8.20	8.20	8.20	8.20
40	5.80	5.80	5.80	5.80
45	4.10	4.10	4.10	4.10
50	2.90	2.90	2.90	2.90
55	-	-	-	-
60	-	-	-	-

Assumed retirement age
The assumed retirement age is of 63 years for current employees is based on the normal retirement age of the employer of 65 years for all employees, including allowance
for early retirements. This assumption is in respect of both males and females.

Spousal and principal member age difference

The assumption that male membersare 3 years older than their female spouses and vice versa. The same assumption was applied at the previous valuation date.
Where availablee, the actual age of spouse was used for continuation members.

Child Dependents
No value has been placed on benefits payable to child dependants. The impact is likely to be immaterial and not allowing for child dependants is generally applied by other actuaries in the market place. The same assumption was applied at the previous valuation date.

Percentage Married assumptions

The assumption that 90% of all active members (both male and female) will be married at retirement. For pensioners we have used the actual married which is equal to 100%.
This changed from the previous valuation where for pensioners it was also assumed that 90% of pensioners are married.
Below is a summary of the prior year assumptions

The table below shows the married assumption for the valuation in respect of active members currently in service, differentiated by age

Age		30 June 2014 Males %	Females %
20		1	1
25		13	13
30		48	48
35		70	70
40		81	81
45		85	85
50		85	85
55		86	86
60		90	90

Long service Award Valuation

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

Current Employees	30 June 2015 Males	Females		30 June 2014 Males	Females
No. current employees	207	95		201	91
Average age of employees	42	38		42	38
Average years of past service	9	7		9	6
Average annual	153,761	218,593		134	200

The economic assumptions for the 30 June 2015 valuation are shown in the table below, and compared to those used for the previous valuation

	30 June 2015	30 June 2014
Gross Discount rate	8,50%	8,50%
Healthcare cost inflation	0	9,10%
Net discount rate	-0,54%	-0,37%

Rationale for economic assumptions

Discount Rate
GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption.
The currency and term of the govermnet bonds shall be consistent with the currency and estimated term of the employee benefit obligations.
The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 9 years, the expected duration of the liability based on the current membeship data, as at 30 June 2015.

Salary Inflation
In the past, salary inflation has typially exceeded the Consumer Price Index ("CPI") by a margin of around 1% to 2%.
The Bond Exchange of South Africa fitted a real yield curve on the index-linked bonds. This real yield curve is published together with the BESA yield curve on zero-coupon government bond yields, which is a nominal yield curve.
The aforementioned real and nominal yield curves are therefore used to determine the inflation assumption, as this provides more accurate information on the outlook on inflation at specific durations.
Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation

risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the salary inflation assumption.
The CPI Inflatio assumption using theis methodology is 6.9% as at 30 June 2015 based on a duration of 17 years. The duration was derived as the combined weighted duration of the long service award and post-retirement healthcare subsidy liabilities as at 30 June 2015. Thus, the salary inflation has been set as 8.90% at the valuation date, after allowing for a margin of 2% over CPI inflation.
The same methodology was followed for the 30 June 2014 salary inflation rate.

Net Discount Rate
The relationship between the gross discount rate and salary inflation rates are more important that their individual values. The net discount rate is also highly significant assumption in the respective valuations.
The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.
The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively.
Using the gross discount and salary inflation rates as shown above, the resulting net discounting rate is 0.37% (calculated as (1+discount rate)/(1+salary inflation rate)-1 for the 30 juen 2015 valuation.

Summary of demographic assumptions for the 30 June 2015 valuation are in the tables below

	30 June 2015	30 June 2014
Pre-retirement mortality	SA85-90L	SA85-90L
Withdrawal	see table below	see table below
Assumed retirement age	63 yrs Female and Males	63 yrs Female and Males
Number of trading days per year	252	252

Pre-retirement mortality
The above table most commonly used in the retirement industry (for similar sub-populations in South Africa)vis SA 85-90 (Light). The same assumption was applied at the previous valuation date.

Withdrawal assumptions

The table below shows the annual withdrawal rates for the valuation, differentiated by age.

Age		30 June 2015 Males %	Females %
20		13.30	13.30
25		13.30	13.30
30		10.90	10.90
35		8.20	8.20
40		5.80	5.80
45		4.10	4.10
50		2.90	2.90
55		-	-
60		-	-

Assumed retirement age
The assumed retirement age of 63 for current employees is based on the normal retirement age of the employer of 65 years for all employees, including allowance for early retirements
The assumptions is in respect of males and females and was also applied at the previous valuation date.

Number of trading days
The assumption that the number of trading days in the current was 252 days. The assumption was applied at the previous valuation date.

Benefit Rules
The valuation has been performed on the basis of the following benefit rules applied:

In addition to normal vacation leave, an employee shall qualify for the following additional leave as recognition for continuous service at the completion of the following:

Summary of LSA Benefits

Service Years	Benefit in days
10	10 days
15	20 days
20	30 days
25	40 days
30	40 days
35	40 days
40	40 days
45*	40 days

* The assumption used will not exceed 45 years of service

	2015	2014
15. Other NDR		
uThukela Government Grant	-	-
uThukela Capitalisation Reserve	-	-
uThukela Accumulated Surplus	-	-
	-	-

16. Service charges		
Sale of water	43 618 073	29 059 611
Sewerage and sanitation charges	11 622 301	9 996 125
Water re-connection fee	43 454	428 392
Sewerage / Water new connection fee	491 151	53 329
	55 774 979	39 537 457

17. Interest income		
Bank	7 042 660	10 463 287
Consumer interest	16 547 942	13 232 943
SARS Interest	117 691	
	23 708 293	23 696 230

18. Government grants and subsidies

Equitable share	213 364 000	191 952 000
Water services Operational Grant	4 000 000	7 500 000
Disaster Management grant	5 000 000	-
Drought Relief	7 980 360	-
Drought Relief DWAF	8 961 398	-
FMG	1 250 000	1 250 000
MSIG	934 000	890 000
Greytown bulk water	43 516 801	31 033 009
Lottery health care grant	-	4 390 598
District growth summit	-	-
KZN ACIP WWTW	1 401 947	4 293 884
Rural settlement grant	2 128 000	-
LED grants	-	-
Mtshongweni Veg Project	500 000	-
Shared services	250 000	-
EPWP Incentives	1 790 000	1 000 000
DTLGA S78	-	-
Municipal Water Infrastructure Grant	19 775 000	16 050 111
Rural Household Grant	4 000 000	4 000 000
Dundee July Grant	495 102	478 572
DWAF grant	-	-
COGTA grants	-	-
Massifikation of bulk water	-	1 586 461
Environmental Management Framework	1 000 000	1 586 461
	315 346 609	264 424 635

Capital grants		
MIG	179 014 000	186 505 000
	-179 014 000	-186 505 000
	-	-

MWIG		
Balance unspent at beginning of year	1 438 948	-
Current-year receipts	19 775 000	16 050 000
Conditions met - transferred to revenue	21 213 948	14 611 052
Conditions still to be met - remain liabilities (see note 12).	-	1 438 948

Water Services Operational Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	4 000 000	7 500 000
Conditions met - transferred to revenue	4 000 000	7 500 000
Conditions still to be met - remain liabilities (see note 12).	-	-

RBIG		
Balance unspent at beginning of year	-	-
Current-year receipts	43 516 801	31 033 009
Conditions met - transferred to revenue	43 516 801	31 033 009
Conditions still to be met - remain liabilities (see note 12).	-	-

Rural Household and Infrastructure Grant		
Balance unspent at beginning of year	4 000 000	-
Current-year receipts	4 000 000	4 000 000
Conditions met - transferred to revenue	8 000 000	-
Conditions still to be met - remain liabilities (see note 12).	-	**4 000 000**
FMG Grants		
Balance unspent at beginning of year	1 250 000	1 250 000
Conditions met - transferred to revenue	1 250 000	1 250 000
Conditions still to be met - remain liabilities (see note 12).		**2 500 000**
MSIG		
Balance unspent at beginning of year	934 000	890 000
Conditions met - transferred to revenue	934 000	890 000
Conditions still to be met - remain liabilities (see note 12).		-
Environmental Management Framework		
Balance unspent at beginning of year	1 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 12).	1 000 000	-
GIS Systems Grant		
Balance unspent at beginning of year	-	64 337
Conditions met - transferred to revenue	-	-64 337
Conditions still to be met - remain liabilities (see note 12).	-	-
Rural Transport and Infrastructure Grant		
Balance unspent at beginning of year	77 079	269 339
Current-year receipts	2 128 000	1 966 000
Conditions met - transferred to revenue	2 205 079	2 158 260
Conditions still to be met - remain liabilities (see note 12).	-0	**77 079**
Disaster Management Grant		
Balance unspent at beginning of year	-	
Conditions met - transferred to revenue	1 703 967	
Conditions still to be met - remain liabilities (see note 12).	**3 296 033**	-
Asisukume Maize Mill		
Balance unspent at beginning of year	638 472	1 390 377
Conditions met - transferred to revenue	577 090	751 905
Conditions still to be met - remain liabilities (see note 12).	**61 382**	**638 472**
Massifikation of Bulk Water		
Balance unspent at beginning of year	2 084 951	12 318 326
Current-year receipts		1 586 461
Conditions met - transferred to revenue	2 084 951	11 819 837
Conditions still to be met - remain liabilities (see note 12).	-	**2 084 951**
EPWP Incentives		
Balance unspent at beginning of year	528	870 528
Current-year receipts	1 790 000	1 000 000
Conditions met - transferred to revenue	1 790 528	1 870 000
Conditions still to be met - remain liabilities (see note 12).	-	**528**
KZN ACIP WWTW		
Balance unspent at beginning of year	-	1 423 588
Adjustments made	-	-557 026
Current-year receipts	1 401 947	4 293 884
Conditions met - transferred to revenue	1 401 947	5 160 446
Conditions still to be met - remain liabilities (see note 12).	-	-
KZN COGTA		
Balance unspent at beginning of year		73 417
Adjustments made		557 026
Conditions met - transferred to revenue		630 443
	-	-
LGSETA Training Grant		
Balance unspent at beginning of year	129 888	200 000
Current-year receipts	-	-
Conditions still to be met - remain liabilities (see note 12).	129 888	70 112
	-	**129 888**
COGTA Rural Development Grant		
Current-year receipts		
Opening Balance	289 799	569 799
Conditions met - transferred to revenue	-	280 000
Conditions still to be met - remain liabilities (see note 12).	**289 799**	**289 799**

Shared Services		
Current-year receipts		
Opening Balance	250 000	
Conditions met - transferred to revenue	250 000	
Conditions still to be met - remain liabilities (see note 12).	-	-
Mitshongweni Vegetable Project		
Opening Balance	-	
Current-year receipts	500 000	1 800 000
Conditions still to be met	1 566 674	662 937
Conditions still to be met - remain liabilities (see note 12).		
Dundee Rural Horse Riding		
Opening Balance	-	
Current-year receipts	495 102	
Conditions still to be met	495 102	
Conditions still to be met - remain liabilities (see note 12).		-
Lottery		
Opening Balance	-	-
Current-year receipts	-	4 390 598
Conditions still to be met	-	4 390 598
Conditions still to be met - remain liabilities (see note 12).		-
Drought Relief		
Opening Balance	-	
Current-year receipts	7 980 360	
Conditions still to be met - remain liabilities (see note 12).	7 980 360	
	-	-
Drought Relief DWAF		
Opening Balance	-	
Current-year receipts	8 961 398	
Conditions still to be met - remain liabilities (see note 12).	8 961 398	
	-	-
Summary Government Grants and Subsidies		
Equitable Share	213 364 000	192 952 000
FMG	1 250 000	1 250 000
MSIG	934 000	890 000
MIG	179 014 000	186 505 000
Other Grants	99 641 601	113 193 917
	494 203 601	

18.1. Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.
All registered indigents receive a monthly subsidy of 6 kilolitres @R 6.04 excl of Vat, which is funded from the grant.

	2 015	2 014
19. Employee related costs		
Salaries and Wages	61 020 371	55 990 781
Bonuses	3 956 582	3 672 674
Overtime payments	8 137 038	5 399 949
Housing benefits and allowances	886 427	838 729
Contribution for UIF, Pension and Medical Aid	10 326 485	8 363 704
Standby Allowance / Shift Allowance	1 617 962	1 382 213
Travel and Other allowances	4 150 242	4 278 644
Leave Expenses	3 450 170	3 461 643
	93 545 296	80 926 694
Remuneration of Municipal Manager		
Annual Remuneration	855 212	1 439 683
Acting Allowance	66 542	
	921 753	1 439 683
Remuneration of Chief Finance Officer		
Annual Remuneration	287 570	444 997
Acting Allowance Mr Talane	1 025 483	
	1 313 053	444 997
Director Community Services		
Annual Remuneration	907 652	1 071 587
Acting Allowance	907 652	1 071 587
Technical Services Director		
Annual Remuneration	1 314 736	1 277 278
Acting Allowance	23 070	-
	1 337 806	1 277 278
Corporate Services Director		
Annual Remuneration	938 347	883 625
Acting Allowance	-	-
	938 347	883 625
Planning and Development Director		
Annual Remuneration	532 956	335 114
Acting Allowance	38 890	-
	571 846	335 114

The Municipal Manager, CFO and Planning and Development Director positions were vacant in 2014/15 year

	2 015	2 014
20. Remuneration of councillors		
Mayor's allowance	641 300	614 794
Deputy Mayor's allowance	568 670	545 166
Executive Committee allowances	407 659	561 106
Speaker's allowance	293 679	256 111
Councillors' allowances	1 726 189	1 333 233
Local Authority / travel fees	112 634	87 484
Medical Aid contributions	32 096	30 318
Mobile Data	20 100	21 600
Skills levy	33 577	31 951
Cellphone Allowances	-	88 663
Pension Fund contributions	201 738	189 647
	4 037 643	3 760 073
	4 037 643	

In-kind benefits
The Mayor and Deputy Mayor are full-time, Speaker part-time. Each is provided with an office and secretarial support at the cost to the Council
The Mayor has use of a Council owned vehicle for official duties.
The Mayor has two full-time bodyguards and a driver. The Deputy Mayor has two full-time bodyguards and a driver.
The Speaker has two full-time bodyguards and the Acting Accounting Officer has two full-time bodyguard.
The Speaker and the Deputy Mayor has use of a Council hired vehicle for official duties.

	2 015	2 014
22. Depreciation and amortisation		
Property, plant and equipment	56 317 390	55 444 588
23. Interest expense		
Interest paid	7 612 611	7 574 025

		2 015	2 014
24. Grants and subsidies paid			
MIG Grant		113 288 540	253 334 831
Greytown Bulk Water		38 172 633	27 872 912
Lottery Grant - Primary Health Care		-	4 390 598
Massifikation of Bulk Water		2 084 851	11 819 837
KZN ACIP WWTW		1 248 619	5 160 445
Reserves : General Grants : Finance Management Grant		1 198 565	1 250 000
Reserves . Municipal Systems Improvement Grant		865 433	890 000
Shared Services		229 271	-
EPWP Incentives		1 655 851	1 870 000
WSOG		3 508 791	7 500 000
COGTA Rural Development		-	280 000
Reserves: GIS Systems Grant		-	64 337
KZN COGTA - Government Support		-	630 442
MWIG		18 608 656	14 611 052
RRAMS		2 023 570	2 158 260
Dundee July Grant		495 102	478 572
Disaster Management Grant		1 703 967	-
Msinga Asisukume Maize		577 090	751 905
Mtshongweni		1 292 862	662 937
LG Seta Training Grant		120 072	70 112
Drought Relief		7 602 563	
Drought Relief DWAF		8 478 477	
Environmental Management Framework		-	
Rural Households Infrastructure Grant		7 082 352	
Less: Uthukela Water Assets Recognised		-	-
		210 217 364	333 796 241
Less:	Infrastructure Additions and WIP	135 486 829	181 962 859
		75 459 854	151 833 381

25. General expenses	2015	2014
Accommodation	1 540 586	1 487 204
Advertisement	194 242	193 105
Agency Fees - Debt Collectors	534 499	218 229
Agricultural Incubator	-	
Asset Verification	1 329 939	8 640
Auditors remuneration	2 508 061	2 024 526
Audit Committee Costs	143 200	96 812
Audit - Internal	1 364 960	534 140
Bank charges	163 345	129 251
Books and Publications	-	-
Bulk Purchases	-	-
Bursaries	510 000	385 000
CCC Operator Costs	-	-
Catering; Meetings and Seminars	164 616	171 981
Chemicals	14 182	7 180
Cleaning Materials	35 848	76 710
Cleaning services	54 976	54 916
Computer Programs	268 061	358 098
Conferences & Seminars	3 000	55 283
Construction Incubator	-	-
Corporate Material	-	21 120
Cost of Free Basic Services	-	-
Customer Care - Finance	9 266	269 712
Customer Satisfaction Survey	-	
DBSA Loan Commission	-	6 494 900
Departmental Costs	-	-
Development Agency	38 294	
Disaster Management	-	
Disaster Relief	826 882	1 088 067
District Cultural Even	201 250	286 865
Drought Relief	29 163 881	24 770 265
Charges: Easy pay and Post Office	90 680	171 059
Elderly and Widow Programs	225 501	318 862
Electricity	-	-
Emergency Service Provision	-	-
Entertainment	45 661	31 125
Fire services	788 507	939 285
Fuel & oil	4 681 184	3 539 148
GIS Tools	438 333	
HIV/AIDS Programmes	1 003 606	913 751
Human Resource	641 156	746 555
IDP Sector Plan	184 658	76 166
IDP Review	839 797	
ISWIP	-	
Infrastructural Projects	-	25 000
Indigent Support	-	
Insurance	1 317 689	968 355
Inventory- Log	3 089	7 241
Leave Expenses		3 461 643
LED: Projects	1 508 832	783 268
Legal Costs	1 853 346	1 026 637
License fees	463 575	513 795
Local council	548 890	507 280
Marathon	-	6 000
Mayors Sports Tournament	250 557	377 747
Management Audit / Technical Support	6 657 588	8 465 298
Mayoral Imbizo	1 717 928	2 855 727
Mayoral project	-	783 268
Mayors Discretionary Fund	-	-
Membership fees	1 124 997	-
Meter Reading	1 262 028	1 252 743
Municipal Events	-	
Municipal Support	-	
Overgrown Stands	41 740	-
Pauper Burials	198 550	127 818
Penalties	65 580	103 474
Plan- People WIT	386 328	70 630
Postage	481 262	435 551
Printing and stationery	149 051	333 165
Project Launch	174 611	1 220 811
Projects	-	
Marketing and Promotions	826 447	2 429 329
Promotion of Tourism	316 734	176 356
Poverty Alleviation	283 783	1 455 565
Recruitment of Staff	265 644	85 269
Rental Offices	276 461	
Rental Offices and Machinery	944 540	824 853
Rural Horse Riding	1 092 052	45 643
Sample of Food and Milk	53 414	-
Security	2 662 594	-
Shows, Exhibits	-	
Signage KZN Tourism	-	
Sport and Culture	4 147 573	3 046 951
Subscriptions	4 707	5 510
Subsistence and Travelling	2 173 002	3 204 328
Telephone	1 141 092	999 639
Transport Official Vehicle	-	2 700 745
Vat adjustments	-1 519 518	
Ward Sport Development	-	106 222
Water Charge - Indigent	-	-
Water and Electricity	18 445 582	16 834 662
Water Services Operational Cost	47 951 696	68 570 550
Water Conversation	-	4 600
Woman and Gender	473 375	116 221
UThukela Water Distribution	-	21 686
Youth and Gender	8 474	136 941
	145 761 287	169 556 596

26, Auditors' Remuneration

	2015	2014
Audit Fees - Office of the Auditor General	2 508 061	2 024 526
Audit Committee	143 200	96 912
	2 651 261	2 121 438

27. Cash used in operations

	2015	2014
Surplus	366 891 202	243 893 522
Adjustments for: Depreciation and amortisation	56 317 390	55 444 588
Gain on sale of assets and liabilities		-
Gain attributable to Transfer of assets	-1 722 812	-264 311 488
Gain on joint venture investment	-276 986 364	35 015 996
Interest Income	-16 547 942	-13 232 943
Finance costs	7 812 811	-
Movement in retirement benefit assets and liabilities	2 908 028	6 641 000
Other non-cash items	-46 331 622	
Petty cash and cash float	4 100	
Outstanding cheques		
Changes in working capital:		
Movements in Provisions for Bad debts	7 661 962	53 933 505
Debtors	1 373 790	6 652 303
Consumer debtors	-5 615 030	-20 391 141
Creditors	-7 990 407	-
VAT	-13 743 412	-8 331 734
Unspent conditional grants and receipts	-5 079 124	-9 182 985
Other non-cash movements	-1 519 517	-577 142
Movement in reserves		
	67 433 054	89 753 481
	67 433 054	
	0	

28. MIG Expenditure

	2 015	2 014
Endumeni / Nquthu bulk/Mgungundlovu		
uMvoti Area Sanitation	2 674 686	1 992 992
Eshane Water Supply	568 066	
Hlazakazi Water Supply		487 000
DWAF		498 303
Hlimbithwathi Sanitation		2 067 380
Keates Drift Water Scheme		
Ntinini Regional Water	434 320	1 492 101
Makhabeleni Community Water Supply Scheme Phase 4 and Phase 5	4 766 250	
Kwakopi Mhlangana VIP sanitation	2 217 496	7 269 093
Makhabeleni Phase 6	1 446 277	11 522 492
Makhabeni Sanitation: Implementation		
Mbono Water	8 327 259	6 705 224
Douglas Water	2 475 465	
Mthembu Water Supply		
Pomeroy Douglas Sanitation project		12 435 164
Mbulwane - Hlimbithwa	309 706	270 308
Muden Sanitation	5 090 972	9 524 637
Vantis Drift Water		
Ngubukazi Water Supply	1 017 631	-
Ngubukazi Water Supply Phase 3		11 000 698
Nquthu Sanitation	7 690 676	23 053 080
Ophathe - Water	21 322 126	7 502 123
Othame Sanitation	16 888 640	13 273 407
Pomeroy Bulk Water Supply Phase 2		-
Sithembile 27	2 726 596	3 407 434
Rugtefontein Settelment Area		
Umzinyathi Rudimentary	89 500 203	59 176 807
Umsinga Bulk water	13 433 504	27 632 608
Muden Regional Bulk Scheme	11 727 055	26 863 999
Dundee bulk		
Mthembu water Extension		-
Nquthu North Eastern Services	3 140 204	893 754
Othame Water		
adjustment as per circular 58 / Contribution to funds		27 578 073
	195 757 135	254 646 877

29. Commitments

Authorised capital expenditure				
Approved and not contracted	95 955 708			48 271 967
Already contracted for and approved	535 086 733			158 411 005
Total	631 042 441	-	-	206 682 973

Capital commitments have been funded from government grants

Operating leases - as lessee (expense)			
Minimum lease payments due			
within one year	744 588		674 567
in second to fifth year inclusive	340 004		1 738 484
	1 084 591	-	2 413 051

The Municipality is leasing 16 copiers from Xerox and monthly rental expense has been accounted for in the statement of financial performance. The average lease term is 5 years and the average escalation rate is 10%. The escalation is fixed for the duration of the contract. No arrangements have been entered into for contingent net obligation under operating lease are secured by the lessor's title to the leased asset.

30. Contingencies

Claim for damage - Endumeni Municipality

The municipality recieved correspondence dated 25 October 2010 copied to the Auditor-General, MEC for Local Goverment Provincial and National Treasury from Endumeni Municipality serving a notice in terms of section 41 (2) of the Intergovermental relations framework Act 13 of 2005 relating to the failure of Umzinyathi to facilitate the transfer of assets and liabilities to the value of R 6 626 612 and final demand for payment of an outstanding amount of R17 068 623.59 for operational expenditure incurred by endumeni Municipality on behalf of Umzinyathi DM for water services function. Endumeni Municipality intends to take legal actions should this matter . remain unresolved

However when audit was conducted by Gobodo, it was found that the actual amount owed is R 15 997 119.61 not R 17 068 623.59. The R 6 626 612 was the original capital loan amount, but went up to R 15 997 119.61 (R 9 370 507.61 included of capital charges)

Umzinyathi District Municipality has always been willing to resolve this matter but Amount as per Uthukela Water (Pty) Ltd documents from Endumeni Municipalty for their claim which was submitted on the 22 October 2010.

Umzinyathi District Municipality resolved to investigate and verify the claim by Endumeni Municipality and present final findings to EXCO for approval.

R11 769 407.51 has been paid to Endumeni Municipality and R4 227 407.51 for internal loans still in dispute. The matter was was resolved with Endumeni Municipality whom to date has failed to submit a written confirmation of writing off the account. This matter has been resolved as per council resolution received from Endumeni Municipality

uThukela Water

There's a dispute of an amount of R43 400 474 between uThukela water and the Municipality as uThukela water claims that the municipality owes an amount of R110 734 609 but can only prove an amount of R67 334 135

		2 015	2 014
Legal Matters pending There are 5 litigations and claims pending against the municipality		20 607 011	-
Umzinyathi District Municipality v Consultant Consultant was appointed as a consultant and one of the objectives of the contract was that the consultant source funding for the project. The consultant did not meet those objectives therefore the municipality cancelled the contract which then led to the dispute.		192 227	
Umzinyathi District Municipality v Supplier Supplier claims compensation payment of compensation against Umzinyathi for defamation **Note** Plantiff has offered settlement of this matter on the basis that each party pays its own costs.	250 000		
Umzinyathi District Municipality v Supplier The consultant underperformed with a project at eQhudeni and the municipality cancelled the contract hence the disputed arised from the contract..			
Umzinyathi District Municipality v Supplier Supplier provided accommodation for bodyguards as per contract however the municipality cancelled the contract with the security company and therefore the company claims that the municipality should have continued with the contract.		138 306	
Umzinyathi District Municipality V former employee Former employee was dismissed. He is claiming a payment of the said fee for the alleged contract		1 230 848	

31. Fruitless and wasteful expenditure

	2 015	2 014
Opening balance	672 202	403 033
Penalties and early withdrawals	-	269 169
Abuse of fuel cards		
	672 202	672 202

Fuel cards were abused in the previous year. Internal control measures were put in place to ensure that Fuel cards were controlled. An official was assigned a tast to monitor the vehicles of the municipality. This has shown improvement on the abuse of fuel cards.

32. Irregular expenditure

	2015	2014
Opening balance	121 755 559	12 960 696
Add: Irregular Expenditure - current year	179 663 200	108 794 863
Less: Amounts condoned	-	-
	301 418 759	121 755 559

Application to Treasury will be made requesting condonement

33.Revenue

Service charges	55 774 979	39 055 736
Rental of facilities and equipment	332 688	186 299
Interest received - Investment	23 708 293	10 463 287
Government grants & subsidies	494 203 601	490 400 319
Sundry Income	2 524 736	14 540 342
	576 544 298	554 645 983

33.1 Revenue from exchange transactions - Rental of facilities and equipment
The amount received on investment property for rental of premises owned by the municipality totals to R332 688

34. Supply chain deviations

Expenditure written-off	-	3 391 940
Expenditure incurred	634 020	-3 391 940
	634 020	-

34.b SCM Regulations

New Intergrated Solutions (NICS)	231 624
Pricewaterhouse Coopers (PWC)	59 850

The above appointments were done in accordance with Section 36 and were approved by the Accounting Officer and ratified by the Council.
Expenditure written-off
Expenditure incurred

35. Risk management

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.

Credit risk

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

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

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

36. Going concern

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

37. Events after the reporting date

The post for the CFO was re-advertised as the Municipality did not find a suitable qualified candidate to fill the post. The new MM has been appointed and is assuming his duties on the 1st of September 2015

38. Additional disclosure in terms of Municipal Systems Act Shedule 1, 12a and schedule 2,10

Councillors' arrear consumer accounts

The following Councillors and Employees had arrear accounts outstanding for more than 90 days at 30 June 2015:

41 820

Councillors 30 June 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mahaye T M & M L	2 194	36 623	38 817	596	600	1 196
Mthombeni N B & C G	769	18 106	18 875	173	244	417
Khanyile Nothisiwe	378	6 221	6 599	126	138	265
Mncube TE	494	6 787	7 281	106	122	228
Yengwa MS	741	8 989	9 730	330	455	785
Mfeka JA	594	-	594	177	-	-
Chambule BS	271	1 030	1 300	85	-	-
Bedassi !	121		121		-	-
	5 562	77 755	83 317	1 593	1 559	2 890

Employee Name	Outstanding less than 90 days	Outstanding more than 90 days	Total	Outstanding less than 90 days	Outstanding more than 90 days	Total
Malunga N M	1 804	42 708	44 512	562	40 499	41 060
Dearlove P D	1 770	45 321	47 090	796	38 344	39 142
Mkhwanazi S C	1 269	20 850	22 119	283	16 902	17 185
Kumalo P	1 555	15 150	16 705	137	13 140	13 276
Zulu VD	144	7 138	7 282	235	4 813	5 048
Mawila MP	582	5 578	6 160	-		-
Nzimakwa N	-	1 700	1 700	-	3 350	3 350
Malunga MS	99	3 358	3 458	116	1 411	1 527
Zulu SK	248	2 321	2 569	23	1 611	1 635
Twala NB	455	2 770	3 226			-
Mkhize CB and RN	-	-	-	228	-	228
Ndlovu N	-	1 168	1 168	-	1 168	1 168
Dlodlo MB and MM	213	2 150	2 363	-	-	-
Mvelase S	-	991	991	-	991	991
Mndaweni TJ	-		-	-	391	391
Gcabashe S	454	-	454	-	-	-
Duma N	-	-	-	-	196	196
Mazibuko LB	591	746	1 337	-	-	-
Malunga T	916	7 689	8 605	13	2	15
Ndlovu BE	1 278	27 615	28 893			
Moodley S	1 070	23 865	24 935			
Thompson MC	336	7 946	8 282			
Khoza K	2 122	5 887	8 009			
Mlambo RK	612	7 118	7 730			
Williams S	168	3 987	4 155			
Thwala NB	455	2 770	3 225			
Munessar A	520	2 113	2 633			
Goge MD	21	275	295			
Nakani T	5 337	-	5 337			
Shangase CB	331	241	571			
Madonsela TC	480		480			
Kubheka TS	100		100			
Ndlovu STN		3	3			
			-			
			-			
	22 930	241 459	264 389	2 395	122 819	125 214

39. Water Loss Distribution

Water loss Disclosure for 2014/2015 Financial Year:

Bulk water Figures in kl/month for 2014/2015

UMZDM - Monthly Volumes - July 2014 to June 2015

		2015	2014
	Name of Plant	**TOTAL**	**TOTAL**
	Monthly Volumes	**m3**	**m3**
Msinga	Fabeni WTW	20 615	13 808
Msinga	Keats Drift WTW	257 310	186 101
Msinga	Sampofu (Tugela Ferry) WTW	1 131 220	1 242 077
Msinga	Sampofu Weir (Pomeroy) WTW	99 669	72 402
Umvoti	Makhabeleni WTW Meter	229 274	197 055
Umvoti	Greytown WTW	1 503 468	1 839 615
Umvoti	Muden WTW	586 790	613 071
Umvoti	Kranskop WTW	181 443	206 003
Nquthu	Isandlwana WTW	114 295	130 030
Nquthu	Nondweni WTW	719 440	648 600
Nquthu	Nqut/Vant's Drift WTW	3 184 880	3 872 360
Nquthu	Qudeni WTW	152 024	147 581
Endumen	Biggarsberg WTW	5 422 030	5 834 712
	TOTAL	13 602 458	15 003 415
Water Sales		6 519 046	7 711 046
		7 083 412	7 292 369
Water Loss %		52%	49%
Total water loss for the period ended 30 June 2015		47 923 103	35 352 035

- Umzinyathi District Municipality is mostly dominated with rural arears
- Most of our rural arears have stand pipes per standards set by Water Affairs
- Other rural have no water infrastructure thus water tankers are delivering water to them and these tankers are getting water from our plants and collection point sets in our water network
- We experienced a lot of burst pipes in our reticulation line due to aging infrastructure.
- Illegal connections in most of our rural areas have huge impact in unaccounted water as they are most metered.
- We experienced a lot of burst pipes in our reticulation line due to drought.
- We have expirienced a lot of internal leaks from domestic consumers and there's a programme that we are running to fix these leaks

40. Related Parties

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

43. Transfer of Functions Between Entities Not Under Common Control

Uthukela Water (Pty) Ltd is an entity of three WSA's, namely Amajuba DM, Newcastle LM and Umzinyathi DM. The interest in this joint venture is at 33,3%, 34,3% and 33,3% respectively.
The voting rights are represented by the percentage shareholding in the entity. The transfer of function was initiated by the directive from the MEC: COGTA.
It stipulated that the function, including the infrastructure assets must be transferred back to the WSA's. The process was started and completed by the 30 June 2014,
This arrangement is currently in place.Refer to note 9 for further details.

Functions transferred from the entity in the year under review

Description of function/ asset/ loan	**Date of transfer**	**Comment**	**Reference to note to the Annual Financial Statements**
1. Infrastructure Assets	01 July 2014	Infrastructure assets were transferred and valued as per the UTW policy	***refer to Note 7***

Except from the Note 7 to the Annual Financial Statements

	2 015			
	Cost/ Valuation	**Transfer**	**Accumulated Depreciation and Accumulated Impairment**	**Carrying Value**
Buildings	23 304 168	-	-6 031 289	17 272 879
Plant and machinery	6 832 160	**10 431 718**	-6 991 868	10 272 010
Furniture and fixtures	6 999 283	**162 260**	-5 944 025	1 217 518
Motor vehicles	9 042 243	**1 125 389**	-6 796 995	3 370 637
Total	**46 177 854**	**11 719 367**	**-25 764 177**	**32 133 044**

2. Intangible assets transferred

Cost	**2 015**			
	Cost/Valuation	**Transfer**	**Accumulated amortisation and Accumulated Impairment**	**Carrying value**
Computer software	3 427 078	**92 960**	-3 113 906	406 132
	3 427 078	**92 960**	**-3 113 906**	**406 132**

	Opening Balance	**Transfer**	**Additions**	**Amortisation**	**Total**
Computer software	-	92 960	30 849	-1 554 486	-1 430 677
Reconciliation of intangible assets - 2014	**-**	**92 960**	**30 849**	**-1 554 486**	**-1 430 677**

44. Repairs and Maintenance

	2 015	2 014
Office Furniture and Equioment	11 800	23 114
Building and Offices	145 184	23 637
Boreholes Rehabilitation	-	-
Vehicle Maintenance	3 452 491	1 518 826
Buldings and Grounds	15 051	11 424
IT Support	530 730	301 940
Boreholes Rehabilitation	-	-
Electrical	-	-
Instruments	-	-
Purification	68 874	20 837
Sanitation	4 790 121	4 231 135
Water Operation P- Repairs & Maintenance	895 830	1 009 841
Pump Station	-	-
Roads	-	-
Raw Water Storage	-	-
Cathodic Protection	-	-
Reservior	-	-
TOTAL REPAIRS AND MAINTENANCE	9 910 080	7 140 754

45. Restatement of corresponding figures and prior period error

The effect of the restatement of corresponding figures are as follows:	Adjustments	Restated amounts
Prior year adjustment on Interest in Joint Venture	224 555 575	352 532 810
Prior year adjustment of Assets - Assets Transferred in prior year	1 540 528	33 673 572
Prior year adjustment on uThukela Water - creditor	43 400 474	62 888 168
Prior year adjustment on debtors that could not be supported by balances taken over at uThukela Water	-10 850 265	10 604 525
Prior year adjustment on Creditors	796 632	60 711 686
Prior year adjustment on Post Retirement Benefits - More details on note 14	3 392 000	15 510 003
Prior year adjustment on Cash and Cash Equivalents	-106 846	101 555 617
Prior year adjustment of Loans - uThukela Water loan take over	470 035	195 030 716
Prior year adjustment on inventory	783 296	783 296
Prior year adjustment of Infrastructure Assets		1 301 923 909
Prior year adjustment of Infrastructure Assets - Depreciation	1 722 812	
Ngubukazi assets that was not on transfer list in prior year	1 714 200	
Assets not depreciated in previous year	-8 865 000	
Removal of Tayside and Biggersberg from the asset register	-12 795 615	
Closing Balance as at 30 June 2015	245 757 827	2 135 214 302

46. Inventory

	2 015	2 014
Inventory consists of the following		
Water on hand	266 584	197 710
Chemicals	551 445	585 586
	818 028	783 296

	2 015	2 014
Opening Balance	783 296	197 710
Movement	34 732	585 586
Closing Balance	818 028	783 296

47. Other Income

Discount Received on Loan	2 004 020	-
Other Income	520 716	1 307 399
	2 524 736	1 307 399