



eThekweni Municipality
Unaudited
Annual Financial Statements
for the year ended 30 June, 2015

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

GENERAL INFORMATION

ACCOUNTING OFFICER

Mr. Sibusiso Sithole

REGISTERED OFFICE

City Hall
Dr. Pixle KaSeme Street
Durban
4000

POSTAL ADDRESS

P O Box 1014
Durban
4000

BANKERS

Standard Bank of SA (Ltd).
P O Box 2511, Durban, 4001

AUDITORS

The Auditor-General

eThekwini Municipality

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
VAT	Value added taxation
DBSA	Development Bank of South Africa
GAAP	Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
PPE	Property, plant & Equipment
HDF	Housing Development Fund
INK	Inanda, Ntuzuma, Kwa Mashu
IMFO	Institute of Municipal Finance Officers
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DOHS	Department of Human Settlements
SALA	South African Local Authority Pension Fund

eThekweni Municipality

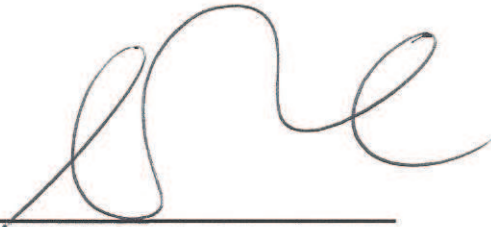
Annual Financial Statements for the year ended 30 June 2015

Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 95, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 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.



Municipal Manager

Durban

31 August 2015

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Position as at June 30, 2015

Figures in Rand thousand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	2	359,415	284,075
Investments	3	5,000,000	3,550,000
Receivables from exchange transactions	4	2,903,810	2,562,374
VAT receivable	5	36,313	100,360
Consumer debtors	6	3,099,640	2,968,785
Current portion of Long term Receivables	7	10,038	7,139
Call Investment Deposits	8	265,000	2,405,000
Cash and Bank Balances	8	821,294	995,994
		12,495,510	12,873,727
Non-Current Assets			
Investment property	9	249,827	260,958
Property, plant and equipment	10	39,818,669	37,014,845
Intangible assets	11	853,944	772,667
Heritage assets	12	13,486	13,038
Investments in Municipal entities	13	659,717	583,434
Investments in joint ventures	14	66,546	61,679
Loan to Municipal entity	15	226,590	226,590
Investments	3	500,000	500,000
Long term Receivables	7	85,425	91,704
		42,474,204	39,524,915
Total Assets		54,969,714	52,398,642
Liabilities			
Current Liabilities			
External Borrowings	16	991,878	992,214
Payables from exchange transactions	17	5,258,406	5,778,373
Consumer deposits	18	1,693,058	1,511,191
Employee benefit obligation	19	621,111	155,764
Unspent conditional grants and receipts	20	1,125,784	1,328,247
Provisions	21	98,442	89,870
Bank overdraft	8	687,493	857,562
		10,476,172	10,713,221
Non-Current Liabilities			
External Borrowings	16	9,249,268	9,255,502
Employee benefit obligation	19	2,353,172	2,659,382
Provisions	21	800,734	740,699
		12,403,174	12,655,583
Total Liabilities		22,879,346	23,368,804
Net Assets		32,090,368	29,029,838
Housing Development fund	22	152,924	170,764
Accumulated surplus		31,937,444	28,859,074
Total Net Assets		32,090,368	29,029,838

* See Note 41

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STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	14,322,584	13,112,696
Rental of facilities and equipment		455,572	437,218
Licences and permits		40,461	41,337
Reversal of loss on Impairment		3,782	314
Other income	24	2,285,032	2,149,768
Reversal of Impairment: Municipal Entities		76,283	211,651
Interest received	25	537,585	463,358
Gains on disposal of assets		49,286	17,095
Fair value adjustments	33	10,752	66
Total revenue from exchange transactions		17,781,337	16,433,503
Revenue from non-exchange transactions			
Taxation revenue			
Fines		251,298	248,511
Property rates	26	5,756,046	5,363,198
Property rates - penalties imposed		161,999	144,180
Donations - PPE		2,076	706
Transfer revenue			
Government grants & subsidies	27	5,436,609	4,232,396
Public contributions and donations		8,975	15,083
Total revenue from non-exchange transactions		11,617,003	10,004,074
Total revenue		29,398,340	26,437,577
Expenditure			
Employee related costs	28	(7,034,463)	(6,780,566)
Remuneration of councillors	29	(100,795)	(94,721)
Amortisation - Intangible assets		(55,515)	(42,860)
Impairment Loss - Investment Properties		(9,236)	-
Depreciation - Property, Plant and Equipment		(1,790,084)	(1,633,631)
Impairment Loss - Property, Plant and Equipment		(7,886)	(11,625)
Finance costs	30	(953,433)	(850,203)
Debt impairment		(2,036,348)	(1,617,118)
Depreciation - Investment Properties		(1,860)	(1,844)
Repairs and maintenance		(2,481,429)	(2,004,492)
Bulk purchases	31	(8,378,618)	(7,839,588)
Contracted services		(1,320,791)	(1,330,990)
Grants and subsidies paid	32	(180,296)	(169,000)
Housing - Development Expenditure		(3,568)	(513)
Loss on disposal of assets		(191)	(197)
Fair value adjustments	33	-	(9,714)
General Expenses	34	(1,988,266)	(1,845,519)
Total expenditure		(26,342,779)	(24,232,581)
Operating surplus		3,055,561	2,204,996
Share of Income from Joint Venture	14	4,969	15,083
Surplus for the year		3,060,530	2,220,079

* See Note 41

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Annual Financial Statements for the year ended June 30, 2015

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	260,454	26,610,197	26,870,651
Adjustments			
Prior year adjustments (prior to 2013/14)	-	(60,893)	(60,893)
Balance at July 01, 2013 as restated	260,454	26,549,304	26,809,758
Changes in net assets			
Surplus for the year as previously reported	-	2,230,496	2,230,496
Transfer: Housing Development Fund	(90,090)	90,090	-
Prior year adjustment (2013/14) - Transfer: Housing Development Fund	400	(400)	-
Total changes	(89,690)	2,320,186	2,230,496
Opening balance	170,764	28,869,490	29,040,254
Adjustments			
Prior year adjustments (2013/14)	-	(10,416)	(10,416)
Restated* Balance at July 01, 2014 as restated*	170,764	28,859,074	29,029,838
Changes in net assets			
Surplus for the year	-	3,060,530	3,060,530
Transfer: Housing Development Fund	(17,840)	17,840	-
Total changes	(17,840)	3,078,370	3,060,530
Balance at June 30, 2015	152,924	31,937,444	32,090,368
Note	41		

* See Note 41

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Annual Financial Statements for the year ended June 30, 2015

Cash Flow Statement

Figures in Rand thousand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Ratepayers, Government and Other		26,338,968	24,522,822
Interest income		537,585	463,358
		26,876,553	24,986,180
Payments			
Employee costs and Suppliers		(21,930,617)	(18,995,103)
Finance costs		(953,433)	(850,203)
		(22,884,050)	(19,845,306)
Net cash flows from operating activities	35	3,992,503	5,140,874
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(4,604,950)	(4,062,056)
Proceeds from sale of property, plant and equipment, Intangibles & Investment Property	10	57,466	34,678
Purchase of other intangible assets	11	(136,079)	(124,137)
Purchases of heritage assets	12	(482)	(857)
Decrease (Increase) in non-current receivables		3,380	(90,751)
Decrease in Joint Venture Loan account		101	35,000
Net cash flows from investing activities		(4,680,564)	(4,208,123)
Cash flows from financing activities			
Proceeds from external borrowings		1,000,000	1,500,000
Repayment of external borrowings		(1,006,570)	(1,139,072)
Net cash flows from financing activities		(6,570)	360,928
Net increase/(decrease) in cash and cash equivalents		(694,631)	1,293,679
Cash and cash equivalents at the beginning of the year		6,593,432	5,299,753
Cash and cash equivalents at the end of the year	8	5,898,801	6,593,432

* See Note 41

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Annual Financial Statements for the year ended June 30, 2015

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	5,481,368	40,600	5,521,968	-	-	5,521,968	5,918,045	-	396,077	107 %	108 %
Service charges	14,790,650	83,028	14,873,678	-	-	14,873,678	14,322,584	-	(551,094)	96 %	97 %
Investment revenue	483,415	-	483,415	-	-	483,415	537,585	-	54,170	111 %	111 %
Transfers recognised - operational	2,584,010	213,079	2,797,089	-	-	2,797,089	2,657,499	-	(139,590)	95 %	103 %
Other own revenue	3,022,484	(4,397)	3,018,087	-	-	3,018,087	3,183,517	-	165,430	105 %	105 %
Total revenue (excluding capital transfers and contributions)	26,361,927	332,310	26,694,237	-	-	26,694,237	26,619,230	-	(75,007)	100 %	101 %
Employee costs	(7,216,326)	(1,571)	(7,217,897)	-	-	(7,217,897)	(7,034,463)	-	183,434	97 %	97 %
Remuneration of councillors	(93,026)	(8,114)	(101,140)	-	-	(101,140)	(100,795)	-	345	100 %	108 %
Debt impairment	(569,329)	(39,462)	(608,791)	-	-	(608,791)	(2,036,348)	-	(1,427,557)	334 %	358 %
Depreciation and asset impairment	(1,944,925)	(1,028)	(1,945,953)	-	-	(1,945,953)	(1,864,581)	-	81,372	96 %	96 %
Finance charges	(1,168,339)	-	(1,168,339)	-	-	(1,168,339)	(953,433)	-	214,906	82 %	82 %
Materials and bulk purchases	(8,522,864)	(158,141)	(8,681,005)	-	-	(8,681,005)	(8,378,618)	-	302,387	97 %	98 %
Transfers and grants	(205,214)	12,575	(192,639)	-	-	(192,639)	(180,296)	-	12,343	94 %	88 %
Other expenditure	(6,736,176)	(237,130)	(6,973,306)	-	-	(6,973,306)	(5,794,245)	-	1,179,061	83 %	86 %
Total expenditure	(26,456,199)	(432,871)	(26,889,070)	-	-	(26,889,070)	(26,342,779)	-	546,291	98 %	100 %
Surplus/(Deficit)	(94,272)	(100,561)	(194,833)	-	-	(194,833)	276,451	-	471,284	(142)%	(293)%

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,377,740	(463,091)	2,914,649	-	-	2,914,649	2,779,110		(135,539)	95 %	82 %
Surplus (Deficit) after capital transfers and contributions	3,283,468	(563,652)	2,719,816	-	-	2,719,816	3,055,561		335,745	112 %	93 %
Share of surplus (deficit) of associate	-	-	-	-	-	-	(4,969)		(4,969)	- %	DIV/0 %
Surplus/(Deficit) for the year	3,283,468	(563,652)	2,719,816	-	-	2,719,816	3,060,530		340,714	113 %	93 %
Capital expenditure and funds sources											
Total capital expenditure	(5,613,077)	527,586	(5,085,491)	-	-	(5,085,491)	(4,686,556)		398,935	92 %	83 %
Sources of capital funds											
Transfers recognised - capital	(3,377,740)	463,090	(2,914,650)	-	-	(2,914,650)	(2,779,110)		135,540	95 %	82 %
Borrowing	(1,000,000)	-	(1,000,000)	-	-	(1,000,000)	(1,000,000)		-	100 %	100 %
Internally generated funds	(1,235,337)	64,495	(1,170,842)	-	-	(1,170,842)	(907,446)		263,396	78 %	73 %
Total sources of capital funds	(5,613,077)	527,585	(5,085,492)	-	-	(5,085,492)	(4,686,556)		398,936	92 %	83 %

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	5,332,006	(832,208)	4,499,798	-	-	4,499,798	3,992,503		(507,295)	89 %	75 %
Net cash from (used) investing	(5,578,788)	662,123	(4,916,665)	-	-	(4,916,665)	(4,680,564)		236,101	95 %	84 %
Net cash from (used) financing	25,550	46,200	71,750	-	-	71,750	(6,570)		(78,320)	(9)%	(26)%
Net increase/(decrease) in cash and cash equivalents	(221,232)	(123,885)	(345,117)	-	-	(345,117)	(694,631)		(349,514)	201 %	314 %
Cash and cash equivalents at the beginning of the year	5,380,878	-	5,380,878	-	-	5,380,878	6,593,432		1,212,554	123 %	123 %
Cash and cash equivalents at year end	5,159,646	(123,885)	5,035,761	-	-	5,035,761	5,898,801		(863,040)	117 %	114 %

Refer to note 49 for details.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

ACCOUNTING POLICIES

1. Basis of preparation

The 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 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 the Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Investment in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment Properties
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 100 Discontinued Operations
- GRAP 101 Agriculture
- GRAP 31 Intangible Assets
- GRAP 103 Heritage Assets
- GRAP104 Financial Instruments

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ACCOUNTING POLICIES

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Directives issued and effective

Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP

Directive 2: Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions.

Directive 3: Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities.

Directive 5: Determining the GRAP reporting framework.

Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP

Interpretations of the Standards of GRAP

IGRAP 1: Applying the Probability Test on Initial Recognition of Exchange Revenue

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3: Determining whether an Arrangement contains a Lease

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IGRAP 5 : Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

IGRAP 6 : Loyalty Programmes

IGRAP 7 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 : Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 : Distributions of Non-cash Assets to Owners

IGRAP 10: Assets Received from Customers

IGRAP 13: Operating Leases – Incentives

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

IGRAP 16: Intangible Assets - Website Costs

Approved guidelines of Standards of GRAP:

Guide 1: Guideline on Accounting for Public Private Partnerships

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs .20 to .26 of the Directive:

IFRS 4 (AC 141) Insurance Contracts

IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources

IAS 12 (AC 102) Income Taxes

SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

SIC - 29 (AC 429) Service Concession Arrangements - Disclosures

IFRIC 12 (AC 445) Service Concession Arrangements

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20 Related Party Disclosures

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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ACCOUNTING POLICIES

1.4 Retirement Benefits

1.4.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.4.2 Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The Natal Joint Provident Fund, Multi Linked and South African Local Authority are defined contribution funds.

The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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Annual Financial Statements for the year ended June 30, 2015

ACCOUNTING POLICIES

1.4 Retirement Benefits (continued)

1.4.3 Pension obligations

The municipality and its employees contribute to 8 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 86% of staff.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

The following are defined benefit funds:

Durban Pension Fund

Government Employee's Pension Fund

SALA

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - Retirement Durban Pension Fund

The following are defined contribution funds:

KZN Pension Fund

Multi Linked

The other fund is a Provident Fund administered by Natal Joint Municipal Pension Fund.

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability/asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates, best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately in the statement of financial performance .

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, 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.

1.4.4 Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of financial performance in the year that they arise.

Multi-Employer Retirement Benefit Plans

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ACCOUNTING POLICIES

1.4 Retirement Benefits (continued)

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan are included in notes

1.5 Significant Judgements

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

Post Retirement Benefits and Multi-Employer Retirement Benefit Plans

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

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements

Provision for impairment of trade receivables

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

Non-cash generating and cash generating Impairment testing

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

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

Provisions

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

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

A provision is recognised when:

- The municipality has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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ACCOUNTING POLICIES

1.6 Investment property

Initial Recognition

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

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

The cost of self-constructed investment property is the cost at date of completion.

Derecognition and Impairment

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. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in the Statement of Financial Performance when the compensation becomes receivable.

The Municipality tests for impairment where there is an indication that a property may be impaired. An assessment of whether there is an indication of possible impairment is done during each reporting period. Where the carrying amount of an item of an investment property is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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.

Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Transfers to or from investment property are made only when there is a change in use.

Depreciation

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

Item	Useful life
Property - land	indefinite
Property - buildings	10 - 80 years

1.7 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, to meet service delivery objectives, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Initial Recognition

Property, plant and equipment are stated at cost. Where an asset is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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ACCOUNTING POLICIES

1.7 Property, plant and equipment (continued)

Subsequent Measurement

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and Impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. 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.

The annual depreciation rates are based on the following estimated useful lives of items of property, plant and equipment :

Item	Average useful life
Infrastructure	
• Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	20 - 80 years
• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 30 years
• Car Parks	15 years
• Fencing	20 years
• Lifts	20 years
• Building Improvements and structures	3 - 10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicles	3 - 11 years
• Bins and containers	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Other items of Plant and Equipment	3 - 5 years
• Biological Assets	50 - 85 years

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ACCOUNTING POLICIES

1.7 Property, plant and equipment (continued)

The remaining useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance. The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

All assets are considered to have a nil residual value

Derecognition

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

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

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions see Accounting Policy 1.17 on Provisions

1.8 Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting – issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 20: Related Party Disclosures-issued June 2011:

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

GRAP 105: Transfer of functions between entities under common control - issued November 2010:

Compliance with this standard will not have an impact on the current financial information as no transactions relating to the transfer of functions between entities under common control exists in the current year.

GRAP 106: Transfer of functions between entities not under common control - issued November 2010:

Compliance with this standard will not have an impact on the current financial information as no transactions relating to the transfer of functions between entities not under common control exists in the current year.

GRAP 107: Mergers - issued November 2010:

Compliance with this standard will not have an impact on the current financial information as no transactions relating to mergers exists in the current year.

GRAP32:Service Concession Arrangements:Grantor - Issued August 2013:

Compliance with this standard will not have an impact on the current financial information as no transactions relating to service concession arrangements exist in the current year

GRAP 108:Statutory Receivables -issued September 2013

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ACCOUNTING POLICIES

1.8 Standards, amendments to standards and interpretations issued but not yet effective (continued)

Compliance with this standard would have had an effect on presentation and disclosure only. GRAP 108 requires separate disclosure of statutory receivables together with additional disclosure on measurement basis and impairment criteria.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Initial Recognition

Intangible assets are initially recognised at cost and comprise of software and servitudes

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

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Servitudes are rights that are not amortised as they have an indefinite useful life.

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

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

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

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil.

Amortisation and Impairment

Intangible assets are amortised on a straight line method over their estimated useful lives, as follows:

Item	Useful life
Computer software	2 - 20 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

ACCOUNTING POLICIES

1.9 Intangible assets (continued)

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

1.10 Heritage assets

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

Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition. If at Initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

Subsequent measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses ie cost model.

Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

1.11 Investments in Municipal entities

Investments in municipal entities are carried at cost less any accumulated impairment.

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post acquisition results of these investments.

The municipality assesses at each reporting date whether there is any indication that an investment in municipal entities may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the investment in municipal entities.

The recoverable amount of an investment in municipal entities is the higher of its fair value less costs to sell and its value in use.

A reversal of an impairment loss of investments in municipal entities carried at cost is recognised immediately in the Statement of Financial Performance.

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ACCOUNTING POLICIES

1.12 Investments in joint ventures

An investment in a joint venture is carried at cost less any accumulated impairment.

The municipality's share of profits or losses, resulting from operations of the joint venture, is recognised on the accrual basis and is capitalised to the cost of the investment.

The municipality assesses at each reporting date whether there is any indication that an investment in a joint venture may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the investment in a joint venture.

The recoverable amount of an investment in a joint venture is the higher of its fair value less costs to sell and its value in use.

A reversal of an impairment loss of investments in a joint venture carried at cost is recognised immediately in the Statement of Financial Performance.

1.13 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.

Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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ACCOUNTING POLICIES

1.13 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Loans to (from) municipal entities

These include loans to municipal entities and recognised at fair value plus any transaction costs and subsequently measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Receivables from Exchange transactions

Trade Receivables are initially recognised at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified in the statement of financial performance.

Payables from Exchange transactions

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at fair value.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

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ACCOUNTING POLICIES

1.13 Financial instruments (continued)

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

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

1.14 Taxation

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.15 Long Service Awards

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

1.16 Leases

Operating leases - The Municipality as lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

Operating leases - The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.17 Inventories

Initial Recognition

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than those subsequently recovered from the taxing authorities), transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

ACCOUNTING POLICIES

1.17 Inventories (continued)

Subsequent Measurement

Net realisable value is the estimated selling price in the ordinary course of operations.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Consumable stores, maintenance materials and water stock are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.18 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets.

The municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the municipality determines the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

Impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

Reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

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ACCOUNTING POLICIES

1.19 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held by the municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets.

The municipality will apply its judgment and disclose the criteria used in making such judgment in cases where it's not clear whether the primary objective is to generate a commercial return.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality determines the recoverable service amount of the asset. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

An impairment loss is when the asset's carrying amount exceeds its recoverable service amount and is recognised in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use, are tested for impairment annually, irrespective of whether any indication of impairment exists.

1.20 Grants, Transfers and Donations

Income received from conditional grants, donations and subsidies is recognised 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 and funds are invested until utilised.

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

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.21 Budget Information

The budget has been included in the Annual Financial Statements in accordance with GRAP 24. An approved budget is the anticipated revenue and expenditure expected to apply in the annual or multi-year period based on current plans and approved by the Municipal Council. Final budget is the approved budget adjusted for transfers, allocations, supplemental appropriations and other changes applicable to the budget period. The budget has been included in the Annual Financial Statements in accordance with the disclosure recommendations determined by National Treasury.

Comparative information is not required.

1.22 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality / entity. Refer notes for details of - Related Parties.

1.23 Commitments

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

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ACCOUNTING POLICIES

1.24 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Provisions and contingencies

Provisions are recognised when:

- The municipality has a present or constructive obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.
- Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land).

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

1.26 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality.

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

- The Municipality has transferred to the buyer 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 associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised as follows:

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ACCOUNTING POLICIES

1.26 Revenue (continued)

1.26.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Bulk electricity meters are read monthly.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property based on category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

1.26.2 Revenue from non-exchange transactions

This refers to transactions where the municipality received revenue from another entity without giving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised bases on management's best estimate of the probable inflows.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

ACCOUNTING POLICIES

1.27 Borrowing costs

2015: Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred.

2014: Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

The change in accounting policy is as a result of an amendment to GRAP 5 which is effective from the current financial reporting year.

In accordance with GRAP 5 paragraph 36, borrowing costs, incurred before and after the effective date of this amendment and the related qualifying assets for which the commencement date for capitalisation is prior to the effective date of this standard, shall be recognised in accordance with the entity's previous accounting policy.

1.28 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.29 Comparatives information

1.27.1 Current year comparatives

Budgeted amounts have been included in an annexure to these financial statements for the current financial year only.

1.27.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.30 Unauthorised expenditure

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

1.31 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

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Annual Financial Statements for the year ended June 30, 2015

ACCOUNTING POLICIES

1.32 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority ,upon the finalisation of an investigation, it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

eThekwini Municipality

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Figures in Rand thousand	2015	2014
2. Inventories		
Consumable stores	346,703	272,374
Maintenance materials	72	36
Water	12,640	11,665
	359,415	284,075

The cost of inventories recognised as an expense during the period in respect of water sales was R1 662 m (2014: R1 520m).

3. Investments

Fixed Deposit	5,500,000	4,050,000
Non-current assets		
Fixed Deposit	500,000	500,000
Current assets		
Fixed Deposit	5,000,000	3,550,000

Investments are non-derivative financial assets and are classified at fair value and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are recognised at cost. Investments with maturities greater than twelve months are recognised at fair value.

4. Receivables from exchange transactions

Provision for Bad Debts - Other (mainly in respect of Sundry services and interest on outstanding debt)	(1,078,042)	(552,273)
Prepayments	37,389	37,910
Provision for Bad Debts - DOHS	(2,018,471)	(1,235,543)
Provision for Bad Debts - Traffic fines	(933,181)	(799,038)
Other Debtors (mainly in respect of Sundry services and interest on outstanding debt)	3,344,222	2,541,823
Debtor - DOHS	3,389,687	2,474,940
Fair value adjustments	(1,608)	(1,669)
Accruals	163,814	96,224
	2,903,810	2,562,374

5. VAT

VAT reconciliation		
VAT receivable	36,313	100,360
Net Vat	36,313	100,360

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

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

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Figures in Rand thousand	2015	2014
6. Consumer debtors		
Gross balances		
Rates	2,315,477	2,187,308
Electricity	1,350,460	1,173,232
Water	1,482,316	1,244,866
Refuse	120,439	103,890
Business service levies	3,765	3,765
Housing rental	64,790	55,350
Waste water	251,215	208,452
	5,588,462	4,976,863
Less: Allowance for impairment		
Rates	(937,798)	(823,622)
Electricity	(195,907)	(171,158)
Water	(1,081,604)	(801,232)
Refuse	(80,130)	(65,708)
Business service levies	(3,765)	(3,765)
Housing rental	(56,813)	(44,182)
Waste water	(132,805)	(98,411)
	(2,488,822)	(2,008,078)
Net balance		
Rates	1,377,679	1,363,686
Electricity	1,154,553	1,002,074
Water	400,712	443,634
Refuse	40,309	38,182
Housing rental	7,977	11,168
Waste water	118,410	110,041
	3,099,640	2,968,785
Included in above is receivables from exchange transactions		
Electricity	1,154,553	1,002,074
Water	400,713	443,634
Waste water	118,410	110,041
Refuse	40,309	38,182
Housing rental	7,976	11,168
	1,721,961	1,605,099
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	1,377,679	1,363,686
	3,099,640	2,968,785
Rates		
Current (0 -30 days)	364,512	380,308
31 - 60 days	63,404	65,263
61 - 90 days	46,182	81,034
91 - 120 days	40,554	40,933
121 - 365 days	1,540,640	1,387,798
> 365 days	260,185	231,972
	2,315,477	2,187,308

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
6. Consumer debtors (continued)		
Electricity, Water, Solid Waste and Waste Water		
Current (0 -30 days)	1,220,074	1,130,657
31 - 60 days	263,958	195,059
61 - 90 days	79,530	72,590
91 - 120 days	72,923	57,609
> 365 days	1,567,945	1,274,525
	3,204,430	2,730,440
Regional services levies		
> 365 days	3,765	3,765
Housing rental		
Current (0 -30 days)	7,416	387
31 - 60 days	1,146	1,182
61 - 90 days	1,240	1,222
91 - 120 days	1,218	1,195
121 - 365 days	53,770	51,364
	64,790	55,350
Reconciliation of allowance for impairment		
Balance at beginning of the year	2,008,078	1,985,507
Contributions to allowance	592,055	554,980
Debt impairment written off against allowance	(111,311)	(532,409)
	2,488,822	2,008,078
7. Long-term receivables		
Long-term receivables		
Loan: DIDT	156,583	156,583
Housing Selling scheme loans	126,864	128,042
First Metro Housing Loans	13,077	14,114
Land sales	2,101	1,514
Education Loans	17,211	17,647
Provision for Impairment: Loan - DIDT	(156,583)	(156,583)
Provision for Impairment: Housing Selling scheme loans	(63,790)	(62,474)
	95,463	98,843
Less: Current portion transferred to current receivables		
Housing Selling scheme loans	5,119	3,337
First Metro Housing Loans	1,147	1,038
Land sales	2,101	1,514
Education Loans	1,671	1,250
	10,038	7,139
Long-term receivables - Non-current portion	85,425	91,704
Long-term receivables - Current portion	10,038	7,139

Education Loans

These loans relate to students who are studying full-time at Universities in the Engineering disciplines. The cost covers tuition fees, books and subsistence. On successful completion of the course the students are, in terms of contractual obligations, employed by the Municipality. A pro-rata share of these costs are then written back as operating costs in annual instalments equal to the number of years studied. These loans (bursaries) are interest free.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand thousand 2015 2014

7. Long-term receivables (continued)

Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the provincial administration housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years.

Housing First Metro loan

These loans attract interest at a fixed rate of 10% and are repayable over 20 years.

8. Cash and Bank Balances

Refer to note 48 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	18,364	18,364
Bank balances	802,930	977,630
Bank balances and cash	821,294	995,994
Bank overdraft	(687,493)	(857,562)
	133,801	138,432
Call Investment Deposits	265,000	2,405,000
Investments	5,500,000	4,050,000
Cash and cash equivalents	5,898,801	6,593,432

9. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	102,554	(43,935)	58,619	102,554	(42,075)	60,479
Non-revenue Generating	200,444	(9,236)	191,208	200,479	-	200,479
Total	302,998	(53,171)	249,827	303,033	(42,075)	260,958

Reconciliation of investment property - 2015

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	60,479	-	-	(1,860)	58,619
Non-revenue Generating	200,479	(35)	(9,236)	-	191,208
	260,958	(35)	(9,236)	(1,860)	249,827

Reconciliation of investment property - 2014

	Opening balance	Disposals	Transfers	Depreciation	Total
Revenue Generating	49,315	(29)	13,037	(1,844)	60,479
Non-revenue Generating	208,724	(8,245)	-	-	200,479
	258,039	(8,274)	13,037	(1,844)	260,958

eThekwini Municipality

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Figures in Rand thousand

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9. Investment property (continued)

The fair value of the above properties is R3.5billion (2014: R3.3 billion). Investment properties have been valued in accordance with current market conditions.

The Municipality lets properties under operating leases. Property rental income earned during the year was R81.6million. The operating costs related to the rental of these properties amounted to R18.3million.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand thousand

10. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	6,582,736	(909,823)	5,672,913	5,329,999	(781,374)	4,548,625
Infrastructure	35,194,134	(7,693,345)	27,500,789	32,258,851	(6,727,713)	25,531,138
Community	4,810,431	(862,090)	3,948,341	4,684,493	(739,103)	3,945,390
Other property, plant and equipment	7,106,214	(4,473,178)	2,633,036	6,832,512	(3,908,010)	2,924,502
Housing Development Fund	129,780	(66,190)	63,590	130,531	(65,341)	65,190
Total	53,823,295	(14,004,626)	39,818,669	49,236,386	(12,221,541)	37,014,845

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

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Figures in Rand thousand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Depreciation	Impairment loss	Total
Land and Buildings	4,548,625	240,629	(40)	60	1,012,162	(128,523)	-	5,672,913
Infrastructure	25,531,138	1,629,270	(749)	17	1,306,893	(963,451)	(2,329)	27,500,789
Community	3,945,390	73,956	-	-	51,982	(120,229)	(2,758)	3,948,341
Other property, plant and equipment	2,924,502	314,658	(7,365)	(761)	(22,694)	(576,287)	983	2,633,036
Housing Development Fund	65,190	170	(176)	-	-	(1,594)	-	63,590
	37,014,845	2,258,683	(8,330)	(684)	2,348,343	(1,790,084)	(4,104)	39,818,669

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Depreciation	Impairment loss	Total
Land and Buildings	3,726,701	397,835	(2)	(13,726)	551,167	(113,418)	68	4,548,625
Infrastructure	23,935,737	1,898,832	(99)	-	553,897	(855,918)	(1,311)	25,531,138
Community	3,997,691	38,047	-	248	32,389	(118,782)	(4,203)	3,945,390
Other property, plant and equipment	2,893,042	616,292	(8,958)	252	(26,278)	(543,983)	(5,865)	2,924,502
Housing Development Fund	66,325	649	(254)	-	-	(1,530)	-	65,190
	34,619,496	2,951,655	(9,313)	(13,226)	1,111,175	(1,633,631)	(11,311)	37,014,845

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R410m (2014: R363m) but are fully depreciated. This amount is made up as follows: Landfill (Disposal sites) - R282million; PPE fully impaired - R128million.

eThekwini Municipality

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Figures in Rand thousand

11. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	50,107	-	50,107	48,435	-	48,435
Computer software	1,106,779	(302,942)	803,837	972,919	(248,687)	724,232
Total	1,156,886	(302,942)	853,944	1,021,354	(248,687)	772,667

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Amortisation	Total
Servitudes	48,435	1,672	-	-	-	-	50,107
Computer software	724,232	83,489	(6)	719	50,918	(55,515)	803,837
Total	772,667	85,161	(6)	719	50,918	(55,515)	853,944

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Transfers	Work in Progress	Amortisation	Total
Servitudes	48,362	73	-	-	-	48,435
Computer software	643,030	89,689	(2)	34,375	(42,860)	724,232
Total	691,392	89,762	(2)	34,375	(42,860)	772,667

eThekweni Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand

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12. Heritage assets

	2015			2014		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	13,486	-	13,486	13,038	-	13,038

Reconciliation of heritage assets 2015

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	13,038	482	(34)	13,486

Reconciliation of heritage assets 2014

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	12,184	857	(3)	13,038

Heritage assets which fair values cannot be reliably measured

The following items of heritage assets cannot be reliably valued due to the nature of the items:

Collection type	Quantity	Collection type	Quantity
Ornithology	39,429	Entomology	140,474
Mammalogy	18,741	Exhibitions	451
Arachnology	706	Ichthyology	246
Echinodermata	36	Herpetology	3,073
Palaeontology	184,200	Biographical	12,470
Ethnographic	4,100	Toys	2,669
Library collection	3,260	Philately	1,918,566
Audio Visual collection	625	War memorials	1,950
Durban Art Gallery	288	Firearms	154
Textile & Costume	13,183	Paintings	523
Glass & Ceramics	3,366	Photographic	23,000
Other Historical	17,938	Pinetown Library	985
Don Africana Books and Periodicals	3,471		

eThekweni Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand			2015	2014
13. Investments in Municipal entities				
Name of company	% holding	% holding	Carrying	Carrying
	2015	2014	amount 2015	amount 2014
ICC Durban (Pty)Ltd	100.00 %	100.00 %	1	1
Durban Marine Theme Park SOC Limited	99.80 %	99.80 %	872,996	872,996
			872,997	872,997
Impairment of investment in controlled entities			(213,280)	(289,563)
			659,717	583,434

At its meeting on 25 June 2015, and taking cognizance of the International Convention Centre and Durban Marine Theme Park, the Council's Finance and Procurement Committee confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern".

As at June 30, 2015

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	1	9,384
Percentage owned by Council (%)	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	-
Electricity Income Received (R'000)	9,704	18,796
Water Income Received (R'000)	1,458	6,288
Rates Income Received (R'000)	5,317	3,847
Refuse Removal (R'000)	751	1,042
Insurance (R'000)	-	741

As at June 30, 2014

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	1	9,384
Percentage owned by Council (%)	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	-
Electricity Income Received (R'000)	9,351	18,197
Water Income Received (R'000)	1,711	5,143
Rates Income Received (R'000)	5,370	4,234
Refuse Removal (R'000)	618	936
Insurance (R'000)	-	1,421

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

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Figures in Rand thousand 2015 2014

14. Investments in joint ventures

Name of company	Unlisted	Carrying amount 2015	Carrying amount 2014
Effingham Development	66.74%	66,546	61,679

This represents a 66.74% investment in Effingham Development (Joint Venture).

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty)Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham/Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land.

Summary of the municipality's interest in the joint venture

Assets

Township Property	55,553	42,381
Current assets - Debtors	22,081	14,505
Current assets - Bank Balances and Cash on hand	13,110	28,176

Total Assets	90,744	85,062
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Equity and Liabilities

Members Loan Accounts	66,546	61,679
Current liabilities - Creditors	24,198	23,383

Total Equity and Liabilities	90,744	85,062
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Reconciliation of Investment in Joint Venture

Balance at beginning of year	61,679	81,596
Share of Income for the year	4,969	15,083
Payment adjustment	(102)	(35,000)
Balance at end of year	66,546	61,679

15. Loan to Municipal entity

Controlled entity

ICC Durban (Proprietary) Limited	226,590	226,590
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16. External Borrowings

Designated at fair value

Annuity loans	10,241,146	10,247,716
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The fair value of all long term loans approximates their book values.

Refer to Note 51 for more detail on long-term liabilities.

DBSA Phase 2 and Phase 3 loans of R400million each are separately secured, each by a cession of an acceptable revenue stream of R20 million p.a. as security. The DBSA Phase 2 loan of R400million is a floating interest rate contract, and in order to mitigate the floating interest rate exposure, the Municipality entered into a fixed interest rate swap agreement with Standard Corporate & Merchant Bank.

DBSA Phase 5 loan of R300m is separately secured by a cession of an acceptable revenue stream of R15 million p.a. as security .

AFD Calyon loan of R58.7m is separately secured by a cession of carbon credit income in the event of default or nonpayment. The income is estimated to be R2.8 m to the year 2016.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
16. External Borrowings (continued)		
All other loans are unsecured.		
The Municipality has budgeted to borrow R1billion per annum for the next 3 financial years (commencing in 2015/16) in order to finance capital expenditure. This practice is consistent with prior years.		
Non-current liabilities		
Designated at fair value	9,249,268	9,255,502
Current liabilities		
Designated at fair value	991,878	992,214
17. Payables from exchange transactions		
Trade payables	2,316,636	2,079,800
Payments received in advance	47,215	44,112
Income received in advance - D.O.H.S	709,954	772,213
Other payables	1,312,495	1,817,060
Retentions	219,351	174,342
Bank deposits not yet receipted	206,338	453,486
Staff leave	436,246	417,132
Deferred Expenditure (Straight-lining of Leases)	29,513	28,879
Adjustment for fair value	(19,342)	(8,651)
	5,258,406	5,778,373
18. Consumer deposits		
Electricity	1,179,569	1,055,647
Water	309,047	277,762
Interest	204,442	177,782
	1,693,058	1,511,191
Included in eThekwini Municipality's deposits is an accrual of interest at an effective interest rate of 3% per annum (2014: 3%) which is paid to consumers when deposits are refunded.		
19. EMPLOYEE BENEFIT OBLIGATIONS		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post-employment medical benefits	(3,497,714)	(3,132,817)
Post-employment pension benefits	523,431	317,671
	(2,974,283)	(2,815,146)
Non-current liabilities	(2,353,172)	(2,659,382)
Current liabilities	(621,111)	(155,764)
	(2,974,283)	(2,815,146)

Actuarial Valuations:

The actuarial valuations were done by Independent Actuaries & Consultants (2014: Price Waterhouse Coopers Actuarial Management Solutions), an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. Assumptions applied in the current period are summarised in the reconciliation of the actuarial losses.

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Figures in Rand thousand	2015	2014			
19. EMPLOYEE BENEFIT OBLIGATIONS (continued)					
Net Actuarial Gain / (Loss): Post-employment Medical Benefits					
Actuarial gains and (losses) arising from changes in financial assumptions	(46,189)	(92,253)			
Actuarial gains and (losses) arising from changes in demographic assumptions	202,692	-			
Actuarial gains and (losses) arising from experience adjustments	(183,275)	120,563			
	(26,772)	28,310			
Net Actuarial Gain / (Loss): Post-employment Pension Benefits					
Change in economic assumptions	169,863	(107,485)			
Experience variance and data changes	340,906	(595,897)			
	510,769	(703,382)			
Statement of Financial Performance obligation for:					
Contribution to Post-employment medical benefits	364,897	265,346			
Pension Benefits: Contribution to Funds	(205,760)	(276,078)			
Total, included in employee benefits expense	159,137	(10,732)			
Post-Retirement Medical Aid Plan					
The municipality operates on 5 accredited medical aid schemes, namely Key Health, Hosmed, Bonitas, Samwumed and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.					
Movement in the defined benefit obligation is as follows:					
Balance at beginning of the year	3,132,817	2,867,471			
Current service cost	152,312	127,502			
Interest cost	297,618	264,867			
Actuarial (gain) loss	26,772	(28,310)			
Benefit payments	(111,805)	(98,713)			
Balance at end of year	3,497,714	3,132,817			
Net expense recognised in the Statement of financial performance					
Current service cost	152,312	127,502			
Interest cost	297,618	264,867			
Actuarial (gains) losses	26,772	(28,310)			
Benefit payments	(111,805)	(98,713)			
Total, included in employee benefits expense	364,897	265,346			
Trend Information - Disclosure Requirement in terms of GRAP 25					
	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Present Value of Obligations	(2,067,082)	(2,752,683)	2,867,471	(3,132,817)	(3,497,714)
Fair Value of Plan Assets	2,067,082	2,752,683	(2,867,471)	3,132,817	3,497,714
Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)					
In respect of Present Value of Obligations	13,736	(162,839)	(179,531)	(120,563)	183,275

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19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Disclosure Requirement in terms of GRAP 25

	Health Care cost Inflation		
	Central	-1%	+1%
	Assumption		
	7.92%		
Accrued Liability June 30, 2015	3,497,714	3,131,796	3,973,737
Current Service Cost + Interest Cost 2014/15	473,124	413,755	551,452

Disclosure Requirement in terms of GRAP 25:

The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R101.9million.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.91 %	9.50 %
General increases to medical aid contributions	7.92 %	8.40 %
Salary Inflation	7.40 %	7.40 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	100.00 %
Real rate (Gap)	0.92 %	1.01 %
General Inflation	6.42 %	6.40 %

Other assumptions:

Age of spouse - Husbands 5 years older than wives

Mortality of in-service members - Mortality table based on Durban Pension Fund experience

Mortality of pensioners - based on the PA(90) mortality tables

Percentage of in-service members withdrawing before retirement:

Age 20	7.85 %	7.85 %
Age 25	5.67 %	5.67 %
Age 30	4.20 %	4.20 %
Age 35	3.31 %	3.31 %
Age 40	2.23 %	2.23 %
Age 45	1.21 %	1.21 %
Age 50	0.55 %	0.55 %

Pension benefits

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

Present value of funded obligations	10,695,658	10,832,916
Present value of the defined benefit obligation-partially or wholly funded	(11,219,089)	(11,808,164)
Effect of the Asset ceiling	-	657,577
Liability (Surplus) in the Statement of Financial Position	(523,431)	(317,671)

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19. EMPLOYEE BENEFIT OBLIGATIONS (continued)		
Net expense recognised in the statement of financial performance		
Service cost	(103,616)	(116,976)
Interest cost	(942,464)	(838,262)
Expected return on assets	1,287,090	1,056,768
Net actuarial gains / (losses) recognised in the year	510,769	788,572
Change in unrecognised due to net asset limit	(657,577)	(657,577)
Gains on settlements	111,558	46,455
Active member expenses	-	(2,902)
	205,760	276,078
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	(10,832,916)	(10,227,913)
Current service cost	(103,616)	(116,976)
Contributions by plan participants	(19,892)	(23,892)
Actuarial gain (loss)	510,769	(703,382)
Interest cost	(942,464)	(838,262)
Benefit payments	692,461	558,594
Settlement	-	518,915
Balance at end of year	(10,695,658)	(10,832,916)
Movement in the fair value of plan assets is as follows:		
Opening fair value of plan assets	11,808,164	10,207,115
Actuarial gains (losses)	(1,255,792)	1,491,954
Employer contributions	52,196	62,391
Employee contributions	19,892	23,892
Benefit payments	(692,461)	(558,594)
Expected return on assets	1,287,090	1,056,768
Settlement	-	(472,460)
Active member expenses	-	(2,902)
Balance at end of year	11,219,089	11,808,164
Disclosure in terms GRAP 25		
Defined benefit obligation	(10,695,658)	(10,832,916)
Plan assets	11,219,089	11,808,164
Funded status (before applying the net asset limit)	523,431	975,248
Experience adjustments on plan liabilities	(340,906)	(595,897)
Experience adjustments on plan assets	1,255,792	1,491,954
Key assumptions used		
The principal actuarial assumptions used were as follows:		
Discount rate	8.90	8.70
Expected return on plan assets	8.90	10.90
Future salary increases	7.40	7.40
Future pension increases	6.40	6.40

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19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Examples of mortality rates used were as follows: Active members (All):

Age 20	0.13 %	0.13 %
Age 25	0.18 %	0.18 %
Age 30	0.25 %	0.25 %
Age 35	0.37 %	0.37 %
Age 40	0.52 %	0.52 %
Age 45	0.72 %	0.72 %
Age 50	0.99 %	0.99 %
Age 55	1.37 %	1.37 %
Age 60	1.89 %	1.89 %

Financial Position of KZN Municipal Pension Fund and Durban Pension Fund:

All Councillors and employees belong to 1 of 8 retirement funds.

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19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The KZN Municipal Pension Fund is a defined contribution fund and became operational on 2001-11-01. It presently has a membership of over 19 000 employees with a total pension accumulation of approximately R10 billion.

The Funding Level of the KZN Municipal Pension Fund as at March 2015 was 100.26% an excess of R26 million accumulating due to timing differences between processing of transactions and the effective date of the asset manager investing and/or disinvesting monies. The tolerance level that would trigger a distribution to members is 100,5%.

As at 01/01/2015 the total funeral, death, and disability cost as a percentage of payroll for a member with more than 3 years of service dipped under 3% (2.95%) for the first time in a number of years, due to improved claims experience. The Fund has implemented an element of self insurance and has partnered with Nestlife (100% black owned insurance company) in this regard awarding a significant contract worth more than R65 million in annual premiums. Member Record Admin Costs and Trustee, Printing, Legal, Front Office, and Fund Staff costs amount to approximately 0.39% of total payroll. This means that 14,664% of a members pensionable salary is deposited into the members pension accumulation out of the Employer contribution of 18%. In addition, members add their own contribution. The Employee (or member) is allowed a variable contribution rate elected every year of either 5%, 7.5%, 9%, 12%, 15%, or 18%. Members who have less than 3 years of service have a lower death and capital disability benefit cover but then their costs for insurance are substantially lower at 1.866%. These members therefore enjoy a higher allocation to their pension accumulation.

Of the R10billion invested, R900million is invested in the life staging portfolios designed to progressively protect capital for those members older than 58 and by members choosing more cautious portfolios. There is some R8.2 billion in the default Managed portfolio, a fund that returned 12.5% for the year to 31 March 2015, in volatile market conditions. The Fund also has around R740million invested in the Aggressive portfolio. This portfolio includes more equity investments both locally and offshore, than the Managed portfolio. The Aggressive fund return for the same 12 month period was 15.13%.

The Fund's in-fund annuitant pool has grown substantially over the last year and now comprises of some 60 pensioners with investments exceeding R100 million. It is anticipated that the popularity of this retirement option will continue to grow, given the attractive fee structure that is available relative to the living annuity offerings in the insurance industry. Studies conducted by the Fund suggest that the benefit of the lower costs of the in-fund solution is to extend retirees' income by 4 years or more.

The trustees and officers of the fund continue to contain investment fees and other fund costs (savings of more than R13 million per annum have recently been secured with the restructuring of the Fund's investment portfolios) whilst striving to provide members with a modern pension arrangement.

The external auditors of the Fund continue to be satisfied with the running of the KZN Municipal Pension Fund.

The Durban Pension Fund is a closed defined benefit fund. With effect from 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The interim valuation as at 2015-01-01 revealed that the Fund was 103.2% funded (2014-01-01: 103.7%). The value of assets amounted to R10,94 billion (2014-01-01: R10.88 billion) whilst the value of liabilities was determined to be R10,6 billion (2014-01-01: R10.5 billion). The active member pool solvency reserve is 51.3% funded (2014-01-01: 64.1%) and the pensioner pool solvency reserve is 100% funded (2014-01-01: 100%). Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 9,57% being funded by the employer surplus account. In compliance with the Fund's rules an amount of R54 million (2013/14: R62.4 million) was contributed by Council in respect of retirement funding during the period under review.

Multi-Employer Retirement Benefit Plans:

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19. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMP), SALA, Multi Linked and GEPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

Two of the NJMP retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund. The last actuarial valuations of the 2 Defined Benefit Funds (March 2014) showed both funds to be fully funded as regards pensions in payment, but underfunded as regards contributing members - thus the employers are paying a surcharge. A primary reason for the surcharge is that salaries have been increased well in excess of inflation over the past number of years, which has increased the liabilities of the 2 Defined Benefit Funds. Surcharges were updated to 17.5% for Retirement fund and 9.5% for Superannuation Fund and are applicable for 8 years from July 2012 at which time it is expected that both funds will be fully funded. The 2015 valuations are still in progress, outcomes will only be known by November at the annual AGM of funds. A special additional surcharge is levied individually on municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other municipalities. This has the effect of removing some of the cross-subsidisation between municipalities. Other than this, all municipalities are treated in the same manner

Each of the funds undergoes an actuarial valuation each year in order to monitor its financial condition. If necessary the Committee of Management levies a surcharge until the fund is in a sound financial condition, as is currently the case. In this way the Committee ensures that the funds are able to afford the promised benefits.

The asset composition of the Durban Pension Fund is summarised below:

Cash	3.76 %	10.41 %
Equity	34.07 %	29.10 %
Bonds	42.85 %	40.59 %
Property	2.28 %	3.73 %
Foreign	15.94 %	15.38 %
Other	1.10 %	0.79 %
	-	-

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Electricity Demand Side Management Grant	3,194	14,308
Department of Co Operative Governance and Traditional Affairs	6,445	7,006
Department of Transport and Public Transport Infrastructure	422,175	819,688
Department of Environmental Affairs	7,962	2,242
Expanded Public Works Incentive Grant	-	5,519
Neighbourhood Development Partnership	18,422	3,181
Dept of Arts & Culture	318,062	236,617
Vuna Awards	875	875
Grant Accreditation	13,884	13,884
Department of Human Settlements	99,658	107,508
Lamontville and R293 Trf Deeds/ Administration	1,556	1,556
European Union	6,433	7,456
Donations and Public Contributions	54,412	58,183
D Moss Interest and Land Sales	8,073	8,073
Public Transport Network Operations	84,709	-
Municipal Human Settlement Capacity Grant	39,980	-
Other Grants and Subsidies	39,944	42,151
	1,125,784	1,328,247

These amounts are invested in a ring-fenced investment until utilised. See note 27 for more detail.

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21. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Clearance of Alien Vegetation	15,879	16,841	(13,301)	-	19,419
Performance bonus	11,552	12,345	(662)	-	23,235
Long service awards	62,439	40,479	(47,130)	-	55,788
Non-current					
Environmental rehabilitation: Landfill sites	84,241	(298)	-	7,726	91,669
Clearance of Alien Vegetation	37,641	1,882	-	-	39,523
Long service awards	618,817	50,725	-	-	669,542
	830,569	121,974	(61,093)	7,726	899,176

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Clearance of Alien Vegetation	15,427	14,906	(14,454)	-	15,879
Performance bonus	16,647	10,401	(15,496)	-	11,552
Long service awards	11,336	51,877	(774)	-	62,439
Non-current					
Environmental rehabilitation: Landfill sites	74,754	2,897	-	6,590	84,241
Clearance of Alien Vegetation	30,084	7,557	-	-	37,641
Long service awards	263,067	355,750	-	-	618,817
	411,315	443,388	(30,724)	6,590	830,569

Non-current liabilities	800,734	740,699
Current liabilities	98,442	89,870
	899,176	830,569

Environmental rehabilitation: Landfill sites

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 9%. The Municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The 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, and any impairment loss is recognised in surplus or deficit.

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21. Provisions (continued)

The following assumptions were used to calculate the provision:

- (1) Discount rate of 9.25% (2014:9%);
- (2) Inflation rate 4.70%(2014:6.60%
- (3) Total area expected to be rehabilitated: 913 151 square metres (2014: 800 426 square meters);
- (4) Rate per square metre: R145.27 (2014: R138.75) escalating every year by inflation rate;
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

Bisasar	360,326	360,326
Maranhill	239,725	193,000
Wyebank	25,000	25,000
Shallcross	29,800	29,800
Buffelsdraai	228,300	192,300
Lovu	30,000	-

Each of the landfill sites have a different lifespan for rehabilitation ranging from 2 years to 58 years and are best estimates provided for by the respective landfill site engineers. The useful life for the Bisasar Landfill site has been extended by 3 years as at 01 July 2012.

The total rehabilitation can be reconciled as follows:

Name	O/ Balance	Prior Year Adjustments	Interest	Additions	C/ Balance
Bisasar	49,927	(2,109)	4,303	(878)	51,243
Maranhill	21,987	423	2,017	6,226	30,653
Wyebank	3,040	(5)	273	247	3,555
Shallcross	3,180	129	298	(717)	2,890
Buffelsdraai	4,573	3,096	690	(6,741)	1,618
Lovu	-	-	145	1,565	1,710
Totals	82,707	1,534	7,726	(298)	91,669

Clearance of Alien Vegetation

The clearing of alien vegetation is required in terms of the Conservation of Agricultural Resources Act, 1983 (Act No. 43 of 1983). The Municipality has therefore made a provision for its obligation, based on future estimated costs for the next 3 years. This provision will be reviewed annually to reflect the fair value of the obligation.

Provision for invasive alien plant control / eradication is based on reliable data for growth rates, infestation rates and density. A detailed analysis, based on current costs of alien plant clearing, was undertaken. Input from numerous field staff was obtained with regard to the level of infestation of currently managed areas.

Data used for calculations:

Municipal owned land within the municipal area: 18 000 Ha
Municipal owned open space currently managed (prioritised): 2 200 Ha
Current approximate cost of clearing very high infestations of IAP's: R9 153.00 / Ha
(2013: R8 483.00 / Ha).

Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly and against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Manager.

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21. Provisions (continued)

- **Long service awards**

Revised Conditions of Service for employees are currently being negotiated. The interim conditions of service for Employees are as follows:

Long Service Leave will accrue as follows:

Long Service Leave

	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone	6 Day Worker- No.of days p.a.	6 Day Worker- Accum per milestone
After 20 years	2	25	3	30
After 30 years	4	35	5	50
After 40 years	5	15	6	10
Maximum Accumulation	-	75	14	90

Employees who achieve 25 years service receive a once off cash payment of R500 and upon achievement of 40 years service, employees receive a gold wrist watch or a comparable gift.

Employees who achieve 40 years service will be granted 20 days paid leave (once off) and a scroll duly signed by the Mayor in recognition of loyal service rendered to the Council.

A long Service Allowance will accrue as follows:

- 2% of monthly salary at 15-19 years

- 3% of monthly salary at 20-24 years

- 4% of monthly salary at 25-29 years

- 5% of monthly salary at 30-35 years

- 6% of monthly salary at 35 years or more

The abovementioned is limited to a maximum of R1 155.28.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2015 (2014: 30 June 2014). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 8.3% (2014: 8.5%) was used based on internal rate of return.

Summary of economic assumptions (rates are per annum) and key demographic assumptions

Figures in Rand thousand	Municipality	
	2015	2014
Gross discount rate	8.30%	8.50%
Salary inflation	7.00%	7.40%
Net discount rate	1.30%	1.02%
Number of trading days per year	252	252
Assumed retirement age	63 years for males and females	63 years for males and females
	-	-

Summary of membership data used in the valuation

	30 June 2015	30 June 2014
Current employees		
Number of current employees	21,506	20,962
Average age of employees	41.9	41.4
Average years of past service	11.3	11.1
Average annual salary (R)	179,056	159,322
	-	-

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21. Provisions (continued)

Reconciliation of Defined Benefit Obligation

Opening Balance	681,256	274,403
Current Service cost	52,072	9,869
Interest cost	57,907	8,189
Change in model	-	(307)
Applying the projected unit credit method	-	(142,986)
Correction of salaries	-	(31,967)
Past service cost	-	574,009
Actuarial loss (gain) - change in financial assumptions	(14,207)	15,850
Actuarial loss (gain) - change in demographic assumptions	-	(9,403)
Actuarial loss (gain) - experience variance	2,320	(4,500)
Cash movements - Benefit payments	(54,018)	(11,901)
	725,330	681,256

Pre-retirement mortality (only for 30 June 2015)

Age	Males	Females
20	0.13%	0.13%
25	0.18%	0.18%
30	0.25%	0.25%
35	0.37%	0.37%
40	0.52%	0.52%
45	0.72%	0.72%
50	0.99%	0.99%
55	1.37%	1.37%
60	1.89%	1.89%

- -

Withdrawal assumption (only for 30 June 2015)

Age	Males	Females
20	7.85%	7.85%
25	5.67%	5.67%
30	4.20%	4.20%
35	3.31%	3.31%
40	2.23%	2.23%
45	1.21%	1.21%
50	0.55%	0.55%
55	0.00%	0.00%
60+	0.00%	0.00%

- -

22. Housing development fund

Accumulated Surplus	(114,055)	(96,215)
Loans extinguished by Government on 1 April 1998	266,979	266,979
	152,924	170,764

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22. Housing development fund (continued)

The housing development fund is represented by the following assets and liabilities

Property, plant and equipment	66,306	67,913
Housing selling scheme loans	63,074	65,568
Housing rental Debtors	8,562	11,168
Housing other Debtors	64	247
Housing inventory	72	36
Investments	7,489	46,892
Investment properties	16,080	16,446
Grant Accrual	311,403	-
Bank and cash	4	14,765
Assets	473,054	223,035
Long-term liabilities	165	244
Unspent Conditional Grants	6,963	15,627
Creditors	46,789	16,581
Bank Overdraft	246,395	-
Government Grant Reserve	19,818	19,819
Liabilities	320,130	52,271
Total Housing Development Fund Assets and Liabilities	152,924	170,764

23. Service charges

Sale of electricity	10,197,502	9,449,095
Sale of water	2,622,145	2,302,765
Solid waste	523,567	472,127
Sewerage and sanitation charges	799,963	726,846
Other service charges	179,407	161,863
Total service charges	14,322,584	13,112,696

24. Other income

Sundry income	305,009	314,907
Fuel levy	1,968,781	1,822,833
Moses Mabhida Stadium - other income	11,242	12,028
	2,285,032	2,149,768

Refer to Appendix D for a Statement of Financial Performance: Moses Mabhida Stadium.

25. Interest revenue

Interest revenue		
Interest earned - External Investments	362,443	320,321
Interest earned - Outstanding Debtors	175,142	143,037
	537,585	463,358

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26. Property rates

Rates received

Residential	2,045,757	1,857,193
Business / Commercial	1,876,923	1,752,811
Unauthorised / Illegal development	26,734	32,711
Development Phasing	1,542	3,051
Agricultural	2,962	1,680
Vacant land	380,704	355,272
Industrial	1,393,157	1,342,283
Public Service Infrastructure	28,267	18,197
Total Assessment Rates	5,756,046	5,363,198

Valuations

Residential	269,219,317	266,601,096
Business / Commercial	91,922,905	89,480,353
Unauthorised / Illegal development	473,063	539,224
Agricultural	2,875,549	2,751,760
Vacant land	12,342,130	12,091,994
Industrial	46,172,030	45,837,315
Public Service Infrastructure	16,211,123	16,121,656
Development Phasing Line	153,773	148,972
Total Property Valuations	439,369,890	433,572,370

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.01043 (2014: R0.00976); Agriculture - R0.00261 (2013: R0.00244); Vacant Land - R0.04678 (2014: R0.04674); Industrial - R0.03053 (2014: R0.02856); Business and Commercial - R0.02366 (2014: R0.02213); Public Service Infrastructure - R 0.00261 (2014: R0.00244). All residential property owners are exempt from paying rates on the first R120 000 (2014: R120 000) of their property value. In addition to the R120 000, Pensioners, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R3 390. The Senior Citizens rebate is limited to a maximum limit of R3 million on the value of the property.

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

eThekweni Municipality

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Figures in Rand thousand	2015	2014
27. Government grants and subsidies		
Equitable Share	1,990,048	1,869,806
Expanded Public Works Programme Incentive	39,673	59,747
European Union	1,069	587
Primary Health Care Provincial Subsidy	121,365	97,088
Department of Transport and Public Transport infrastructure	742,064	285,298
Department of Environmental Affairs	23	7,435
Vuna Awards	-	1,036
Municipal Human Settlement Capacity Grant	12,489	-
Demand Side Management	11,114	692
Urban Settlement Development Grant	1,800,076	1,580,999
Other Grants	42,278	33,702
Public Contributions	4,034	21,229
Neighbourhood Development Partnership	15,833	4,769
Department of Human Settlements	454,752	150,449
Grant Accreditation	41,948	939
Department of Co-Operative Government and Traditional Affairs	1,561	6,068
Department of Arts and Culture	42,625	13,084
Public Transport Network Operations	36,111	71,395
Intergrated City Development Grant	52,621	9,539
Infrastructure Skills Grant	26,925	18,534
	5,436,609	4,232,396
Equitable Share		
Current-year receipts	1,990,048	1,869,806
Conditions met - transferred to revenue	(1,990,048)	(1,869,806)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
D Moss Interest and Land Sales		
Balance unspent at beginning of year	8,073	8,073
The above relates to funding for the acquisition of D Moss land.		
Department of Environmental Affairs		
Balance unspent at beginning of year	2,242	1,427
Current-year receipts	5,742	8,250
Conditions met - transferred to revenue	(22)	(7,435)
	7,962	2,242
Conditions still to be met - remain liabilities (see note 20).		
Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.		
Department of Transport and Public Transport infrastructure		
Balance unspent at beginning of year	819,688	597,620
Current-year receipts	654,752	507,366

eThekwini Municipality

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Figures in Rand thousand	2015	2014
27. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(742,064)	(285,298)
Paidback	(310,201)	-
	422,175	819,688

Conditions still to be met - remain liabilities (see note 20).

This grant is received from the Department of Transport for the design and construction of the dedicated public transport lanes, stations and other related infrastructure as part of the Integrated Rapid Public Transport Network.

Neighbourhood Partnership Development

Balance unspent at beginning of year	3,181	4,395
Current-year receipts	34,255	3,555
Conditions met - transferred to revenue	(3,181)	(4,769)
Paidback	(15,833)	-
	18,422	3,181

Conditions still to be met - remain liabilities (see note 20).

Focus of the grant is to create economic infrastructure in dormitory townships that will attract private sector investment.

European Union

Balance unspent at beginning of year	7,456	8,043
Current-year receipts	46	-
Conditions met - transferred to revenue	(1,069)	(587)
	6,433	7,456

Conditions still to be met - remain liabilities (see note 20).

Funds used for Capacity Enhancement/ Knowledge Management in terms of close our report

Other Grants and Subsidies

Balance unspent at beginning of year	42,151	40,739
Current-year receipts	43,279	35,114
Paidback	(3,208)	-
Conditions met - transferred to revenue	(42,278)	(33,702)
	39,944	42,151

Conditions still to be met - remain liabilities (see note 20).

Other Grants and subsidies were utilised during the year to fund various Council projects.

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Figures in Rand thousand	2015	2014
27. Government grants and subsidies (continued)		
Department of Human Settlements		
Balance unspent at beginning of year	107,508	172,564
Current-year receipts	135,500	85,393
Conditions met - transferred to revenue	(454,753)	(150,449)
Accrued Receipts	311,403	-
	99,658	107,508
Conditions still to be met - remain liabilities (see note 20).		
Funding for the administration of Hostels in KwaZulu Natal.		
Lamontville R293 Trf Deeds/ Administration		
Balance unspent at beginning of year	1,556	1,556
Conditions still to be met - remain liabilities (see note 20).		
This grant was used to fund the maintenance of the Lamontville houses as well as the transfer of the R293 township houses to the beneficiaries.		
DANIDA		
Balance unspent at beginning of year	-	295
Other	-	(295)
	-	-
Conditions still to be met - remain liabilities (see note 20).		
These funds are used to enhance existing capacity in Urban Environmental Management. This programme prioritizes poverty reduction and building institutional capacity for enhanced local level delivery of environmentally sustainable services.		
Grant Accreditation		
Balance unspent at beginning of year	13,884	-
Current-year receipts	41,948	14,823
Conditions met - transferred to revenue	(41,948)	(939)
	13,884	13,884
Conditions still to be met - remain liabilities (see note 20).		
These funds are for the administrative support provided for RDP houses.		
Department of Co-operative Governance and Traditional Affairs		
Balance unspent at beginning of year	7,006	9,074
Current-year receipts	1,000	4,000
Conditions met - transferred to revenue	(1,561)	(6,068)
	6,445	7,006
Conditions still to be met - remain liabilities (see note 20).		
Funds used for the construction of a Factory for Hazelmere Lungisa Indlela Village and to draft a land use management scheme for Shongweni Local Area Plan.		

eThekwini Municipality

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Figures in Rand thousand 2015 2014

27. Government grants and subsidies (continued)

Donations and Public Contributions

Balance unspent at beginning of year	58,183	77,594
Current-year receipts	263	1,818
Conditions met - transferred to revenue	(4,034)	(21,229)
	54,412	58,183

Conditions still to be met - remain liabilities (see note 20).

The grants were received from various organisations to finance various developments. In the prior year this includes development of Nandi Drive and various roads in Hillcrest.

Department of Arts & Culture

Balance unspent at beginning of year	236,617	90,856
Current-year receipts	124,070	158,845
Conditions met - transferred to revenue	(42,625)	(13,084)
	318,062	236,617

Conditions still to be met - remain liabilities (see note 20).

This Grant is for the operating expenditure for libraries and museums and capital expenditure for the upgrade of the Central Library .

Electricity Demand Side Management Grant

Balance unspent at beginning of year	14,308	-
Current-year receipts	-	15,000
Conditions met - transferred to revenue	(11,114)	(692)
	3,194	14,308

Conditions still to be met - remain liabilities (see note 20).

The grant was used to finance the gas-to-electricity capital project.

Infrastructure Skills Grants

Balance unspent at beginning of year	-	7,234
Current-year receipts	26,925	18,500
Other	-	(7,200)
Conditions met - transferred to revenue	(26,925)	(18,534)
	-	-

Conditions still to be met - remain liabilities (see note 20).

Funding to equip Engineering graduates in achieving professional registration in water and waste water related skills.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements

Figures in Rand thousand

	2015	2014
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27. Government grants and subsidies (continued)

Urban Settlements Development Grant

Current-year receipts	1,800,076	1,580,999
Conditions met - transferred to revenue	(1,800,076)	(1,580,999)
	-	-

Conditions still to be met - remain liabilities (see note 20).

This grant was utilised for housing densification, water, electricity and sanitation infrastructure, sidewalks, agricultural gardens and various town centre renewals. This grant has replaced the former Municipal Infrastructure Grant.

Expanded Public Works Incentive Grant

Balance unspent at beginning of year	5,519	17,885
Current-year receipts	34,154	47,381
Conditions met - transferred to revenue	(39,673)	(59,747)
	-	5,519

Conditions still to be met - remain liabilities (see note 20).

This grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation.

Vuna Awards

Balance unspent at beginning of year	875	1,910
Conditions met - transferred to revenue	-	(1,035)
	875	875

Conditions still to be met - remain liabilities (see note 20).

The Vuna Awards is an initiative of the Department of Provincial and Local Government, together with its partners in the coordination of development in local government, the South African Local Government Association, Development Bank of Southern Africa and the National Productivity Institute. The Vuna awards, as the awards are called, reward the municipalities that provide communities excellent services and governance.

Primary Health Care Provincial Subsidy

Current-year receipts	51,765	97,088
Conditions met - transferred to revenue	(121,365)	(97,088)
Accrued Receipts	69,600	-
	-	-

Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met.

eThekweni Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
27. Government grants and subsidies (continued)		
Public Transport Network Operations		
Current-year receipts	120,820	71,395
Conditions met - transferred to revenue	(36,111)	(71,395)
	84,709	-

This grant is used to provide supplementary operational funding to municipalities operating approved Integrated Rapid Public transport Network/ Integrated Public Transport Network services.

Intergrated City Development

Current-year receipts	52,621	9,539
Conditions met - transferred to revenue	(52,621)	(9,539)
	-	-

The grant is used to provide financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

Human Settlement Capacity Grant

Current-year receipts	52,469	-
Conditions met - transferred to revenue	(12,489)	-
	39,980	-

Conditions still to be met - remain liabilities (see note 20).

This grant is used to build capacity in municipalities to deliver and subsidise the operational cost of administering human settlements programmes.

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
28. Employee related costs		
Employee related costs - Salaries and Wages	4,374,661	4,132,812
Medical aid and Pension Benefits	1,400,290	1,099,720
UIF	36,376	35,033
Leave pay provision contribution	254,709	603,856
Travel, motor car, accommodation, subsistence and other allowances	348,139	279,197
Overtime payments	463,352	437,066
Housing benefits and allowances	17,376	16,715
Holiday Bonus	322,537	290,544
Other	46,782	71,054
Less: Employee costs relating to capitalisation and maintenance of PPE	(229,759)	(185,431)
	7,034,463	6,780,566
Remuneration of the Municipal Manager - Mr. S. Sithole (appointed 03/01/2012)		
Annual Remuneration	2,384	2,221
Car Allowance	180	180
Performance Bonuse 2012	-	82
Performance Bonuse 2013	-	176
Contributions to UIF, Medical and Pension Funds	27	28
Other Allowances(Subsistence, Leave cashing, Backpay)	28	-
	2,619	2,687
Remuneration of the Chief Finance Officer - Mr. K. A. Kumar		
Annual Remuneration	1,311	1,227
Car Allowance	454	425
Market Allowance	242	242
Contributions to UIF, Medical and Pension Funds	304	292
Cellphone Allowance	18	18
Performance Bonus 2012	-	126
Performance Bonus 2013	-	124
Other Allowances(Subsistence, Leave cashing, Backpay)	22	146
	2,351	2,600
Safety and Security - Mr. C. B. Mkhize		
Performance Bonuses 2012	-	140
Contract Expired 30 June 2012.		
Health and Social Services - Dr. M. Gumede		
Annual Remuneration	1,695	1,579
Car Allowance	120	120
Performance Bonus 2012	-	119
Performance Bonus 2013	-	127
Contributions to UIF, Medical and Pension Funds	46	45
Cellphone Allowance	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	75	60
	1,948	2,062
Governance - Mr. S. O. Cele		
Annual Remuneration	1,311	1,227
Car Allowance	454	425

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
28. Employee related costs (continued)		
Performance Bonus 2012	-	77
Performance Bonus 2013	-	82
Contributions to UIF, Medical and Pension Funds	300	285
Market Allowance	121	121
Cellphone Allowance	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	51	167
	2,249	2,396
Procurement and Infrastructure - Mr. D. Naidoo		
Performance Bonuses	-	130
Resigned:30 June 2012		
Remuneration of the Municipal Manager - Dr. M. Sutcliffe (01/07/2011 - 31/12/2011)		
Performance Bonuses 2012	160	69
Corporate and Human Resources - Mrs. D. P. Nene		
Annual Remuneration	1,554	1,449
Car Allowance	108	108
Contributions to UIF, Medical and Pension Funds	44	42
Other Allowances(Subsistence, Leave cashing, Backpay)	-	122
	1,706	1,721
Appointed :1 February 2013		
Sustainable Development and City Enterprises - Dr. C. N. Moyo		
Annual Remuneration	57	1,531
Car Allowance	4	120
Contributions to UIF, Medical and Pension Funds	5	49
Cellphone Allowance	1	30
Other Allowances(Subsistence, Leave cashing, Backpay)	181	1
	248	1,731
Resigned: 11 July 2014		
29. Remuneration of councillors		
Councillors	100,795	94,721
Mayor	1,192	1,163
Deputy Mayor	967	939
Mayoral Committee Members	4,152	8,171
Speaker	1,054	1,000
Councillors	92,773	82,691
Councillors' pension contribution	657	757
Total Councillors' Remuneration	100,795	94,721

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Figures in Rand thousand 2015 2014

29. Remuneration of councillors (continued)

In-kind benefits

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

Mayor (1)

Remuneration Allowances	696	697
Travelling Allowance	294	280
Cellphone Allowance	42	41
Medical Aid	51	41
Pension Fund	109	104
	1,192	1,163

Deputy Mayor (1)

Remuneration Allowances	564	557
Travelling Allowance	238	224
Cellphone Allowance	42	41
Medical Aid	35	33
Pension Fund	88	84
	967	939

Speaker (1)

Remuneration Allowances	537	544
Travelling Allowance	297	286
Cellphone Allowance	42	29
Medical Aid	94	61
Pension Fund	84	80
	1,054	1,000

Mayoral Committee Members (9)

Remuneration Allowances	5,097	5,270
Travelling Allowance	2,003	1,991
Cellphone Allowance	203	209
Medical Aid	159	140
Pension Fund	592	561
	8,054	8,171

Councillors (193)

Remuneration Allowances	50,757	47,910
Constituency Allowance	4,196	3,943
Travelling Allowance	20,206	18,690
Cellphone Allowance	3,996	3,032
Medical Aid	4,090	3,791
Pension Fund	5,624	5,325
	88,869	82,691

Traditional Leaders (14)

Allowances	657	757
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eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
30. Finance costs		
Non-current borrowings	897,439	818,657
Consumer Deposits	47,224	27,488
Other interest paid	8,770	4,058
	953,433	850,203
<p>An amount of R52.9m (2014: R78.7m) relating to borrowing costs was capitalised to work-in-progress with 9% (2014: 9%) being the weighted average cost of funds borrowed generally by the municipality.</p>		
31. Bulk purchases		
Electricity	6,716,137	6,319,701
Water	1,662,481	1,519,887
	8,378,618	7,839,588
32. Grants and subsidies paid		
Other subsidies		
Point Precinct Trust	2,168	2,027
Grant Paid:Enhanced Extended Discount Benefit	1,701	3,496
Grant Paid:Sporting Organisations	54,091	46,125
Grant Paid:Twilanga Old Age Home	1,055	900
Grant Paid:South African Association of Marine Biology Research	56,595	56,469
Grant Paid:Playhouse Company	3,000	3,803
Durban Arts Association	1,150	336
Grant Paid:Natal Philharmonic Orchestra	6,800	7,816
Grant Paid:Tourism Indaba	13,495	15,658
Grant Paid:Trade Point Durban	-	1,058
Grant Paid:Food Aid Program	27,910	12,203
Grant Paid:Other	12,331	19,109
	180,296	169,000
33. Fair value adjustments		
Fair value adjustment - Debtors	61	(425)
Fair value adjustment - Creditors	10,691	(9,289)
Fair value adjustment - PPE	-	66
	10,752	(9,648)

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Figures in Rand thousand	2015	2014
34. General expenses		
Advertising	48,971	41,301
Auditors remuneration	22,074	23,406
Bank charges	6,704	5,129
Cleaning	20,929	24,637
Commission paid	25,670	26,202
Consulting and professional fees	61,815	40,327
Delivery expenses	3,310	3,505
Civic Entertainment	1,245	1,015
Hire of facilities, plant and equipment	64,890	62,189
Community development and training	24,980	11,948
Conferences and seminars	5,411	2,849
IT expenses	43,383	36,915
Lease rentals on operating lease	57,632	50,060
Marketing	42,934	38,697
Levies	3,760	3,361
Magazines, books and periodicals	8,291	9,114
Medical Requisites	17,026	40,580
Fuel and oil	224,160	249,436
Postage and courier	26,890	25,073
Printing and stationery	37,501	35,596
Promotions	73,123	62,905
Project/Programme costs	53,640	13,169
Research costs	13,946	11,210
Sundry HR costs	57,576	53,148
Subscriptions and membership fees	20,657	15,234
Telephone and fax	60,271	57,873
Transport and freight	70,082	64,708
Training	103,868	91,111
Travel - local	25,511	20,169
Refuse	26,874	23,574
Title deed search fees	593	778
Stock Adjustments	13,841	5,667
Sewerage and waste disposal	52,317	49,426
Refuse Bags	101,076	76,542
Recycling	19,938	9,313
Tourism development	3,049	8,326
Other Sponsorships and subsidies	8,422	4,198
Stadium Operational Costs	20,674	50,376
Urban Improvement Precincts	3,799	21,478
Safety Equipment	20,890	25,851
Eradication of Alien Vegetation	1,735	11,142
Special Events	119,062	153,035
Venue Decorative costs	2,760	3,140
Other expenses	366,986	281,806
	1,988,266	1,845,519

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Notes to the Annual Financial Statements

Figures in Rand thousand	2015	2014
35. Cash generated from operations		
Surplus	3,060,530	2,220,079
Adjustments for:		
Depreciation on PPE	1,790,084	1,633,631
Loss on sale of PPE	191	197
Gain on disposal of PPE	(49,286)	(17,095)
Amortisation of Intangible Assets	55,515	42,860
Depreciation :Investment Property	1,860	1,844
Income from Joint Venture	(4,969)	(15,083)
Fair value adjustments	(10,752)	9,648
Reversal of loss on Impairment: PPE	(3,782)	(314)
Impairment deficit	7,886	11,625
Debt impairment	2,036,348	1,617,118
Movements in retirement benefit assets and liabilities	159,137	(73,123)
Movements in provisions	68,607	419,254
Loss on Impairment: Investment properties	9,236	-
Donations:PPE	(2,076)	(706)
(Reversal of)Loss on impairment : Municipal Entity	(76,283)	(211,651)
Changes in working capital:		
Inventories	(75,340)	(85,126)
Receivables from exchange transactions	(1,808,458)	(1,183,344)
Consumer debtors	(700,120)	(563,882)
Payables from exchange transactions	(509,276)	886,329
VAT	64,047	(77,048)
Unspent conditional grants and receipts	(202,463)	288,982
Consumer deposits	181,867	236,679
	3,992,503	5,140,874
36. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION		
Long-term liabilities	10,241,146	10,247,716
Used to finance property, plant and equipment – at cost	(10,241,146)	(10,247,716)
	-	-

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand 2015 2014

37. Commitments

Commitments in respect of capital expenditure

Approved and contracted for :

• Infrastructure	3,333,973	4,661,143
• Community	76,448	15,410
• Land and Buildings	246,428	235,107
• Other	862,213	1,793,476
	4,519,062	6,705,136

Approved but not yet contracted for :

• Infrastructure	344,979	202,781
• Community	36,146	64,804
• Land and Buildings	68,350	149,110
• Other	450	15,853
	449,925	432,548

Included in the Other Capital Commitments figure for Housing is Housing Agency commitments amounting to R 787 million (2014: R1 687.6 million).

Financial Commitment

Debenture held in Durban Marine Theme Park 90,000 -

A debenture held in Durban Marine Theme Park is convertible at the option of the holder into ordinary shares. Council has resolved to settle the liability by Durban Marine Theme Park in 2 tranches of R45 million each (November 2015 and March 2016). This was the final offer by DBSA after lengthy negotiations. Based on the commitment by Council the R90 million has therefore been reclassified from contingent liabilities to financial commitments.

Operating leases - as lessee (expenditure)

Minimum lease payments due

- within one year	50,040	36,715
- in second to fifth year inclusive	107,219	67,198
- later than five years	4,165	4,350
	161,424	108,263

Operating Commitments

Commitments payable

- within one year	1,532,993	1,585,051
- within two to three years	1,212,729	693,137
- later than three years	11,761	18,930
	2,757,483	2,297,118

Included above is Operating Commitments for Security Management. The Contract terminates on 31 October 2015. A contract has not been entered into for the period thereafter. The three year budget forecasts for Security Management costs is R485.1m, R523.4m and R567.8m respectively.

38. Leases (Income) - Lessor

Rental Income recognised from operating leases have not been accounted for on the straight-line basis over the lease terms for the following reasons:

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;
Approximately 45% of long term lease income is based on turnover ie. subjective and not fixed.

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Figures in Rand thousand 2015 2014

38. Leases (Income) - Lessor (continued)

Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

39. Contingencies

Contracted Disputes	734,915	130,040
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Various departments within the municipality have price disputes with certain contractors. Included in the amount of R734m is an amount of R528m which was reflected as part of legal claims in the prior year.

Self Insurance Reserve	304,540	79,067
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Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	355,464	3,949
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	66,660	75,354
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These guarantee's are issued in favour of the following:

- The Member(s), Jeena's Warehouse Close Corporation: R3.6m (Standard Bank) dated 19 May 1999;
- S.A. Post Office: R76 000 (Standard Bank) dated 14 October 1997;
- S.A. Post Office: R1.9m (Standard Bank) dated 6 August 1997;
- ESKOM Holdings: R7 800 (Standard Bank) dated 1 November 2011;
- Compensation Commissioner: R61m(Standard Bank) ;

Legal Claims	284,404	904,888
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Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed.

Legal disputes relate to:

- Rates dispute: R5m;
- Value of compensation in respect of expropriation of various properties R131.4m
- Claims for damages - various: R147.8m

Municipal Entity - Durban Marine Theme Park	-	113,748
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A debenture held in Durban Marine Theme Park is convertible at the option of the holder into ordinary shares. Council has resolved to settle the liability by Durban Marine Theme Park in 2 tranches of R45 million each (November 2015 and March 2016). This was the final offer by DBSA after long negotiations. Based on the commitment by Council the R90 million has therefore been reclassified from contingent liabilities to financial commitments.

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39. Contingencies (continued)

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Figures in Rand thousand	2015	2014
40. Related parties		
Relationships Municipal entities	Durban Marine Theme Park SOC Limited 13 ICC Durban (Pty)Ltd Ethekwini Transport Authority	
Joint ventures	River Horse Valley Joint Venture. Refer to note 14	
Councillor/Official with significant influence	Durban Infrastructure Development Trust Trustees: M.E.Bayeni - Councillor N.N.Nyanisa - Councillor S.Z.Xulu - Councillor J.Balwanth - Council Official M.Tembe - Independent 3rd party P.N.Ngcobo - Independent 3rd Party K.Rugunandan - Independent 3rd Party	
Related party balances		
Loan accounts - Owing by related parties		
Durban Infrastructural Development Trust	156,583	156,583
ICC (Proprietary) Limited	226,590	226,590
	383,173	383,173
Amounts included in Trade Receivable regarding related parties		
I.C.C. Durban (Proprietary) Limited	1,663	1,165
Durban Marine Theme Park (Proprietary) Limited	1,576	2,254
	3,239	3,419
Amounts included in Trade Payable regarding related parties		
I.C.C. Durban (Proprietary) Limited	2,608	7,164
Ethekwini Transport Authority	53,372	55,534
	55,980	62,698
Consumer Deposits Paid		
I.C.C. Durban(Proprietary) Limited	1,435	1,409
Other Related Party Asset		
I.C.C. Durban(Proprietary) Limited- Sponsorship In Advance	-	2,695
Related party transactions		
Sales to related parties		
I.C.C. Durban (Proprietary) Limited:		
Electricity	9,704	9,351
Water	1,458	1,711
Refuse	751	617
Gross Rates	5,317	5,370
Durban Marine Theme Park (Proprietary) Limited		
Electricity	18,796	18,197
Water	6,288	5,143
Waste	1,042	936
Insurance	741	1,421
Advance Fire Training	-	4,234
Riverhorse Valley Joint Venture		
Electricity and Water	69	6
Income from Joint Venture	4,969	15,083

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40. Related parties (continued)		
Purchases from related parties		
I.C.C. Durban (Proprietary) Limited:		
General Expenses	26,587	27,441
Durban Marine Theme Park (Proprietary) Limited		
General Expenses	1,601	6,738
Riverhorse Valley Joint Venture		
General Expenses	102	-
Ethekwini Transport Authority		
General Expenses	3,051	2,610
Grant-in-Aid	-	2,867
41. Prior year adjustments		
The following adjustments all relate to corrections of prior-year errors.		
Consumer Debtors		
Balance previously reported	-	2,882,059
Rates adjustments - prior to 2013/14	-	32,036
Rates adjustments - 2013/14	-	54,689
	-	2,968,784
Payables from exchange transactions		
Balance previously reported	-	5,740,769
Accrual for Security payments - prior to 2013/14	-	17,275
Accrual for Security payments - 2013/14	-	23,383
VAT relating to Security payments accrual - 2013/14	-	5,202
Human Resources Payroll adjustment - prior to 2013/14	-	(2,305)
Housing Development Fund accrual adjustment - 2013/14	-	(405)
Accruals adjustments - prior to 2013/14	-	(4,059)
Accruals adjustments - 2013/14	-	(1,487)
	-	5,778,373
Property, Plant and Equipment		
Balance previously reported	-	37,084,494
Adjustments: Various - prior to 2013/14	-	(48,661)
Adjustments: Depreciation - 2013/14	-	(20,067)
Adjustments: Disposals - 2013/14	-	(565)
Adjustments: Impairment - 2013/14	-	190
Landfill sites rehabilitation adjustment - prior to 2013/14	-	1,986
Housing Development Fund adjustment - prior to 2013/14	-	(5)
Transfer to Heritage assets from Infrastructure - prior to 2013/14	-	(2,526)
	-	37,014,846
Inventories		
Balance previously reported	-	341,913
Stock adjustment - prior to 2013/14	-	(34,383)
Stock adjustment - 2013/14	-	(23,455)
	-	284,075
Heritage Assets		
Balance previously reported	-	10,512
Transfer from PPE Infrastructure - prior to 2013/14	-	2,526
	-	13,038

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41. Prior year adjustments (continued)		
Intangible Assets		
Balance previously reported	-	771,849
Adjustments: Various - prior to 2013/14	-	787
Amortisation adjustment - 2013/14	-	31
	-	772,667
Accumulated Surplus		
Balance previously reported	-	28,930,783
PPE adjustments: Various - prior to 2013/14	-	(48,661)
PPE adjustments: Depreciation - 2013/14	-	(20,067)
PPE adjustments: Disposals - 2013/14	-	(565)
PPE adjustments: Impairment - 2013/14	-	190
Landfill sites rehabilitation adjustment - prior to 2013/14	-	452
Intangibles adjustments: Various - prior to 2013/14	-	787
Intangibles adjustments: Amortisation - 2013/14	-	31
Consumer Debtors: Rates adjustments - prior to 2013/14	-	32,036
Consumer Debtors: Rates adjustments - 2013/14	-	54,689
Payables from exchange transactions: Accrual for Security payments - prior to 2013/14	-	(17,275)
Payables from exchange transactions: Accrual for Security payments - 2013/14	-	(23,383)
Payables from exchange transactions: Human Resources Payroll adjustment - prior to 2013/14	-	2,305
Receivables from exchange transactions: Accrual for Sponsorship Income - prior to 2013/14	-	307
Receivables from exchange transactions: Accrual for Sponsorship Income - 2013/14	-	292
Inventories: Stock adjustment - prior to 2013/14	-	(34,383)
Inventories: Stock adjustment - 2013/14	-	(23,455)
Housing Development Fund: Accruals adjustment - 2013/14	-	405
Housing Development Fund: PPE adjustment - 2013/14	-	(5)
Housing Development Fund: Transfer adjustment - 2013/14	-	(400)
Payables from exchange transactions: Accruals adjustments - prior to 2013/14	-	4,059
Payables from exchange transactions: Accruals adjustments - 2013/14	-	1,487
Cash and cash equivalents: Cash takings adjustment - 2013/14	-	(35)
VAT adjustment - prior to 2013/14	-	(520)
	-	28,859,074
Housing Development Fund		
Balance previously reported	-	170,364
Payables from exchange transactions: Accruals adjustment - 2013/14	-	405
PPE adjustment - prior to 2013/14	-	(5)
	-	170,764
Cash and Cash Equivalents		
Balance previously reported	-	996,029
Cash takings adjustment - 2013/14	-	(35)
	-	995,994

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41. Prior year adjustments (continued)		
Receivables from exchange transactions		
Balance previously reported	-	2,561,688
Accrual for Sponsorship Income - prior to 2013/14	-	307
Accrual for Sponsorship Income - 2013/14	-	292
VAT adjustment - 2013/14	-	87
	-	2,562,374
VAT receivable		
Balance previously reported	-	95,765
VAT relating to Security payments accrual - 2013/14	-	5,202
Receivables from exchange transactions adjustment - 2013/14	-	(87)
Accumulated Surplus - prior to 2013/14	-	(520)
	-	100,360
Provisions - Non-current Liabilities		
Balance previously reported	-	739,165
Landfill sites rehabilitation adjustment - prior to 2013/14	-	1,534
	-	740,699
42. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	10,264	10,400
Amount paid - current year	(10,264)	(10,400)
	-	-
Audit fees		
Previous years fees	14,158	13,971
Current year fees	5,274	4,103
Amount paid - current year	(5,274)	(4,103)
Amount paid - previous years	(14,158)	(13,971)
	-	-
PAYE and UIF		
Current year payroll deductions	916,668	871,797
Amount paid - current year	(916,668)	(871,797)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	1,713,896	1,684,300
Amount paid - current year	(228,180)	(273,213)
Amount paid - previous years	(873,030)	(759,002)
	(612,686)	(652,085)
	-	-

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42. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT received (paid) for the year	422,656	366,349
VAT payable	(33,947)	(10,803)
	388,709	355,546

VAT output payables and VAT input receivables are shown in note 5.

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during the financial year ended June 30, 2015:

June 30, 2015	Amount outstanding (Rands)	Month
Councillor Abegail Nomthandazo Shabalala	514	Mar-15
Councillor Barbar Fortein	59	Mar-15
Councillor Bhekisisa Hlongwa	403	Jun-15
Councillor Bhekisisa Ngwane	957	Mar-15
Councillor Bongani Dlamini	375	Nov-14
Councillor Bongani Mpungose	28	Jun-15
Councillor Bonke Chili	933	Feb-15
Councillor Bradley Singh	781	Aug-14
Councillor Bridget Ntshangase	50	Mar-15
Councillor Conrad Dlamini	716	Feb-15
Councillor Danova Pillay	502	Nov-14
Councillor Dennis Shozi	3,812	Jun-15
Councillor Hendrick Cele	9,977	Jun-15
Councillor Hlengiwe Biyela	36	Apr-15
Councillor Hubane Maphumulo	64	Feb-15
Councillor Joice Cele	501	Jun-15
Councillor Lucky Mngwengwe	256	Apr-15
Councillor Mandlenkosi Xhakaza	284	Jun-15
Councillor Marcus Zungu	144	Jul-14
Councillor Mduduzi Bayeni	5,304	Nov-14
Councillor Mduduzi Gumede	249	Dec-14
Councillor Mduduzi Ngcobo	210	Jun-15
Councillor Mduduzi Nkosi	2,684	Dec-14
Councillor Melta Mthembu	744	Jun-15
Councillor Muzimenyanga Dladla	59	Feb-15
Councillor Nelisiwe Nyanisa	519	Jun-15
Councillor Nhlanhla Khawula	519	Apr-15
Councillor Nokuthula Makhanya-Sibiya	232	Nov-14
Councillor Nompumelelo Mabaso	3,819	Nov-14
Councillor Nomvuso Shabalala	175	Nov-14
Councillor Obed Ngcobo	66	Jun-15
Councillor Peter Davis	3,886	Aug-14
Councillor Pragalathan Naidoo	6,254	Dec-14
Councillor Primrose Hlengwa	3,289	May-15
Councillor Professor Sibiya	54	Jun-15
Councillor Sarojini Govender	12,452	Aug-14
Councillor Simingayesonke Mcoyi	278	Mar-15
Councillor Stanley Buthelezi	765	May-15
Councillor Themba Ncane	48	Jun-15
Councillor Thereza Nzuzi	27,235	Jun-15
Councillor Vusi Gebashe	53	Feb-15
Councillor Zanele Ndzoyiya	74	May-15
Councillor Ziphathele Nzama	2,040	Jun-15
	91,400	

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

June 30, 2014	Amount outstanding (Rands)	Month
Councillor Abegail Nomthandazo Shabalala	6,497	Jun-14
Councillor Barbar Fortein	69	Apr-14
Councillor Bhekisisa Ngwane	5,792	Jun-14
Councillor Conrad Dlamini	3,232	Feb-14
Councillor Danova Pillay	495	Jun-14
Councillor Dennis Shozi	1,895	Jun-14
Councillor Divas Mncwabe	26	May-14
Councillor GS Ngcobo	548	Aug-13
Councillor Hendrick Cele	12,692	Jun-14
Councillor Hubane Maphumulo	682	Jun-14
Councillor James Nxumalo	3,154	Apr-14
Councillor Japhet Dlamini	1,679	May-14
Councillor Joice Cele	219	Jun-14
Councillor Mary Jane Ntshangase	29	Sep-13
Councillor Mduduzi Bayeni	511	Jun-14
Councillor Mduduzi Ngcobo	622	Jun-14
Councillor Mduduzi Nkosi	4,743	May-13
Councillor Melta Mthembu	565	Feb-14
Councillor Mfanufikile Cele	293	Dec-13
Councillor Mhlabunzima Bhengu	715	Dec-13
Councillor MM Ngiba	3,978	Oct-13
Councillor MK Ndzimbomvu	31	Sep-13
Councillor Muzimenyanga Dladla	141	Jun-14
Councillor Nelisiwe Nyanisa	7,009	Jun-14
Councillor Ngwazi	20	Sep-13
Councillor Nokuthula Makhanya(Sibiya)	22	Nov-13
Councillor Nompumelelo Mabaso	14,106	Jun-14
Councillor Octavia Mthembu	14,865	Jun-14
Councillor P Padayachee	152	Jun-14
Councillor Pragalathan Naidoo	5,352	Jun-14
Councillor Professor Sibiya	362	Jun-14
Councillor Sibusiso Gumede	1,050	Feb-14
Councillor Stanley Buthelezi	1,853	Jun-14
Councillor Themba Ncane	43	May-14
Councillor Theresa Nzuza	2,524	Nov-13
Councillor Valelisa Qulo	266	Feb-14
Councillor Vusi Gebashe	63	May-14
Councillor ZRT Gumede	601	Dec-13
Councillor ZS Ndzoyiya	879	Jun-14
	97,775	

43. Comparative figures

Certain comparative figures have been restated (refer note 41 for details).

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44. Deviation from supply chain management regulations

Contract awards made in terms of Section 36(1)(a) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R 1.154 billion (2014: R1.673 billion).

Details of the awards are summarised in the tables below:

2015: Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	26	4.95	115,829	10.00
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	62	11.81	148,243	12.84
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	19	3.62	1,614	0.14
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	165	31.40	808,763	70.07
Minor deviation from the standard process	36(1)(b)	253	48.19	79,703	6.91
		-		-	-
		525		1,154,152	

2014: Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	23	2.65 %	124,134	7.42 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	40	4.60 %	206,800	12.35 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	3	0.34 %	630	0.04 %
Acquisition of animals for zoos	36(1)(a)(iv)	1	0.12 %	26	0.01 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	789	90.79 %	835,064	49.91 %
Minor deviation from the standard process	36(1)(b)	13	1.50 %	506,547	30.27 %
		869		1,673,201	

45. FINANCIAL INSTRUMENTS

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations.

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45. FINANCIAL INSTRUMENTS (continued)

Financial risk management

The Municipality has exposure to the following risks from its use of Financial Instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.

As part of managing the municipality's liquidity risk, Promissory notes have been issued to facilitate the timeous repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment. To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, eThekwini Municipality plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that eThekwini Municipality's credit rating is maintained.
- Ensuring sustainable financial viability of eThekwini Municipality by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting eThekwini's financial position.
- To provide Council with reasonable assurance that financial risks the municipality is exposed to are identified and, to the best extent possible, mitigated and controlled.

For each financial year, Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and medium / short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments.

Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term loans.

The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

Fair values versus carrying amounts:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

Carrying amount

Investments	5,500,000	4,050,000
Long-term receivables	95,463	98,843
Consumer Debtors	3,099,640	2,968,785
Debtors	2,905,418	2,564,043
Long-term Liabilities	10,241,146	10,247,716
Creditors	5,277,748	5,787,024

Fair value

Investments	5,500,000	4,050,000
Long-term receivables	95,463	98,843
Consumer Debtors	3,099,640	2,968,785
Debtors	2,903,810	2,562,374
Long-term Liabilities	10,241,146	10,247,716

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45. FINANCIAL INSTRUMENTS (continued)		
Creditors	5,258,406	5,778,373

Basis for determining fair value:

The following summarises the significant methods and assumptions used in estimating the fair values of the Financial Instruments reflected in the tables above:

Debtors and Creditors:

The fair value of Debtors and Creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter in raising funds to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The following are details of the contractual maturities of financial liabilities:

Standard Bank:

Ethekewini Municipality - Trading Pre Settlement:	35,000
Ethekewini Municipality - Letter of Credit:	1,500
Ethekewini Municipality - Performance guarantee:	80,000
Ethekewini Municipality - Working Capital Facilities:	123,319
Ethekewini Municipality - Fleet Management Card:	15

The total of these facilities amount to **239,834**

At June 30, 2015	Carrying Amount	Contractual Cash Flows	12 months or less	More than 12 months
Borrowings	10,241,146	10,241,146	991,878	9,249,268
Trade and other payables	5,258,406	5,258,406	5,258,406	-
At June 30, 2014	Carrying Amount	Contractual Cash Flows	12 months or less	Over 5 years
Borrowings	10,247,716	10,247,716	992,214	9,255,502
Trade and other payables	5,778,373	5,778,373	5,778,373	-

Market risk

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the eThekwini Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimizing the eThekwini Municipality's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

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45. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus (deficit). All long-term debt is at fixed rates.

The municipality's income and operating cash are substantially independent of changes in market rates. The municipality has no significant interest bearing assets.

The Municipality entered into a fixed interest rate swap agreement with Standard Corporate & Merchant Bank in order to mitigate the floating interest rate exposure of the DBSA phase 2 loan. During the year R9.4million (2013: R12.3million) was recognised in surplus as ineffectiveness arising from fair value hedges.

On the basis of the assumptions in the table below, a 1% change in the interest rate will result in a 19% change in the value of the swap. There is a positive relationship between the swap value and interest rates.

Fair Value Sensitivity to interest rate movement/shift for floating rate Investments	-1	-0.5	0	0.5	1
	6,590,278	6,057,945	5,525,613	4,993,280	4,460,947

Cash flow interest rate risk

Counterparty Class	Exposure Limits	Cash Deposits	Medium/Short Term Deposits	Long Term Deposits
Domestic Banks	11,620,000	265,000	5,000,000	500,000

Cash flow Sensitivity

Credit Quality Investments	Long Term Ratings:AA+	Long Term Ratings: AA	Long Term Ratings: AA-	Long Term Ratings: A	Short Term Ratings A1+	Short Term Ratings A1-
Domestic Bank	2	2	1	-	5	-

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45. FINANCIAL INSTRUMENTS (continued)

Valuation of Financial Instruments

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Funds Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (ie. as prices) or indirectly (ie. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active ; or other valuator techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant, unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Fund uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest swaps that use only observable market data and require little management, judgement and / or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2015: Financial Assets at Fair Value through profit or loss	Level 1	Level 2	Level 3	Total
Investments	5,500,000	-	-	5,500,000
Cash on hand	18,364	-	-	18,364
Net Bank Balance	115,437	-	-	115,437
Call Investment Deposits	265,000	-	-	265,000
Long-term Receivables	-	95,463	-	95,463
Consumer Debtors	-	3,099,640	-	3,099,640
Debtors	-	2,903,810	-	2,903,810
Long-term Liabilities	-	10,241,146	-	10,241,146
Creditors	-	5,258,406	-	5,258,406
	5,898,801	21,598,465	-	27,497,266
30 June 2014: Financial Assets at Fair Value through profit or loss	Level 1	Level 2	Level 3	Total
Investments	4,050,000	-	-	4,050,000
Cash on hand	18,399	-	-	18,399
Net Bank Balance	120,068	-	-	120,068
Call Investment Deposits	2,405,000	-	-	2,405,000
Long-term Receivables	-	98,843	-	98,843

eThekwini Municipality

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Figures in Rand thousand			2015	2014
45. FINANCIAL INSTRUMENTS (continued)				
Consumer Debtors	-	2,968,785	-	2,968,785
Debtors	-	2,562,374	-	2,562,374
Long-term Liabilities	-	10,247,716	-	10,247,716
Creditors	-	5,778,373	-	5,778,373
		6,593,467	21,656,091	-
			28,249,558	

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. The Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts. The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- reviewing the municipality's Credit Control Policy annually to ensure that it is updated for to current practice that enhance revenue collection.

Long term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment of discounting.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows:

Financial instrument		
Consumer Debtors	3,099,640	2,968,785
Other Debtors	2,903,810	2,562,374
Cash and Cash Equivalents	5,898,801	6,593,432

The ageing of trade receivables at the reporting date was as follows:

Consumer Debtors:

Gross

0 - 30 days	1,592,000	1,511,353
31 - 120 days	572,703	518,658
More than 120 days	3,423,759	2,946,852
Less: Provision for Bad Debts	(2,488,822)	(2,008,078)

Net Consumer Debtors	3,099,640	2,968,785
-----------------------------	------------------	------------------

Movement in the provision for Bad Debts: Consumers

Balance at beginning of year	2,008,078	1,985,507
Contribution	592,055	554,980
Bad debts written off	(111,311)	(532,409)
Balance at year end	2,488,822	2,008,078

Movement in the provision for Bad Debts: Other

Balance at beginning of year	2,586,854	1,586,556
Contribution	1,444,013	1,000,832
Bad debts written off	(1,173)	(534)
Balance at year end	4,029,694	2,586,854

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46. Material losses

Water:

The Non-Revenue Water (NRW) Branch is responsible for monitoring the NRW situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses) by June 2019.

Water losses of 134 333 086 kl (2013/2014 : 131 021 634 kl) occurred during the year under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R669,0m (2013/2014: R602,6m) were due mainly to illegal connections and deteriorating infrastructure. The non-revenue water volume increased from 39.4 % in 2013/14 to 39.7% in 2014/15. Based on a Water Research Commission Report TT512/12, (using 2010 data) the current South African NRW average is 36.8% whilst the African average is 38.0%.

An estimated deemed authorised consumption of 31 369kl/day is being consumed in the informal settlements in the eThekwini Municipality and a programme is underway to meter and monitor this consumption. If this volume had been included in the 2014/15 financial year, the reported NRW% would be 36,2% and the water losses would be 122 295 885 kl.

In terms of MFMA circular 71 the norm for water losses is between 15% and 30%. The Municipality's losses are 9.7% above this norm and this equates to approximately R163,5m.

In line with the current NRW Business Plan, EWS is implementing a number of water loss interventions, the highlights of which for 2014/15 are as follows:

1. During the year 77 Pressure Reducing Valves were installed and 120 installations are planned to be done in the 2015/16 year.
2. The Leak Detection and Repair Strategy with a total of 16 Category B plumbers in formal and informal areas has proved extremely successful and a total of 11 738 leaks were repaired from the 6 067 km of reticulation that were surveyed for leaks.
3. 4520 connections were regularized and registered in COINS from the sweeps being conducted Metro-wide in old eThekwini Housing projects.
4. In terms of the programme for meter replacement for domestic consumers which are more than 20 years old a total of 3278 out of a target of 9000 has been achieved. This programme was hampered by delays in the meter supply contract as well as plumbing resources. 1141 ICI (Industrial, Commercial and Institutional) consumer meters older than 20 years were replaced.
5. The total number of registered connections increased by 9835 and the consumer sales marginally increased by 5698 kl/day. The stagnant sales volume is highlighted as a major concern for the Unit and several programmes are being conducted to address this. There are now a total of 498 105 registered connections in eThekwini.

The success of the NRW programme has been hampered in the 2014/15 financial year due to the non-availability of materials and resources but has started to regain the momentum lost in the previous years. System attrition is estimated to be 2.1% and this is masking the results of the positive achievements. The compliance of the consumers as well as the large population migration to peri-urban areas is also highlighted as a concern. A significant increase in budget and planned work will be required as per the NRW 2013 Business Plan in order to achieve the stated target of 25% NRW by volume by June 2019.

The unit has commenced with some minor changes to the organogram and this will result in increasing accountability of the Operation staff and a greater focus towards achieving the KPI's.

eThekwini Municipality

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Electricity:

Estimated Electricity losses 849 426 488 kWh (2013: 687 009 986 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated electricity losses amounted to R 566 m (2014: R 424m).

The norm for electricity losses ranges from 5.6% to 12%. The loss incurred by the municipality is 7.7% (2014: 6.11%) and is due to a combination of transmission/distribution losses and losses due to illegal connections. In comparison to other Metro's, eThekwini Municipality maintains its losses at a lower end of the norm.

Transmission losses are inevitable, however, the following interventions have been implemented:

1. Optimal Network Configuration:

The Planning and Design engineers ensure that all network additions are implemented with correct equipment ratings and configuration so as to minimize losses.

2. Effective Maintenance on Network:

The unit has adopted a comprehensive maintenance schedule to promote the reliability of the network as well as enhance the efficiency of the network.

3. Efficient Network Loading:

Power flow into the network is carefully monitored on a 24 hour basis and the correct, most efficient electrical loading configuration is adopted.

Illegal electricity connections are a major contributing factor to non-technical losses. The following interventions have been implemented to curb illegal connections:

1. Area Sweeps:

The Revenue protection teams continuously investigate high theft area's to remove all illegal connections.

2. Employment of security Intelligence Teams:

Private investigators are deployed to site to try and gather evidence to apprehend suspects.

3. Installation of anti-theft technologies at substations:

The employment of this technology deters intruders from entering into substations and carrying out illegal connections.

4. Theft Hotline:

A 24 hour hotline has been set up to report acts of theft and illegal connections - once a suspicious activity is reported, security will be dispatched immediately to the affected site.

Bad Debts written off:

Debt of R90m (2014: 533m) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, services, housing and sundry debts. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on debt that can still be recovered. About 51% of the write-off relates to Water Debt Relief Programme where customers pay for the current consumption and the debt being written off over a period of time. Prescribed Debt relating to acknowledgement of debt agreements for water was written off.

47. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Cases reported during the year are included below:

Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, preference points not being applied, variation orders not being approved by the relevant committee's, tax clearance certificates not being received, 3 quotations not being obtained and adverts not being adequately advertised.	129,171	331,841
87 awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality	-	399
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	790	2,149

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Figures in Rand thousand	2015	2014
47. Unauthorised, irregular, fruitless and wasteful expenditure disallowed (continued)		
Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	316,686	7,162
Irregular expenditure current year	129,961	334,778
Recoveries / Condonements	(402,900)	(25,254)
Irregular expenditure awaiting condonement	43,747	316,686

A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers.

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48. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2015	June 30, 2015	June 30, 2014	June 30, 2014
050134353 - Standard Bank - Main Expenditure	14,745	(77,537)	78,197	(96,276)
050133535 - Standard Bank - Main Expenditure EFT	(404)	(863,278)	193,655	(619,466)
050133969 - Standard Bank - Direct Deposits Account	15,342	268,417	15,717	255,422
050134116 - Standard Bank - Electronic Deposits Account	58,406	1,932,385	50,817	2,136,261
050134132 - Standard Bank - Cashiers Deposit Account	(10,438)	181,139	(5,652)	14,603
050134140 - Standard Bank - Government Deposit Account	11,109	53,212	10,062	135,924
050134655 - Standard Bank - Electricity Income Account	442	11,638	1,563	8,630
050134671 - Standard Bank - Electricity Prepaid Vendor Deposits	3,247	103,345	2,015	78,865
050134469 - Standard Bank - SARS E-Filing Account	-	354,319	-	35,266
050134442 - Standard Bank - Dishonoured Cheques Account	(3)	(158)	(71)	(313)
050073117 - Standard Bank - Main Expenditure Bank	-	(4,496)	-	(4,804)
050133993 - Standard Bank - Direct Debit Collections Account	-	77,136	-	75,232
050134019 - Standard Bank - Transwitch Account	-	118,276	-	95,911
050134094 - Standard Bank - Agents Deposit Account	23,982	126,825	15,055	230,732
050134213 - Standard Bank - Metro Police Deposit Account	-	5,129	-	5,156
050134183 - Standard Bank - Metro Police Transwitch Deposit Account	-	-	-	(1)
050134248 - Standard Bank - Parks, Recreation and Culture Deposit Acc.	(119)	2,795	55	1,255
050134264 - Standard Bank - City Engineers Account	374	3,135	176	5,220
050134272 - Standard Bank - Durban Tourism Deposit Account	-	564	-	128
050134531 - Standard Bank - Central Foreign Rand Account	-	(287)	-	(116)
050134574 - Standard Bank - Water Foreign Rand Account	-	(1)	-	(13)
050134698 - Standard Bank - Electricity Foreign Rand Account	223	223	-	-
050134299 - Standard Bank - Virginia Airport Account	-	595	-	764
050134329 - Standard Bank - Department of Housing Account	-	15,238	50	25,125
050134450 - Standard Bank - Sundry PAYE Account	439	439	367	367
050134507 - Standard Bank - Cash Payments Account	610	(795)	6	(5,319)
050134426 - Standard Bank - Refunds Expenditure Account	-	4,043	8,747	2,767
050134582 - Standard Bank - Water and Sanitation Services Expenditure Account	341	(56)	242	(1,378)

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48. Bank balances (continued)				
050133616 - Standard Bank - Water and Sanitation Services EFT Account	60	(412,730)	(199,891)	(487,550)
050134701 - Standard Bank - Electricity Expenditure Account	(1,479)	(1,480)	(1,722)	(1,724)
050133608 - Standard Bank - Electricity EFT Account	(669,887)	(669,887)	(639,653)	(639,653)
050133586 - Standard Bank - Salaries Account	69,479	(390,255)	65,909	(369,388)
050134590 - Standard Bank - Durban Fresh Produce Market Account	17,580	17,550	16,154	16,015
050134515 - Standard Bank - CIFAL Durban Account	230	230	230	230
050134493 - Standard Bank - General Bank Account	558,805	(858,028)	502,346	(862,018)
050041827 - Standard Bank - E-Ticketing Account	-	(439)	-	(559)
050134434 - Standard Bank - Bank Charges Account	-	(254)	-	(505)
050134337 - Standard Bank - Moses Mabhida Stadium Deposit Account	53	3,732	1	10,474
050138987 - Standard Bank - Pay at Deposit Account	(5,166)	99,333	(10,569)	79,849
050137190 - Standard Bank - Consolidated Investment Account	-	(3)	-	-
050154540 - Standard Bank - Syntell Deposit Account	-	131	(3)	81
050189816 - Standard Bank - Reforestation Project Account	21,021	23,593	7,067	7,311
050138782-Standard Bank-Moses Mabhida Expenditure Account	6,445	(8,299)	9,198	(12,540)
Totals: ETHEKWINI MUNICIPALITY				
Bank balances	802,930	3,403,420	977,630	3,221,588
Bank overdraft	(687,493)	(3,287,981)	(857,562)	(3,101,623)

The following accounts had nil balances at year end:

050258087 - Standard Bank - Ethekewini Rates Clearance; 050041924 - Standard Bank - Vehicle Auctions Account; 050137220 - Standard Bank - CIF (EFT) Account; 050134159 - Standard Bank - Mayors Relief Account; 050133624 - Standard Bank - Durban Fresh Produce Market EFT Account.

eThekwini Municipality

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49. Budget disclosure

Differences between budget and actual amounts basis of preparation and presentation

A comparison of the budget and actual information has been disclosed in the Appropriation Statement and not in columnar format as required due to the classification as per budget regulations as prescribed by National Treasury differing to the GRAP disclosure requirements.

50. Events after the reporting date

Banking services provider:

Nedbank limited (Reg No. 1951/000009/06) was appointed as the transactional banking services provider to the eThekwini Municipality with effect from 1 October 2015, for a period of five years. The award to Nedbank was made after a stringent process of tender evaluation. The letter of award was signed by the City Manager on 16 June 2015.

Moses Mabhida Stadium:

The Municipality is currently reviewing the institutional arrangements of Moses Mabhida Stadium. As at August 2015 the stadium is still operating on the same basis as the previous year. If the matter is finalised before the audit report date the note will be updated accordingly.

Durban public bus service:

The Municipality has taken a decision subsequent to year end to provide the Durban public transport bus service through an external mechanism in the form of a Municipal Entity and the City Manager has been authorised to invoke the provisions of Section 84 of the MFMA in this regard.

eThekweni Municipality

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NOTE 51: EXTERNAL LOANS FOR THE period ENDED 30 June 2015

DESCRIPTION	%	LOAN	DATE	BALANCE	RECEIVED	REDEEMED	BALANCE
	No.	REPAYABLE	AT	AT	DURING	DURING	AT
			30-Jun-14	THE PERIOD	THE PERIOD	THE PERIOD	31-Jun-15
			R 000's	R 000's	R 000's	R 000's	R 000's
FRB PN 15 Years	Variable 1/58	30-06-2016	118 457		38 570		79 887
INCA/VUZI 15 Years	9.52% 1/66	30-06-2020	284 320		37 099		247 221
Nedbank 15 Years	8.47% 1/67	31-03-2021	562 766		61 843		500 923
DBSA Ph 1 20 Years	13.50% P1	30-09-2017	285 141		67 645		217 496
DBSA Ph 2 15 Years	Variable P2	31-03-2016	95 063		31 687		63 376
DBSA Ph 3 15 Years	12.90% P3	30-09-2017	202 335		41 546		160 789
DBSA Ph 4 15 Years	10.40% P4	30-06-2019	287 527		46 499		241 028
DBSA Ph 5 15 Years	8.90% P5	30-06-2020	181 782		21 739		160 043
DBSA Ph 6 15 Years	8.75% P6	30-06-2022	548 720		49 895		498 825
DBSA Ph 7 20 Years	8.30% P7	02-01-2028	2 458 841		98 301		2 360 540
DBSA Ph 8 15 Years	9.85% P8	30-06-2029	1 500 000		46 918		1 453 082
NEDBANK 7 Years	10.09% 1/70	28-02-2017	265 411		79 868		185 543
NEDBANK 5 Years	9.21% 1/71	30-04-2015	120 604		120 603	1	
RMB R 1b 15 Years	10.28% 1/72	30-06-2025	859 053		45 050		814 003
ABSA 7 Years	8.73% 1/73	29-09-2017	586 664		150 151		436 513
ABSA 15 Years	10.19% 1/74	30-06-2026	899 149		40 964		858 185
AFD Calyon 12 Years	9.52% 1/68	31-12-2018	29 370		6 527		22 843
RMB R1B 20 Years	9.53% 1/75	30-06-2032	962 513		21 665		940 848
NEDBANK R1.0bn 15 Years	10.58% 1/76	28-06-2030	0	1 000 000	0		1 000 000
Total Annuity Loans			10 247 716	1 000 000	1 006 570		10 241 146
TOTAL EXTERNAL LOANS			10 247 716	1 000 000	1 006 570		10 241 146

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52. ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015

	Cost / Revaluation			Accumulated Depreciations						Carrying Value R'000				
	Opening Balance	Opening Under Construction	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Impairment	Additions		Disposals	Impairments	Impairments Reversal	Transfers
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land and Buildings														
Land	656 271	0	18 464	959 948	135		523 600							0
Buildings	3 059 660	1 024 183	203 932	990 948	-701		6 164 300	846 039	126 182	-716	0	0	60	972 466
	4 445 270	1 024 183	228 397	990 948	-925	17	6 687 100	846 939	126 183	-716	-	-	60	972 466
Infrastructure														
Roads	9 894 634	490 367	604 483	1 506 087	0		12 485 571	2 103 650	376 968	0	0	0		2 489 618
Traffic Equipment & Ranks	188 122	70 935	1 018	-1 018	0		843 322	231 677	32 533	0	0	0		264 210
Stormwater Drainage	9 960 668	-505 934	2 627 750	0	-890		9 715 894	1 331 931	209 815	-143	4	0		1 541 594
Sewerage Pumps	551 637	52 055	0	40 477	0		644 369	202 987	0	0	0	0		202 987
Sewerage Mains & Reticulation	1 146 276	18 374	18 460	-138 503	-6		1 024 207	5 229	876	0	0	0		6 105
Purification Works	722 960	-317 997	50 428	-11 708	-6		443 676	246 972	89 629	-4	69	0		336 666
Release Sites & Transfer Station	613 642	59 677	58 325	-35 227	0		696 417	379 019	27 739	0	146	0		405 904
Water Reservoirs	1 342 797	14 661	26 652	-143 313	0		1 509 561	2 091	2 347	0	371	0		1 504 752
Water Reservoirs	451 196	181 031	11 821	-143 313	0		500 735	87 349	9 367	0	1 761	0		98 477
General Infrastructure	222 980	-11 965	109 635	0	0		321 050	23 232	14 648	0	0	0		37 880
Mains Substations	222 980	82 018	792 000	0	0		823 000	623 000	0	0	0	0		989 000
Public Lighting	2 569 512	26 450	245 091	-654 004	0		2 119 059	71 623	74 623	0	0	0		2 223 306
Connections & Switches	896 767	48 137	73 971	-96 700	0		318 844	99 811	14 861	0	0	0		114 672
	29 236 033	3 044 895	1 640 760	1 328 107	-896	-	35 248 939	6 742 285	965 910	-147	2 351	-	-	7 711 365
Community Assets														
Recreation	4 062 066	13 854	28 805	4 833	0		4 109 558	588 504	108 862	0	2 758	0		7 10 124
Clinics & Depots	170 281	7 954	28 869	31	0		207 135	34 065	3 606	0	0	0		37 603
Cemeteries & Crematoria	24 612	168	943	1 581	0		27 304	4 120	0	0	0	0		4 570
Community Halls	102 452	5 356	6 697	-5 356	0		109 149	29 778	2 050	0	0	0		77 321
Fire Stations	62 321	34 989	8 463	0	0		112 237	18 146	1 262	0	0	0		31 828
Libraries	112 692	19 346	2 080	1 979	0		136 097	40 240	2 407	0	0	0		19 408
Museums	24 350	10 885	55	31 496	0		66 786	5 452	620	0	0	0		42 847
Police Stations	45 049	-11 615	8 955	8 955	0		42 211	7 749	972	0	0	0		6 072
	4 803 923	80 716	73 956	51 982	-	-	4 810 471	738 054	120 223	-	2 758	-	-	860 973
Other Assets														
Airconditioning	102 144	336	10 868	-523	-1		112 824	33 707	8 015	0	0	0		49 722
Security Systems	194 527	-3 038	24 783	0	-4		216 368	114 808	16 566	-4	0	0		131 370
Computer Equipment	733 062	-2 432	49 850	0	-6 128	100	774 594	522 463	84 036	-6 029	23	0	919	601 412
Car Parks & Fencing	6 695 353	-1 128	16 262	0	0	241	710 487	312 939	40 960	0	0	0		353 899
Plant & Equipment	1 680 316	5 017	93 260	12 781	-3 286	26	1 788 103	994 649	138 869	-2 593	1 224	0	60	1 129 209
Furniture & Fittings	171 067	-1 114	13 671	0	-2 243	1	116 523	116 523	15 916	-1 356	10	0	31	131 123
Markets	302 840	-1 469	106 876	-310 98	0		301 371	179 467	6 537	0	0	0		86 004
Vehicles	2 868 351	42 778	0	-310 98	-6 795		2 899 301	1 732 024	287 469	-1 113	1 520	-3 762		1 995 928
Fire Engines	674 765	3 653	0	0	0		678 418	678 418	0	0	0	0		678 418
	6 784 705	42 893	315 570	-22 694	-18 467	388	7 102 474	3 920 721	576 762	-11 096	2 777	-3 762	1 010	4 488 288
Total	45 069 831	4 192 797	2 258 683	2 348 343	-20 289	385	53 849 750	12 247 998	1 790 064	-11 959	7 886	-3 762	1 070	14 031 062
														39 816 669

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53. ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015

	Opening Balance Capital Under Construction		Cost					Accumulated Depreciation					Carrying Value		
	R'000	R'000	Opening Balance Cost	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Transfers	Closing Balance	R'000	R'000
Computer Software - RMS	411 367	180 435	180 435	1 672	59 210			239 645	-33 536	-9 015			-42 551	197 094	
Services		48 435	48 435	83 489				50 107	0				0	50 107	
Computer Software	8 292	372 851	372 851	85 161	-8 292	-436	-138	447 474	-215 177	-46 500	430	857	-260 390	187 084	
Total	419 659	601 721	601 721	85 161	50 918	(436)	(138)	737 226	(248 713)	(55 515)	430	857	(302 941)	434 285	

APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (UNAUDITED)

	Accumulated Depreciation										Carrying Value	
	Restated Opening		Restated Opening Balance	Additions	Disposals	Impairments Reversal	Transfers	Closing Balance	R'000	R'000		
	Balance cost	Under construction										
Miscellaneous	28 454	—	28 454	1 672	—	—	—	—	—	1 672	—	12 090
Formal Housing	127 316	—	127 316	62 274	(927)	—	—	—	—	1 599	—	63 441
Legal Services	10 239	—	10 239	2 912	(121)	—	—	—	—	343	—	3 157
Real Estates	85 314	4 021	89 335	2 576	(347)	—	—	—	—	2 576	—	64 995
Health	209 424	20 397	229 821	33 217	(328)	(163)	(22)	(22)	—	7 578	29	344 459
Skills Development	3 462	—	3 462	166 623	(328)	—	—	—	—	1 989	(33)	2 306
Emergency Control Centre - Admin	140 695	4 308	145 003	6 307	(58)	—	—	—	—	12 791	524	75 042
Security	2 081	7 331	9 412	18 523	(229)	(1 279)	—	—	—	2 664	(69)	27 039
Metropolitan Police	87 557	364	88 321	1 083	(1)	—	—	—	—	3 668	—	36 534
Retail Market	68 420	—	68 420	31 333	(293)	—	—	—	—	1 882	—	75 332
Sanitation	4 435 362	1 007 338	5 442 700	265 621	(478)	(0)	—	—	—	19 555	(99)	3 607 986
Gas	117 758	—	117 758	96 614	—	376	—	—	—	19 744	—	45 930
Airport	2 801	—	2 801	262	(1)	—	—	—	—	141	—	869
Housing	1 225 365	80 380	1 305 745	25 928	(99)	—	—	—	—	42 470	(219)	340 388
Market Service	4 733	2 992	7 725	4 277	—	—	—	—	—	4 056	—	2 783 192
Municipal Information & Policy	1 600	—	1 600	99	(1)	—	—	—	—	195	—	53 906
Ombudsman & Head : Investigation	4 317	—	4 317	2 917	(69)	—	—	—	—	2 01	—	1 606
Office Of International & Governance	757	—	757	2 482	(19)	—	—	—	—	462	—	3 058
Community Participation	4 275	0	4 275	1 842	(123)	—	—	—	—	195	—	176
Office Of Geographic Information	152	—	152	108	(21)	—	—	—	—	27	—	3 358
City Manager's Office	755 905	—	755 905	33 682	(6)	(198)	6	(6)	(114)	33 682	57	2 022
Strategic Projects	139	—	139	27	(1)	—	—	—	—	28	—	104
Office Of The D C M : Sust. Development	618	—	618	109 489	(4)	(198)	—	—	—	90	—	617 563
Office Of The D C M :Sust. Procurement	5 037	—	5 037	2 099	(1)	(66)	—	—	—	363	—	591
Office Of The D C M : Health, Safety	12	—	12	15	—	—	—	—	—	12	—	2 826
Office Of The D C M : Health, Safety	353	(26)	327	209	(9)	(31)	55	(9)	(36)	37	(10)	135
Office Of The D C M : Corp. & HR	86 524	184	87 708	7 208	(76)	(2)	—	—	—	92	28	377
Development Planning & Management	571 097	129 470	700 567	1 327	(91)	(2)	—	—	—	1 327	—	79 901
Economic Development & Facilitation	145 151	1 214	146 365	21 694	(77)	—	—	—	—	21 694	(266)	521 312
Business Support	13 835	—	13 835	2 231	(52)	—	—	—	—	2 231	—	1 333
Procurement	7 832 303	1 105 074	8 937 377	47 664	(78)	6 726	—	—	—	5 630	—	101 006
Water	1 289 763	59 677	1 349 440	9 157	(65)	(3)	—	—	—	9 157	20	5 948
Solid Waste	10 828 995	1 025 806	11 854 801	1 304 898	(3 388)	(111)	—	—	—	213 136	—	7 709 827
Engineering Services	26 824	—	26 824	815 451	(2 050)	(1 633)	—	—	—	1 575	(162)	1 679 573
Parks, Recreation, Cemeteries & Governance	1 069 584	38 053	1 107 637	397 719	(377)	(17)	—	—	—	12 822 687	3	10 189 863
Communications	203 897	3 974	207 871	132 090	(277)	(17)	—	—	—	12 407	(801)	183 318
Regional Centres	11 728	—	11 728	68 694	(555)	14 841	—	—	—	57 390	—	1 144 829
Human Resources	15 891	1 847	17 738	9 901	(260)	—	—	—	—	9 901	—	68 695
Management Services & Org Development	16 896	—	16 896	3 851	(95)	—	—	—	—	3 851	(405)	94 375
Finance	930 535	—	930 535	3 999	(39)	19 901	—	—	—	3 999	(239)	41 988
City Fleet	657 42	—	657 42	1 170	(41)	722	—	—	—	1 170	(42)	9 656
Office Of Audit & Performance Management	1 095 421	8 121	1 103 542	76 900	(418)	(1 954)	765	—	—	76 900	(1 319)	13 026
Information Technology	1 095 421	—	1 095 421	475 240	(300)	(1 332)	—	—	—	52 545	372	296 243
EtheKwin Transport Authority	47 731	—	47 731	351 093	(201)	1 442	—	—	—	43 152	32	339 922
Occupational Health & Safety	52 956	—	52 956	3 429	(95)	(39 789)	—	—	—	429	(959)	722 644
ABMS	709 721	—	709 721	2 659	(15)	(816)	—	—	—	2 659	(171)	3 686
Durban Energy Office	37 085	—	37 085	354 591	(85)	(816)	—	—	—	72 710	767	8 370
Office Of The D C M : Health & Social	191 588	—	191 588	60 712	(461)	1 992	—	—	—	6 716	—	45 886
Finance and Major Projects	26 762	—	26 762	1 934	(45)	—	—	—	—	1 934	—	261 969
IT Control and Business Systems	1 024	—	1 024	8 374	(28)	(11)	—	—	—	1 411	1	9 717
SDB	5 284	—	5 284	557	(28)	(11)	—	—	—	1 411	—	16 972
Performance Management	3 343 746	521	3 344 267	113 386	(28)	(11)	—	—	—	61	—	651
Risk Management	7 081 688	503 870	7 585 558	2 489 093	(6 386)	—	—	—	—	276 008	—	2 713 970
Moses Mabhida Stadium	44 870 455	4 387 961	49 258 416	12 245 283	(20 289)	172	—	—	—	1 790 084	(857)	5 337 800
Electricity Service	—	—	—	53 845 323	(11 959)	—	—	—	—	—	—	39 816 689
Total												

APPENDIX C

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA 56 OF 2003. (UNAUDITED)

GRANT DESCRIPTION	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS						QUARTERLY PAYMENTS						GRANTS AND SUBSIDIES DELAYED/WITHHELD / PAID BACK				REASONS FOR DELAYS OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF THE GRANT	REASON FOR NON COMPLIANCE									
		SEPT	DEC	MAR	JUN	TOTAL	SEP	DEC	MAR	JUN	TOTAL	SEP	DEC	MAR	JUN														
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000												
	NATIONAL TREASURY	787 727	663 349	538 972	1 990 048	787 727	663 349	538 972	1 990 048	344 412	1 990 048	194 550	344 412	1 990 048	194 550	344 412	1 990 048	194 550	344 412	1 990 048		N/A							
	URBAN SETTLEMENT DEVELOPMENT GRANT	380 019	750 030	670 027	1 800 076	308 990	569 528	321 690	1 200 218	308 990	569 528	321 690	1 200 218	308 990	569 528	321 690	1 200 218	308 990	569 528	1 200 218	308 990	569 528	321 690	1 200 218	1 200 218		N/A		
	FINANCIAL MANAGEMENT GRANT	1 250	0	0	1 250	1 164	1 650	1 479	4 383	1 164	1 650	1 479	4 383	1 164	1 650	1 479	4 383	1 164	1 650	4 383	1 164	1 650	1 479	4 383	4 383		N/A		
	INTEGRATED OTIS DEVELOPMENT	26 311	26 310	0	52 621	381	30	30 963	21 247	52 621	381	30	30 963	21 247	52 621	381	30	30 963	21 247	52 621	381	30	30 963	21 247	52 621		N/A		
	INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	16 500	0	8 925	1 500	11 795	3 934	9 198	1 997	26 925	11 795	3 934	9 198	1 997	26 925	11 795	3 934	9 198	1 997	26 925	11 795	3 934	9 198	1 997	26 925		N/A		
	NRF	524	32	0	556	17	26	26	62	556	17	26	26	62	556	17	26	26	62	556	17	26	26	62	556	17	26	26	N/A
	GOVERNMENT HEALTH SUBSIDY	0	0	27 000.00	24 765.22	51 765	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	30 341	N/A	
	PTIG	100 000	0	554 751	0	654 751	141 408	184 215	302 316	742 064	141 408	184 215	302 316	302 316	742 064	141 408	184 215	302 316	302 316	742 064	141 408	184 215	302 316	302 316	742 064	141 408	184 215	N/A	
	NATIONAL DEPARTMENT OF TRANSPORT	20 000	35 000	65 820	0	120 820	7 785	8 794	11 990	36 111	7 785	8 794	11 990	11 990	36 111	7 785	8 794	11 990	11 990	36 111	7 785	8 794	11 990	11 990	36 111	7 785	8 794	N/A	
	NATIONAL TREASURY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A
	NATIONAL TREASURY	4 695	3 756	25 804	34 255	371	1 249	630	13 582	15 822	371	1 249	630	13 582	15 822	371	1 249	630	13 582	15 822	371	1 249	630	13 582	15 822	371	1 249	N/A	
	EXPANDED PUBLIC WORKS PROGRAMME	13 662	10 246	10 246	34 154	14 757.54	12 130	-3 822	18 080	41 105	14 757.54	12 130	-3 822	18 080	41 105	14 757.54	12 130	-3 822	18 080	41 105	14 757.54	12 130	-3 822	18 080	41 105	14 757.54	12 130	N/A	
	DEPARTMENT OF HUMAN SETTLEMENTS	0	0	20 000.00	115 500	86 307	225 650	37 092	105 704	454 752	86 307	225 650	37 092	105 704	454 752	86 307	225 650	37 092	105 704	454 752	86 307	225 650	37 092	105 704	454 752	86 307	225 650	N/A	
	DEPARTMENT OF ENVIRONMENTAL AFFAIRS	0	0	5 742	5 742	0	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	N/A
	DEPARTMENT OF HUMAN SETTLEMENTS	0	32 578.40	2 737	6 633	41 948	709	41 948	41 948	41 948	709	41 948	41 948	41 948	41 948	709	41 948	41 948	41 948	41 948	41 948	709	41 948	41 948	41 948	41 948	41 948	41 948	N/A
	GRANT ACCREDITATION	15 000	0	0	15 000	9 184	12 343	12 378.56	16 692	17 214	9 184	12 343	12 378.56	16 692	17 214	9 184	12 343	12 378.56	16 692	17 214	9 184	12 343	12 378.56	16 692	17 214	9 184	12 343	N/A	
	NATIONAL ELECTRIFICATION PROGRAMME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A
	DEPARTMENT OF MINERALS AND ENERGY	0	0	0	0	71	71	71	1 440	1 440	71	71	71	1 440	1 440	71	71	71	1 440	1 440	1 440	71	71	71	1 440	1 440	71	71	N/A
	DEPARTMENT OF MINERAL AND ENERGY (EEDSM)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A
	DEPARTMENT OF MINERALS AND ENERGY	0	5 750	118 320	124 070	7 383	13 866	10 842	10 534	42 625	7 383	13 866	10 842	10 534	42 625	7 383	13 866	10 842	10 534	42 625	7 383	13 866	10 842	10 534	42 625	7 383	13 866	N/A	
	DEPARTMENT OF ARTS AND CULTURE	0	0	0	4 425	4 425	1 021	4 425	4 425	4 425	1 021	4 425	4 425	4 425	4 425	1 021	4 425	4 425	4 425	4 425	4 425	1 021	4 425	4 425	4 425	4 425	1 021	4 425	N/A
	KZNPA SUBSIDY	1 000	0	0	1 000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A
	COGTA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A
	NATIONAL DISASTER FUND	0	0	806	806	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A
	MUNICIPAL HUMAN SETTLEMENT CAPACITY GRANT	0	0	52 469	52 469	4 707	3 319	2 841	1 621	12 489	4 707	3 319	2 841	1 621	12 489	4 707	3 319	2 841	1 621	12 489	4 707	3 319	2 841	1 621	12 489	4 707	3 319	2 841	N/A
	GRAND TOTAL	1 366 688	1 527 051	2 101 619	152 823	5 148 182	1 412 390	1 733 171	963 089	1 310 593	5 148 182	1 733 171	963 089	1 310 593	5 148 182	1 733 171	963 089	1 310 593	5 148 182	1 733 171	963 089	1 310 593	5 148 182	1 733 171	963 089	1 310 593	5 148 182	1 733 171	

eThekweni Municipality

Financial Statements for the period ended 30 June 2015

Figures in Rand thousand

APPENDIX D: MOSES MABHIDA STADIUM - DETAILED STATEMENT OF FINANCIAL PERFORMANCE (UNAUDITED)

	2015 R'000	2014 R'000
REVENUE		
Rental of facilities and equipment	43 549	64 303
Rent Non Bowl Events	6 899	11 217
Rent Bowl Events	18 051	36 900
Rent Shops	11 645	11 343
Suites & Business Clubs	6 095	4 161
Rent Parking Bays	859	682
Other income	12 063	13 739
Adventure Walk	126	51
Other Attractions-Income	465	0
People's Park	5 950	6 520
Skycar	3 760	4 777
Sponsorships	821	1 805
Stadium Tours	670	516
Sundry Income	271	70
Total operating revenue	55 612	78 042
EXPENDITURE		
Bad Debts	515	228
Bad Debts Provision	515	228
Depreciation - Property, Plant and Equipment	113 913	113 129
Depreciation	113 913	113 129
General expenses	91 548	68 224
Electricity	14 317	13 391
Fuel & Oil : Vehicles	302	150
Refuse Removal	979	954
Stadium Operational Costs	72 518	50 368
Hire Of City Fleet	0	232
Water	3 432	3 129
Total operating expenditure	205 976	181 581
DEFICIT FOR THE YEAR	-150 364	-103 539