

UTHUNGULU



uThungulu District Municipality
uThungulu Distrik Munisipaliteit
uMasipala Wesifunda Waso Thungulu

**Annual financial statements
for the year ended 30 June 2015**

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2015

GENERAL INFORMATION

Nature of business and principal activities	Municipality
Accounting Officer	MH Nkosi
Deputy Municipal Manager Finance	MC Reddy
Registered office	Uthungulu House Krugerrand, CBD RICHARDS BAY
Business address	Uthungulu House Krugerrand, CBD RICHARDS BAY
Postal address	Private Bag X1025 RICHARDS BAY
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Legal advisor	G Dlamini
Municipal demarcation code	DC 28

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
IFRS	International Financial Reporting Standards
MFMA	Municipal Finance Management Act
MSIG	Municipal Systems Improvement Grant
ACIP	Accelerated Infrastructure Programme
RBIG	Regional Bulk Infrastructure Grant
MIG	Municipal Infrastructure Grant
RHIG	Rural Households Infrastructure Grant
MWIG	Municipal Water Infrastructure Grant
WSOG	Water Services Operating Subsidy

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STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 86, in terms of Section 126(1) of the Municipal Finance Management Act(Act no. 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 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 Office Bearers Act(Act no. 20 of 1998) and the Minister of Provincial and Local Government determination in accordance with this Act.

MH Nkosi
Accounting Officer

Richards Bay
28 August 2015

uThungulu District Municipality

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

Figures in Rand	Note(s)	2015	2014 Restated
Assets			
Current Assets			
Inventories	3	8 615 053	6 552 046
Accounts receivable from exchange transactions	4	81 989 967	44 203 392
Accounts receivables from non exchange transactions	5	57 716 070	20 412 541
Current portion of long term receivables	6	43 742	39 281
Cash and cash equivalents	7	428 309 327	518 756 277
		576 674 159	589 963 537
Non-Current Assets			
Property, plant and equipment	8	1 536 008 996	1 342 633 792
Intangible assets	9	1 049 746	931 975
Investments in municipal entities	10	19 766 930	23 004 474
Long term receivables	6	346 581	392 637
		1 557 172 253	1 366 962 878
Total Assets		2 133 846 412	1 956 926 415
Liabilities			
Current Liabilities			
Current portion of long term liabilities	11	9 528 739	6 937 999
Payables from exchange transactions	12	186 688 406	164 305 372
Consumer deposits	13	9 698 427	9 661 373
Defined benefit obligations	14	336 000	546 000
Unspent conditional grants and receipts	19	38 603 382	51 722 284
Provisions	15	1 048 172	4 015 006
		245 903 126	237 188 034
Non-Current Liabilities			
Long term liabilities	11	68 056 141	77 584 878
Defined benefit obligations	14	23 761 000	19 322 000
Provisions	15	63 016 396	60 853 204
		154 833 537	157 760 082
Total Liabilities		400 736 663	394 948 116
Total Assets		2 133 846 412	1 956 926 415
Total Liabilities		(400 736 663)	(394 948 116)
Net Assets		1 733 109 749	1 561 978 299
Accumulated surplus		1 733 109 749	1 561 978 299

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Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated
Revenue			
Revenue from exchange transactions			
Service charges	16	53 826 074	53 801 025
Rental income		35 965	36 579
Interest received	17	37 074 488	32 893 942
Other income	20	15 078 285	15 235 624
Total revenue from exchange transactions		106 014 812	101 967 170
Revenue from non-exchange transactions			
Government grants & subsidies	18	698 833 530	633 049 165
Total revenue		804 848 342	735 016 335
Expenditure			
Employee related costs	21	(132 209 676)	(111 559 302)
Remuneration of councillors	22	(9 395 476)	(8 813 793)
Depreciation, amortisation and impairment	23	(48 881 324)	(48 971 339)
Finance costs	24	(12 671 936)	(13 637 099)
Debt Impairment	4 & 5	(10 259 804)	(4 329 873)
Repairs and maintenance	25	(76 820 187)	(52 108 418)
Bulk purchases	26	(39 223 756)	(32 470 503)
Contracted services	27	(90 364 168)	(82 515 037)
Transfers and subsidies	28	(7 181 000)	(12 233 119)
General expenses	29	(205 304 006)	(151 260 405)
Total expenditure		(632 311 333)	(517 898 888)
Operating surplus		172 537 009	217 117 447
Loss on disposal of property, plant and equipment		(1 405 553)	(192 530)
Fair value adjustments		-	59 806
		(1 405 553)	(132 724)
Surplus for the year		171 131 456	216 984 723

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STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported as at 1 July 2013 - restated	1 344 961 215	1 344 961 215
Adjustments		
Revenue recognition on grants - refer to note 39	32 361	32 361
Balance at 01 July 2013 restated	1 344 993 576	1 344 993 576
Changes in net assets		
Surplus for the year restated - refer to note 39	216 984 723	216 984 723
Total changes	216 984 723	216 984 723
Balance at 01 July 2014 restated - refer to note 39	1 561 978 293	1 561 978 293
Changes in net assets		
Surplus for the year	171 131 456	171 131 456
Total changes	171 131 456	171 131 456
Balance at 30 June 2015	1 733 109 749	1 733 109 749

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CASH FLOW STATEMENT

Figures in Rand	Note(s)	2015	2014 Restated
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		57 830 165	58 415 912
Grants		649 346 164	648 844 569
Interest income		37 074 488	32 893 942
		<u>744 250 817</u>	<u>740 154 423</u>
Payments			
Employee costs	21 & 22	(141 605 152)	(120 373 095)
Suppliers		(463 346 315)	(327 514 579)
Finance costs		(12 671 936)	(13 637 099)
		<u>(617 623 403)</u>	<u>(461 524 773)</u>
Net cash flows from operating activities	30	<u>126 627 414</u>	<u>278 629 650</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(214 652 426)	(202 490 127)
Proceeds from sale of property, plant and equipment		1 236 920	-
Decrease in non-current receivables		41 595	46 151
Movement in investments in municipal entities		3 237 544	1 668 345
Net cash flows from investing activities		<u>(210 136 367)</u>	<u>(200 775 631)</u>
Cash flows from financing activities			
Repayment of long term liabilities	11	(6 937 997)	(4 946 233)
Net cash flows from financing activities		<u>(6 937 997)</u>	<u>(4 946 233)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(90 446 950)</u>	<u>72 907 786</u>
Cash and cash equivalents at the beginning of the year		518 756 277	445 848 491
Cash and cash equivalents at the end of the year	7	<u>428 309 327</u>	<u>518 756 277</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	56 956 850	-	56 956 850	53 826 074	(3 130 776)	
Rental income	-	-	-	35 965	35 965	
Interest received	25 112 812	10 042 236	35 155 048	37 074 488	1 919 440	
Other income	3 802 619	6 948 297	10 750 916	15 078 285	4 327 369	38.1
Total revenue from exchange transactions	85 872 281	16 990 533	102 862 814	106 014 812	3 151 998	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	799 330 000	(78 461 000)	720 869 000	698 833 530	(22 035 470)	
Total revenue	885 202 281	(61 470 467)	823 731 814	804 848 342	(18 883 472)	
Expenditure						
Employee related costs	(157 400 408)	24 090 732	(133 309 676)	(132 209 676)	1 100 000	
Remuneration of councillors	(10 584 105)	867 070	(9 717 035)	(9 395 476)	321 559	
Depreciation, amortisation and impairment	(48 872 180)	(9 706)	(48 881 886)	(48 881 324)	562	
Finance costs	(7 988 223)	(8 194 168)	(16 182 391)	(12 671 936)	3 510 455	38.2
Debt impairment	(3 793 322)	(6 472 503)	(10 265 825)	(10 259 804)	6 021	
Repairs and maintenance	(35 951 750)	(40 949 318)	(76 901 068)	(76 820 187)	80 881	
Bulk purchases	(26 461 614)	(13 132 867)	(39 594 481)	(39 223 756)	370 725	
Contracted services	(95 956 968)	5 380 321	(90 576 647)	(90 364 168)	212 479	
Transfers and Subsidies	(13 276 808)	6 095 808	(7 181 000)	(7 181 000)	-	
General expenses	(186 009 275)	(61 040 000)	(247 049 275)	(205 304 006)	41 745 269	38.3
Total expenditure	(586 294 653)	(93 364 631)	(679 659 284)	(632 311 333)	47 347 951	
Operating surplus/(loss)	298 907 628	(154 835 098)	144 072 530	172 537 009	28 464 479	
Loss on disposal of property, plant and equipment	-	-	-	(1 405 553)	(1 405 553)	
Surplus	298 907 628	(154 835 098)	144 072 530	171 131 456	27 058 926	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	298 907 628	(154 835 098)	144 072 530	171 131 456	27 058 926	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 493 000	-	8 493 000	8 615 053	122 053	
Current portion of long term receivables	40 285	-	40 285	43 742	3 457	
Accounts receivables from non exchange transactions	9 632 325	-	9 632 325	57 716 070	48 083 745	38.4
VAT receivable	-	-	-	61 107 594	61 107 594	38.5
Accounts receivable from exchange transactions	13 775 300	-	13 775 300	20 882 373	7 107 073	38.5
Cash and cash equivalents	378 490 000	-	378 490 000	428 309 327	49 819 327	38.6
	410 430 910	-	410 430 910	576 674 159	166 243 249	
Non-Current Assets						
Property, plant and equipment	1 997 111 446	(15 184 639)	1 981 926 807	1 536 008 996	(445 917 811)	38.7
Intangible assets	1 828 000	-	1 828 000	1 049 746	(778 254)	38.7
Investments in municipal entities	19 755 436	-	19 755 436	19 766 930	11 494	
Long term receivables	354 113	-	354 113	346 581	(7 532)	
	2 019 048 995	(15 184 639)	2 003 864 356	1 557 172 253	(446 692 103)	
Total Assets	2 429 479 905	(15 184 639)	2 414 295 266	2 133 846 412	(280 448 854)	
Liabilities						
Current Liabilities						
Current portion of long term liabilities	13 654 000	-	13 654 000	9 528 739	(4 125 261)	38.8
Payables from exchange transactions	95 209 144	-	95 209 144	186 688 406	91 479 262	38.9
Consumer deposits	8 654 800	-	8 654 800	9 698 427	1 043 627	38.10
Defined benefit obligations	-	-	-	336 000	336 000	38.11
Unspent conditional grants and receipts	-	-	-	38 603 382	38 603 382	38.12
Provisions	2 473 000	-	2 473 000	1 048 172	(1 424 828)	38.13
	119 990 944	-	119 990 944	245 903 126	125 912 182	
Non-Current Liabilities						
Long term liabilities	63 931 000	-	63 931 000	68 056 141	4 125 141	38.8
Defined benefit obligations	19 254 972	-	19 254 972	23 761 000	4 506 028	38.11
Provisions	77 260 630	-	77 260 630	63 016 396	(14 244 234)	38.13
	160 446 602	-	160 446 602	154 833 537	(5 613 065)	
Total Liabilities	280 437 546	-	280 437 546	400 736 663	120 299 117	
Net Assets	2 149 042 359	(15 184 639)	2 133 857 720	1 733 109 749	(400 747 971)	
Reserves						
Accumulated surplus	2 149 042 359	(15 184 639)	2 133 857 720	1 733 109 749	(400 747 971)	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from consumers and other	60 410 142	1 364 076	61 774 218	57 830 165	(3 944 053)	
Grants	799 330 000	(78 461 000)	720 869 000	649 346 164	(71 522 836)	38.14
Interest income	28 916 000	6 500 000	35 416 000	37 074 488	1 658 488	
	888 656 142	(70 596 924)	818 059 218	744 250 817	(73 808 401)	
Payments						
Employee costs	(167 984 513)	24 957 744	(143 026 769)	(141 605 152)	1 421 617	
Suppliers	(262 525 595)	(116 224 598)	(378 750 193)	(456 165 315)	(77 415 122)	38.15
Finance costs	(7 988 000)	(8 193 719)	(16 181 719)	(12 671 936)	3 509 783	38.16
Transfers and grants	(13 277 000)	6 095 734	(7 181 266)	(7 181 000)	266	
	(451 775 108)	(93 364 839)	(545 139 947)	(617 623 403)	(72 483 456)	
Net cash flows from operating activities	436 881 034	(163 961 763)	272 919 271	126 627 414	(146 291 857)	
Cash flows from investing activities						
Payment of property, plant, equipment	(368 696 446)	15 185 046	(353 511 400)	(214 652 426)	138 858 974	38.17
Proceeds from sale of property, plant and equipment	-	-	-	1 236 920	1 236 920	38.18
Decrease in non current receivables	57 000	-	57 000	41 595	(15 405)	
Decrease in non current investments	4 368 000	-	4 368 000	3 237 544	(1 130 456)	38.19
Net cash flows from investing activities	(364 271 446)	15 185 046	(349 086 400)	(210 136 367)	138 950 033	
Cash flows from financing activities						
Repayment of long term liabilities	(6 938 000)	-	(6 938 000)	(6 937 997)	3	
Increase/ (decrease in consumer deposits	787 000	-	787 000	-	(787 000)	
Net cash flows from financing activities	(6 151 000)	-	(6 151 000)	(6 937 997)	(786 997)	
Net increase/(decrease) in cash and cash equivalents	66 458 588	(148 776 717)	(82 318 129)	(90 446 950)	(8 128 821)	
Cash and cash equivalents at the beginning of the year	312 031 000	206 725 277	518 756 277	518 756 277	-	
Cash and cash equivalents at the end of the year	378 489 588	57 948 560	436 438 148	428 309 327	(8 128 821)	

ACCOUNTING POLICIES

1. Presentation of annual financial statements

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

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

A summary of the significant accounting policies, which have been consistently applied, to all the years, in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Non - Current and Current Provisions.

1.1.2 Useful lives of property, plant, equipment and intangible assets

As described in accounting policies 1.6 & 1.7 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25.

Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 14 to the financial statements.

1.1.4 Revenue recognition

Accounting policy 1.12 on Revenue from Exchange Transactions and accounting policy 1.13 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.5 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on management's educated judgemental.

ACCOUNTING POLICIES

1.2 New standards and interpretations

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The following new GRAP standards have been issued but are not yet effective

GRAP 20 - Related party disclosure

This standard of GRAP on related parties replace's the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 - Service concession arrangements: Grantor

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time and the operator is compensated for its services over the period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the Municipality in the event of any future such arrangements.

GRAP 105 - Transfer of function between entities under common control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers or functions.

GRAP 106 - Transfer of functions between entities not under common control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the municipality will enter into any such transactions in the near future.

GRAP 107 - Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future.

GRAP 108 - Statutory receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

GRAP 109 - Accounting by principles and agents

This standard deals with the prescribed accounting requirements for transactions in a principle and agent relationship.

The following approved standards of GRAP that entities are not required to apply

GRAP 18 - Segmental reporting (only municipalities and municipal entities are not required to apply)

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

ACCOUNTING POLICIES

1.2 New standards and interpretations (continued)

better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the municipality.

1.3 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.

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the municipality have transferred its right to receive cash flows from the asset. A financial liabilities is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

- combined instruments that are designated at fair value.

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost
Investment in municipal entity	Financial asset measured at amortised cost

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Short term loans	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Investment in municipal entities

In the municipality's annual financial statements, investment in municipal entity carried at amortised cost at reporting date.

1.4 Employee benefits

1.4.1 Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included in payables from exchange transactions.

1.4.2 Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

ACCOUNTING POLICIES

1.4 Employee benefits (continued)

1.4.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution.

1.5 Provisions

Provisions are recognised when:

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

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

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

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

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

ACCOUNTING POLICIES

1.6 Property, plant and equipment

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

Initial recognition

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

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

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the asset at acquisition date.

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

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

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 for purposes of depreciation.

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

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

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

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

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

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

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

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

Depreciation

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

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

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

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

Item	Average useful life
Buildings	
• Other buildings	30 years
• Permanent	30 years
Plant and Equipment	
• Weed eater	2 years
• Lawn mower	2 years
• Other	5 years
• Skid mounted fire response unit	15 years
Furniture	10 years
Computer equipment	5 years
Infrastructure - plant and equipment	
• Heavy duty infrastructure pumps	15 years
• Unspecified infrastructure assets	15 years
• Standby by generator sets - water sewerage camps	15 years
Infrastructure - Sewerage services	
• Sewerage containment	50 years
• Sewerage network	50 years
• Sewerage purification	50 years
Infrastructure - solid waste cell services	
• Solid waste cell	15 years
• Cemetery	15 years
Infrastructure water services	
• Small schemes	20 years
• Water abstraction	20 years
• Water network	20 years
• Water purification	20 years
• Water storage	50 years
Equipment	
• office equipment	5 years
Motor vehicles	
• Bakkie, LDV, sedan & tanker	7 years
• Truck	7 years
• Trailer & caravan	5 years
• Fork lift	5 years
• Tractors	15 years

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets and are shown at cost less accumulated depreciation and accumulated impairment.

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

ACCOUNTING POLICIES

1.7 Intangible assets

An intangible asset is an identifiable asset without physical substance.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Initial recognition

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

Subsequent measurement, amortisation and impairment

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

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

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

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

Item	Useful life
Computer software, other	3 years

ACCOUNTING POLICIES

1.7 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Derecognition

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

1.8 Impairment of non-cash-generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

Useful life is the period of time over which an asset is expected to be used by the municipality.

Identification of impairment

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

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

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

ACCOUNTING POLICIES

1.9 Leases

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

1.9.1 Finance leases - The municipality as a lessee

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

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

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

1.9.2 Operating leases - The municipality as a lessee

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.

1.10 Inventories

Inventories comprise of current assets held for consumption or distribution during the ordinary course of business.

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and, net realisable value or current replacement cost.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

ACCOUNTING POLICIES

1.11 Tax

Tax Expense:

The municipality is exempt from income tax in terms of section 10(1)(A) of the Income Tax Act.

Value Added Tax (VAT):

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

ACCOUNTING POLICIES

1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when :

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Measurement

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

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

ACCOUNTING POLICIES

1.14 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

ACCOUNTING POLICIES

1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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 (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Fruitless and wasteful expenditure

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

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Irregular expenditure

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

1.20 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 31, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies GRAP 25 for related parties.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

ACCOUNTING POLICIES

1.23 Events after report date

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

1.24 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.25 Going concern assumption

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

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 18: Segment Reporting	No pronounced effective date	The effect of this standard will be on presentation only, however this standard currently does not need to be applied by municipalities
<ul style="list-style-type: none">GRAP 105: Transfers of functions between entities under common control	01 April 2015	Currently not relevant to the municipality.
<ul style="list-style-type: none">GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The effect will be on the measurement of transferred assets and liabilities at fair value.
<ul style="list-style-type: none">GRAP 107: Mergers	01 April 2015	Currently not relevant to the municipality as this standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the municipality in the foreseeable future.
<ul style="list-style-type: none">GRAP 20: Related parties	No effective date	No significant impact is expected
<ul style="list-style-type: none">GRAP32: Service Concession Arrangements: Grantor	No effective date	Currently not relevant to the municipality,
<ul style="list-style-type: none">GRAP108: Statutory Receivables	No effective date	The effect will be on the recognition, measurement, presentation and disclosure of statutory receivables.
<ul style="list-style-type: none">IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	Currently not relevant to the municipality, however standard deals with the accounting for concession arrangements.

uThungulu District Municipality

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Figures in Rand	2015	2014
3. Inventories		
Consumable and maintenance materials	7 347 622	6 001 210
Water	1 267 431	550 836
	8 615 053	6 552 046
Inventories recognised as an expense during the year	2 610 502	2 240 759
Inventory pledged as security		
No inventory was pledged as security.		
4. Accounts receivable from exchange transactions		
Consumer debtors - Gross balances		
Water	47 935 815	47 916 597
Sanitation	5 885 272	5 089 769
Solid waste	2 666 001	1 687 952
	56 487 088	54 694 318
Less: Allowance for impairment		
Water	(31 422 278)	(29 429 077)
Sanitation	(3 927 915)	(4 068 932)
Solid waste	(254 522)	(229 272)
	(35 604 715)	(33 727 281)
Net balance		
Water	16 513 537	18 487 520
Sanitation	1 957 357	1 020 837
Solid waste	2 411 479	1 458 680
	20 882 373	20 967 037
Summary of debtors by service type		
Water		
Current (0 -30 days)	5 016 762	7 857 928
31 - 60 days	2 143 045	3 030 077
61 - 90 days	1 218 404	1 381 408
91 - 120 days	1 062 456	1 379 978
> 121 days	38 495 148	34 267 206
Less: Allowance for impairment	(31 422 278)	(29 429 077)
	16 513 537	18 487 520
Sanitation		
Current (0 -30 days)	440 556	436 569
31 - 60 days	234 815	227 777
61 - 90 days	154 640	155 182
91 - 120 days	140 074	160 503
> 121 days	4 915 187	4 109 738
Less: Allowance for impairment	(3 927 915)	(4 068 932)
	1 957 357	1 020 837

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Figures in Rand	2015	2014
4. Accounts receivable from exchange transactions (continued)		
Solid waste		
Current (0 -30 days)	1 736 280	975 684
31 - 60 days	520 599	441 965
61 - 90 days	75 082	49 644
91 - 120 days	2 068	48 944
> 121 days	331 972	171 715
Less: Allowance for impairment	(254 522)	(229 272)
	2 411 479	1 458 680
Summary of debtors by customer classification		
Domestic Consumers		
Current (0 -30 days)	3 667 207	5 072 630
31 - 60 days	1 603 924	1 792 523
61 - 90 days	1 121 362	1 240 000
91 - 120 days	1 026 175	1 087 021
> 121 days	41 953 534	34 683 136
	49 372 202	43 875 310
Less: Allowance for impairment	(35 350 194)	(33 498 009)
	14 022 008	10 377 301
Industrial/Commercial		
Current (0 -30 days)	2 481 547	2 187 049
31 - 60 days	782 961	924 258
61 - 90 days	218 522	220 316
91 - 120 days	55 401	155 581
> 121 days	1 360 482	2 172 795
	4 898 913	5 659 999
Less: Allowance for impairment	(254 521)	(229 272)
	4 644 392	5 430 727
National and Provincial government		
Current (0 -30 days)	1 044 844	2 019 731
31 - 60 days	511 574	983 039
61 - 90 days	108 242	125 917
91 - 120 days	123 022	346 823
> 121 days	428 291	1 683 499
	2 215 973	5 159 009
Total		
Current (0 - 30 days)	7 193 598	9 279 410
31 - 60 days	2 898 459	3 699 820
61 - 90 days	1 448 126	1 586 234
91 - 120 days	1 204 598	1 589 425
> 121 days	43 742 307	38 539 429
Less: Allowance for impairment	(35 604 715)	(33 727 281)
	20 882 373	20 967 037

uThungulu District Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
4. Accounts receivable from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(33 727 281)	(29 437 810)
Contributions to allowance	(5 390 445)	(4 329 873)
Debt impairment written off against allowance	3 513 011	40 402
	(35 604 715)	(33 727 281)

In the determination of the amounts deemed to be impaired at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

Category A Regular payers, government accounts, consumers with amounts owing not older than 60 days.

Category B Irregular payers.

Category C Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

Category A 0% of consumer's total debt
 Category B 50% of consumer's debt less or equal to 180 days
 100% of consumer's debt > than 180 days
 Category C 100% of consumer's total debt

Accounts receivable from exchange transactions

Consumer debtors	20 882 373	20 967 037
Vat receivable - refer to note 35 for full detail	61 107 594	23 236 355
	81 989 967	44 203 392

5. Accounts receivables from non exchange transactions

Employee, councillor account transactions	359 756	557 395
Payments received in advance	2 337 397	2 362 278
Investment interest accrual	3 847 173	5 086 966
Grant & other debtors	45 260 654	3 929 179
Deposits	5 911 090	3 607 364
uMhlathuze municipality - soccer stadium	4 869 359	4 869 359
Impairment uMhlathuze municipality - soccer stadium	(4 869 359)	-
	57 716 070	20 412 541

Grant and other debtors - In the year under review grant debtors were raised for the Department of Water and Sanitation and Municipal Infrastructure Grant amounting to R 38 211 291 and R 1 656 070 respectively, amongst others.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
5. Accounts receivables from non exchange transactions (continued)		
Debt impairment		
As of 30 June 2015, the total debt impairment as recognised in the statement of financial performance for accounts from exchange and non exchange amounted to R 10 259 804.		
Accounts receivable from exchange transactions	5 390 445	4 329 873
Accounts receivable from non exchange transactions	4 869 359	-
	10 259 804	4 329 873
6. Long term receivables		
Staff home loans	346 581	392 637
Non-current assets	346 581	392 637
Current portion of long term receivables	43 742	39 281
	390 323	431 918

Staff home loans

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements.

uThungulu District Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 800	3 800
Cash book balances	78 305 527	38 752 477
Call Investment deposits	350 000 000	480 000 000
	428 309 327	518 756 277

Call Investment deposits portfolio is detailed below:

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Investment</u> R
ABSA	11/08/2015	40 000 000
NEDBANK	CALL	10 000 000
STANDARD BANK	15/07/2015	30 000 000
STANDARD BANK	24/07/2015	20 000 000
STANDARD BANK	14/08/2015	60 000 000
INVESTEC	24/07/2015	100 000 000
INVESTEC	11/08/2015	40 000 000
INVESTEC	24/08/2015	20 000 000
INVESTEC	23/09/2015	<u>30 000 000</u>
		<u>350 000 000</u>

An average interest rate of 6.33% (2014 - 5.546%) was received on investments placed for the financial year.

uThungulu District Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015 R	30 June 2014 R	30 June 2013 R	30 June 2015 R	30 June 2014 R	30 June 2013 R
NEDBANK - Primary Account Account No. 145 408 8885	119 500 691	79 327 350	111 534 826	119 463 892	79 294 133	111 525 267
Other accounts						
NEDBANK - Account No. 145 408 8893	2 142 699	5 941 970	4 369 966	1 692 115	5 217 802	4 334 015
NEDBANK - Account No. 145 408 9016	-	-	-	(43 140 539)	(46 040 460)	(40 288 110)
NEDBANK - Account No. 145 408 8907	13 360	13 360	14 760	13 360	13 360	14 760
NEDBANK - Account No. 145 409 4141	276 699	267 642	258 759	276 699	267 642	258 759
Total	121 933 449	85 550 322	116 178 311	78 305 527	38 752 477	75 844 691

uThungulu District Municipality
Annual Financial Statements for the year ended 30 June 2015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	61 802 962	(14 888 429)	46 914 533	61 802 962	(12 792 114)	49 010 848
Land	12 413 300	-	12 413 300	12 413 300	-	12 413 300
Infrastructure under construction	625 474 690	-	625 474 690	520 291 665	-	520 291 665
Infrastructure	1 109 329 559	(293 597 349)	815 732 210	989 149 781	(251 175 096)	737 974 685
Other assets - assets under construction	20 333 659	-	20 333 659	5 035 433	-	5 035 433
Other assets	33 088 831	(17 948 227)	15 140 604	35 408 450	(17 500 589)	17 907 861
Total	1 862 443 001	(326 434 005)	1 536 008 996	1 624 101 591	(281 467 799)	1 342 633 792

Reconciliation of property, plant and equipment - 2015

	Opening carrying value	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Buildings	49 010 848	-	-	-	(2 096 315)	-	46 914 533
Land	12 413 300	-	-	-	-	-	12 413 300
Infrastructure under construction	520 291 665	225 362 803	-	(120 179 778)	-	-	625 474 690
Infrastructure	737 974 685	-	-	120 179 778	(42 422 253)	-	815 732 210
Other assets - assets under construction	5 035 433	15 298 226	-	-	-	-	20 333 659
Other assets	17 907 861	3 728 949	(2 382 902)	-	(4 118 520)	5 216	15 140 604
	1 342 633 792	244 389 978	(2 382 902)	-	(48 637 088)	5 216	1 536 008 996

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014: Restated

	Opening carrying value	Additions	Disposals	Transfers	Newly identified assets at fair value	Depreciation	Impairment loss	Total
Buildings	50 992 431	-	-	120 086	-	(2 088 683)	(12 986)	49 010 848
Land	12 413 300	-	-	-	-	-	-	12 413 300
Infrastructure under construction	497 858 339	208 556 676	-	(186 123 350)	-	-	-	520 291 665
Infrastructure	593 958 351	49 600	-	186 003 264	-	(40 274 387)	(1 762 143)	737 974 685
Other assets - assets under construction	3 043 017	1 992 416	-	-	-	-	-	5 035 433
Other assets	15 070 221	7 279 474	(192 530)	-	59 806	(4 302 561)	(6 549)	17 907 861
	1 173 335 659	217 878 166	(192 530)	-	59 806	(46 665 631)	(1 781 678)	1 342 633 792

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality.

The previously reported individual asset classes have been reclassified. The reclassification does not effect the overall previously reported total cost, accumulated depreciation, impairment and total carrying value. Refer to note 39.

uThungulu District Municipality
Annual Financial Statements for the year ended 30 June 2015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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9. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other	2 169 958	(1 120 212)	1 049 746	3 221 030	(2 289 055)	931 975

Reconciliation of intangible assets - 2015

	Opening carrying value	Additions	Disposals	Amortisation	Total
Computer software & other	931 975	626 793	(259 570)	(249 452)	1 049 746

Reconciliation of intangible assets - 2014

	Opening carrying value	Additions	Amortisation	Total
Computer software & other	1 077 033	378 968	(524 026)	931 975

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Figures in Rand			2015	2014
10. Investments in municipal entities				
	%	%	Carrying	Carrying
	holding	holding	amount	amount
	2015	2014	2015	2014
uThungulu Financing Partnership	99,00 %	99,00 %	15 750 106	18 160 171
uThungulu House Development Trust	100,00 %	100,00 %	4 016 824	4 844 303
			19 766 930	23 004 474

The carrying amounts of municipal entities are shown net of impairment losses.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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11. Long term liabilities		
At amortised cost		
ABSA Bank 12.6%	36 442 488	38 537 512
<p>The loan was raised originally for the development of the Uthungulu House building and the greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed there from. The original loan is repayable after a 15 year period (remaining period 9 years). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.</p>		
INCA 11.95%	22 070 918	23 652 428
<p>The loan was raised to finance extensions to Uthungulu House and the development of the Regional Solid Waste Site cell 2. The original loan is repayable after a 15 year period (remaining period 8 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.</p>		
Obligation under Finance Headlease	19 071 474	22 332 937
<p>The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through Uthungulu Financing Partnership and consists of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as Uthungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with Uthungulu on the termination of the lease. The yield to maturity on the lease is 23.81% and is paid 6 monthly in advance on the last day of the month.</p>		
Long term liabilities	77 584 880	84 522 877
Refer to appendix A for more information.		
Non-current liabilities		
At amortised cost	68 056 141	77 584 878
Current liabilities		
At amortised cost	9 528 739	6 937 999

The comparative figure's for non-current liabilities and current liabilities has been re-stated by an amount of R 5 097 987 and (R 5 097 987) respectively. The changes is to account for the current portion of the long term lease. Refer to note 39.

uThungulu District Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
11. Long term liabilities (continued)		
Finance lease		
Obligations under finance lease		
- within one year	9 529 774	8 359 452
- in second to fifth year inclusive	16 651 276	26 181 049
- less future finance charges	(7 109 577)	(12 207 563)
The original lease period expires on 31 October 2017, ownership of the property will vest with Uthungulu on the termination of the lease.		
	19 071 473	22 332 938
Present value of minimum lease payments		
- within one year	8 281 850	7 267 144
- between one and five years	10 789 623	15 065 794
	19 071 473	22 332 938
12. Payables from exchange transactions		
Accrued leave pay	8 083 646	7 842 236
Amounts received in advance	2 844 874	2 497 187
Employee payable transactions	745 078	57 432
Retention payables	31 543 694	25 751 269
Trade payables	143 471 114	128 157 248
	186 688 406	164 305 372
The comparative figure for payables from exchange transactions - trade payables has been re-stated by an amount of R 735 594. Refer to note 39.		
Payables are settled in terms of legislation, except for retention's which are settled in terms of the contract agreement.		
Payments received in advance are non interest bearing.		
13. Consumer deposits		
Water	9 698 427	9 661 373

In terms of Council's by-laws no interest is raised or paid on consumer deposits.

uThungulu District Municipality

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14. Defined benefit obligations

Defined benefit plan

Post retirement health care benefit liability

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2015 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

No other post retirement benefits are provided by the municipality.

The municipality makes monthly contributions to the following medical aid schemes;

- Bonitas
- Keyhealth
- Hosmed
- Samwumed
- LA Health.

The post employment health care benefit plan is a defined benefit plan, of which the members are made up as follows:

Membership

In - service members (Employees)	235	214
Continuation members (Retirees, widowers and orphans)	4	4
	239	218

Estimated liability in respect of past services

In - service members (Employees)	18 242 000	14 058 000
Continuation members (Retirees, widowers and orphans)	1 936 000	1 795 000
	20 178 000	15 853 000

uThungulu District Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
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14. Defined benefit obligations (continued)

Long service awards

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality which includes their uninterrupted service with the former Local Authorities amalgamated in December 2000. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into an amount based on his or her basic salary applicable at the time the award became due or, alternatively, credited to his or her vacation leave accrual.

The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2015 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2015 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

No other long service benefits are provided by the municipality.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of fund obligation - post employment medical aid benefits	(20 178 000)	(15 853 000)
Present value of fund obligations - long service awards	(3 919 000)	(4 015 000)
	(24 097 000)	(19 868 000)
Non-current liabilities	(23 761 000)	(19 322 000)
Current liabilities	(336 000)	(546 000)
	(24 097 000)	(19 868 000)

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

Opening balance	19 868 000	18 464 000
Net expense recognised in the statement of financial performance - total included in employee related costs	4 229 000	1 404 000
	24 097 000	19 868 000

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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14. Defined benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Post employment medical aid benefits - current service cost	1 668 000	1 564 000
Long service awards - current service cost	646 000	332 000
Post employment medical aid benefits - interest cost	1 484 000	1 294 000
Long service awards - interest cost	338 000	206 000
Post employment medical aid benefits - actuarial loss/(gain)	1 290 277	(2 581 707)
Long service awards - actuarial loss/(gain)	(706 370)	908 146
Post employment medical aid benefits - benefits paid	(117 277)	(89 293)
Long service awards - benefits paid	(373 630)	(229 146)
	4 229 000	1 404 000

Calculation of actuarial gains and losses

Post employment medical aid benefits - actuarial loss/(gain)	1 290 277	(2 581 707)
Long service awards - actuarial loss/(gain)	(706 370)	908 146
	583 907	(1 673 561)

Expected future service and interest costs

Post employment medical aid benefits

The future service cost for the ensuing year is established to be R 1 437 000, whereas the interest cost for the next year is estimated to be R 1 905 000 (2014 - R 1 668 000 and R 1 484 000 respectively).

The municipality expects to make a contribution of R 191 000, (2014 - R 176 000) to the defined benefit plans during the next financial year.

Long service awards

The future service cost for the ensuing year is established to be R 548 000, whereas the interest cost for the next year is estimated to be R 370 000 (2014 - R 646 000 and R 338 000 respectively).

The municipality expects to make a contribution of R 145 000, (2014 - R 370 000) to the defined benefit plans during the next financial year.

uThungulu District Municipality

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14. Defined benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Post employment medical aid benefits		
Discount rate	Yield curve	8,94 %
Medical aid contribution inflation	CPI + 1%	8,05 %
Net effective discount rate	Yield curve based	0,82 %
Consumer price inflation (CPI)	Difference between nominal & yield curves	7,05 %
Discount rate	Yield curve	7,96 %
Normal salary increase rate	Equal to CPI + 1%	7,33 %
Net effective discount rate	Yield curve	0,59 %
Consumer price inflation (CPI)	Difference between nominal & yield curves	6,33 %

uThungulu District Municipality

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14. Defined benefit obligations (continued)

The expected retirement age for females is 58 years and males 63 years (2014 - females 58 years and males 63 years).

The basis on which the discount rate and medical aid inflation rate has been determined is as follow for post employment medical aid benefits:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The discount rate and CPI assumptions were based on the nominal and real zero curves as at 30 June 2015 by the JSE. In the previous reporting period the discount rate was set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014. The methodology applied by the actuarial's for the 2014/2015 financial has been adopted to present a more accurate depiction of the liability.

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period. In the previous reporting period the medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate Inflation. The actuaries have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional government bond yields (R209) and current index linked bond yields (R202).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

uThungulu District Municipality

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14. Defined benefit obligations (continued)

The basis on which the discount rate and salary inflation has been determined is as follow for long service awards:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The discount rate and CPI assumptions were based on the nominal and real zero curves as at 30 June 2015 by the JSE. In the previous reporting period the discount rate used by the actuaries was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2015 of 6.79%. The next salary increase was assumed to take place on 01 July 2016. In the previous reporting period the actuaries have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website.

uThungulu District Municipality

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Figures in Rand	2015	2014
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14. Defined benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends and salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends and salary inflation rates would have the following effects:

Increase of 1 % / (Decrease of 1%)

Effect on the post employment medical aid benefit (pemab)	854 000	705 000
Effect on the aggregate of the service cost and interest cost - pemab	140 000	147 000
Effect on the post employment medical aid benefit (pemab)	(1 161 000)	(983 000)
Effect on the aggregate of the service cost and interest cost - pemab	(191 000)	(208 000)
Effect on the long service awards (lsa)	316 000	347 000
Effect on the aggregate of the service cost and interest cost - lsa	87 000	102 000
Effect on the long service awards (lsa)	(173 000)	(308 000)
Effect on the aggregate of the service cost and interest cost - lsa	(23 000)	(91 000)

Defined benefits obligations

An amount of R14 043 954 (2014 - R11 755 553) was contributed by Council towards employment retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666.

Description of Fund	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain/ (Loss) R'000
Government Employees Pension Fund	March 2012	1 038 946	1 038 946	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2014	2 151 950	2 054 982	96 968
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2014	8 510 836	8 510 836	-
Natal Joint Municipal Pension Fund (Retirement)	March 2014	3 120 110	3 244 137	(124 027)
Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

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15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversal of short term portion	Total
Rehabilitation of refuse landfill site	60 853 204	2 189 760	(3 305 980)	3 279 412	63 016 396
Performance bonus	735 594	1 048 172	(735 594)	-	1 048 172
Current portion of rehabilitation of refuse landfill site	3 279 412	-	-	(3 279 412)	-
	64 868 210	3 237 932	(4 041 574)	-	64 064 568

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Transfer of current portion	Reversal of short term portion	Total
Rehabilitation of refuse landfill site	57 605 107	4 805 497	(13 907 859)	(3 279 412)	15 629 871	60 853 204
Performance bonus	860 923	741 166	(866 495)	-	-	735 594
Current portion of reclamation of refuse landfill site	15 629 871	-	-	3 279 412	(15 629 871)	3 279 412
	74 095 901	5 546 663	(14 774 354)	-	-	64 868 210

Non-current liabilities

63 016 396 60 853 204

Current liabilities

1 048 172 4 015 006

Performance bonuses are paid after the financial year end in arrears as the assessment of eligible employees had not taken place at reporting date.

In terms of licensing of the landfill refuse site, Council will incur rehabilitation costs of R63 million to restore the remaining portion's of the old Empangeni and Cell 1 refuse sites at the end of their useful lives. Planning and rehabilitation had commenced in 2013 with the planned rehabilitation portion completed in 2014/2015. Provision has been made at best estimate determined by a professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site.

uThungulu District Municipality

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Figures in Rand	2015	2014
16. Revenue from exchange transactions - Service charges		
Sale of water	35 133 653	37 658 953
Solid waste revenue	13 523 837	11 380 914
Sanitation revenue	4 898 097	4 529 472
Cemetery revenue	270 487	231 686
	53 826 074	53 801 025
17. Revenue from exchange transactions - Interest received		
Interest revenue		
Outstanding debtors	28 691	28 237
External investments	37 045 797	32 865 705
	37 074 488	32 893 942
18. Revenue from non exchange transactions - Government grants and subsidies		
Operating grants		
Levy Replacement Grant	197 121 000	180 845 000
Equitable share	185 008 000	173 064 000
Municipal Infrastructure Grant	152 276 250	178 514 303
Department of Co-operative Governance and Traditional Affairs (previously DTLGA)	5 984 028	3 479 557
Department of Water and Sanitation	126 613 813	70 353 268
Department of Co-operative Governance and Traditional Affairs	18 954 076	14 902 806
Department of Public Works	5 337 000	7 860 064
National Treasury	5 387 500	1 112 500
Public donors	70 841	174 142
Provincial Treasury	-	252 196
Department of Sports and Recreation	-	273 800
Department of Transport	1 696 343	2 167 278
Department of Economic Affairs and Tourism	-	11 841
Department of Agriculture	139 297	38 410
European Union	245 382	-
	698 833 530	633 049 165

Summary of grants per funder

Levy Replacement Grant

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while National government is currently defining the overall fiscus streams to local government.

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18. Revenue from non exchange transactions - Government grants and subsidies (continued)

Equitable Share

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water to the entire district with the exception of KZ 282.

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 557 180	-
Current-year receipts	144 063 000	185 343 000
Conditions met - transferred to revenue	(152 276 250)	(178 514 303)
Mig debtor receipt	-	(271 517)
Mig debtor raised	1 656 070	-
	-	6 557 180

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)

Balance unspent at beginning of year	5 600 770	9 080 327
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(5 984 029)	(3 479 557)
	616 741	5 600 770

Conditions still to be met - remain liabilities (see note 19)

These grants are used:

- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.

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Figures in Rand	2015	2014
18. Revenue from non exchange transactions - Government grants and subsidies (continued)		
Department of Water and Sanitation		
Balance unspent at beginning of year	11 360 251	917 526
Current-year receipts: RBIG	73 055 670	32 164 041
Conditions met - transferred to revenue: RBIG	(107 098 341)	(32 163 855)
Current-year receipts: ACIP	958 356	2 531 152
Conditions met - transferred to revenue: ACIP	(958 356)	(3 049 828)
Current-year receipts: MWIG (tanker reduction strategy)	37 412 000	39 478 000
Conditions met - transferred to revenue: MWIG (tanker reduction strategy)	(17 728 524)	(28 343 799)
Current-year receipts: WSOG Boreholes	-	1 500 000
Conditions met - transferred to revenue: WSOG boreholes	-	(1 442 809)
Current-year receipts: WSOG	-	1 624 000
Conditions met - transferred to revenue : WSOG	-	(1 624 000)
DWS debtor receipt	(2 368 365)	(218 025)
Conditions met - transferred to revenue : Other	(828 590)	(12 152)
Debtor - RBIG	38 211 291	-
Conditions met Transferred to Revenue	(1 130 357)	-
	30 885 035	11 360 251

Conditions still to be met - remain liabilities (see note 19)

These grants are used for:

- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes.

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Figures in Rand	2015	2014
18. Revenue from non exchange transactions - Government grants and subsidies (continued)		
Department of Co-operative Governance and Traditional Affairs		
Balance unspent at beginning of year	22 456 499	14 691 305
Current-year receipts: MSIG	934 000	890 000
Conditions met - transferred to revenue: MSIG(DCOGTA)	(934 000)	(1 712 439)
Conditions met - transferred to revenue: Councillor training programme	(6 563)	(193 430)
Conditions met - transferred to revenue: Growth and Development Summit	(126 956)	(251 374)
Conditions met - transferred to revenue: Water reduction strategy	-	(11 423 286)
Current-year receipts: Public Participation	-	750 000
Conditions met - transferred to revenue: Public participation	(750 000)	-
Current-year receipts: Fresh produce market	-	18 000 000
Conditions met - transferred to revenue: Fresh Produce Market	(12 596 016)	(140 328)
Current-year receipts: Municipal excellency	1 000 000	1 000 000
Conditions met - transferred to revenue: Municipal excellency	(2 000 000)	-
Current-year receipts: BIOGAS	-	2 000 000
Conditions met - transferred to revenue: BIOGAS	(1 472 722)	(643 507)
Conditions met - transferred to revenue: Massification	-	(1 107 009)
Conditions met - transferred to revenue: Other	(1 067 818)	596 567
	5 436 424	22 456 499

Conditions still to be met - remain liabilities (see note 19)

The comparative figure for the balance unspent at the beginning of the year has been restated by an amount of R 32 361 and the comparative figure for conditions met transferred to revenue - revenue from non exchange transactions has been re-stated by an amount of R 568 567. Refer to note 19 and 39.

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

Department of Public Works Grants

Balance unspent at beginning of year	127 094	5 147 158
Current-year receipts: EPWP	5 337 000	2 840 000
Conditions met - transferred to revenue	(5 337 000)	(7 860 064)
Transferred to EQS & LRG	(127 094)	-
	-	127 094

Conditions still to be met - remain liabilities (see note 19)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. The allocation from funder was reduced by an amount of R127 094 through a set off against the Levy replacement and Equitable share tranche in the year under review. This pertained to the unspent allocation from previous financial years.

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Figures in Rand	2015	2014
18. Revenue from non exchange transactions - Government grants and subsidies (continued)		
National Treasury		
Balance unspent at beginning of year	4 137 500	-
Current-year receipts : Local Finance Management Grant	1 250 000	1 250 000
Conditions met transferred to revenue - Local Finance Management Grant	(1 387 500)	(1 112 500)
Current-year receipts : Rural Households Infrastructure Grant	-	4 000 000
Conditions met transferred to revenue - Rural Households Infrastructure Grant	(4 000 000)	-
	-	4 137 500

Conditions still to be met - remain liabilities (see note 19)

National Treasury grants are used:

- to promote and support reforms to municipal financial management; and for
- the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).

Public donors

Balance unspent at beginning of year	88 044	180 186
Current-year receipts	20 000	82 000
Conditions met - transferred to revenue	(70 841)	(174 142)
	37 203	88 044

Conditions still to be met - remain liabilities (see note 19)

The grant received for the 2014/2015 financial year was R20 000 from Nedbank and for the 2013/2014 financial year was R 82 000 from BHB Billiton. The allocations were received to partner with the district municipality in raising funds to support children in need of school uniforms.

Provincial Treasury

Balance unspent at beginning of year	-	280 196
Conditions met - transferred to revenue	-	(252 196)
Conditions met - transferred to revenue: Other	-	(28 000)
	-	-

Conditions still to be met - remain liabilities (see note 19)

The grant received from Provincial Treasury is used for the upliftment of the district's communities through various programmes.

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Figures in Rand	2015	2014
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18. Revenue from non exchange transactions - Government grants and subsidies (continued)

Department of Sports and Recreation

Balance unspent at beginning of year	3 813	277 613
Conditions met - transferred to revenue	-	(273 800)
	3 813	3 813

Conditions still to be met - remain liabilities (see note 19)

The grant received from the Department of Sport and Recreation is used to develop sporting codes within the district. The grant is spent in accordance with the approved business plan.

Department of Transport

Balance unspent at beginning of year	1 006 459	1 427 737
Current-year receipts: Rural transport services and infrastructure grant	2 305 000	1 746 000
Conditions met - transferred to revenue	(1 696 343)	(2 167 278)
	1 615 116	1 006 459

Conditions still to be met - remain liabilities (see note 19)

The Department of Transport grant is used for the development of the public transport plan.

Department of Economic Affairs and Tourism

Balance unspent at beginning of year	-	11 841
Conditions met - transferred to revenue	-	(11 841)
	-	-

Conditions still to be met - remain liabilities (see note 19)

The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the district's local economy and tourism.

Department of Agriculture

Balance unspent at beginning of year	139 298	177 708
Conditions met - transferred to revenue	(139 298)	(38 410)
	-	139 298

Conditions still to be met - remain liabilities (see note 19)

The grant received from the Department of Agriculture is for the development of district agricultural projects.

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Figures in Rand	2015	2014
18. Revenue from non exchange transactions - Government grants and subsidies (continued)		
European Union		
Balance unspent at beginning of year	245 385	245 385
Current-year receipts	9 057	-
Conditions met - transferred to revenue	(245 382)	-
	9 060	245 385

Conditions still to be met - remain liabilities (see note 19).

The grant received from the European Union is for the development of critical sector plans.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	6 557 180
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	616 741	5 600 770
Department of Water and Sanitation	30 885 035	11 360 251
Department of Co-operative Governance and Traditional Affairs	5 436 424	22 456 499
Department of Public Works	-	127 094
National Treasury	-	4 137 500
Public donors	37 203	88 044
Department of Sport and Recreation	3 813	3 813
Department of Transport	1 615 116	1 006 459
Department of Agriculture	-	139 298
European Union	9 050	245 376
	38 603 382	51 722 284

The comparative figure for unspent conditional grants & receipts (Department of Co-operative Governance and Traditional Affairs) has been re-stated by an amount of R 536 206 (R568 567 - R32 361). Refer to note 18 and 39.

20. Revenue from exchange transactions - Other income

Sundry income	8 887 931	8 514 787
Income from the uThungulu House Development Trust	2 232 521	2 538 570
Income from uThungulu Financing Partnership	2 889 385	3 125 934
Tender deposits	722 004	529 616
SETA refund	99 093	-
Insurance claim proceeds	130 742	345 656
Lease income	116 609	181 061
	15 078 285	15 235 624

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Figures in Rand	2015	2014
21. Employee related costs		
Employee related costs - salaries and wages	90 358 752	76 560 804
Employee related costs - contributions for UIF, pensions and medical aid	20 151 028	16 947 119
Travel and other allowances	9 831 428	8 233 825
Overtime and relief payments	5 232 127	6 054 182
Housing benefits and allowances	2 407 341	2 359 372
Defined benefits obligations: post-retirement health care benefit & long service awards	4 229 000	1 404 000
	132 209 676	111 559 302

The comparative figure for employee related costs - salary and wages has been re-stated by an amount of R 735 594. Refer to note 39.

Included in employee related costs above are the following salaries, allowances and benefits:

Remuneration of Municipal Manager

Annual remuneration	1 119 627	1 080 463
Car allowance	383 981	363 984
Performance bonuses	197 353	186 887
Contributions to UIF and other	1 866	1 861
	1 702 827	1 633 195

Remuneration of Deputy Municipal Manager - Technical Services

Annual remuneration	928 061	873 745
Car allowance	241 520	222 389
Performance bonuses	179 416	169 902
Contributions to UIF, pension and other	209 832	200 376
	1 558 829	1 466 412

Remuneration of Deputy Municipal Manager - Corporate Services

Annual remuneration	977 152	922 712
Car allowance	298 575	281 940
Performance bonuses	179 416	169 902
Contributions to UIF and other	1 866	1 861
Annual bonus	81 429	76 893
	1 538 439	1 453 308

Remuneration of Deputy Municipal Manager - Financial Services

Annual remuneration	950 009	897 082
Car allowance	419 218	389 060
Performance bonuses	179 416	169 902
Contributions to UIF and other	1 866	1 861
	1 550 509	1 457 905

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Figures in Rand	2015	2014
21. Employee related costs (continued)		
Remuneration of Deputy Municipal Manager - Planning & Economic Development		
Annual remuneration	694 348	300 329
Car allowance	144 127	153 883
Performance bonuses	-	169 902
Contributions to UIF, pension, medical and other	31 830	781
Leave pay	-	93 143
Annual Bonus	7 411	-
	877 716	718 038

The contract of the Deputy Municipal Manager - Planning and Economic Development ended on 31 October 2013 and an acting allowance was paid to an incumbent for the period December 2013 to April 2014.

In the year under review the position was filled and the incumbent commenced with her appointment from the 1 November 2014.

Deputy Municipal Manager - Community Services

Annual Remuneration	747 000	-
Car Allowance	136 340	-
Contributions to UIF, Medical, Pension and other	133 870	-
Acting allowance	8 251	28 707
	1 025 461	28 707

In the 2013/2014 financial year the Council approved the creation of a Deputy Municipal Manager - Community Services position; this function was previously under the custodianship of the Deputy Municipal Manager- Corporate Services. During the financial year under review an acting allowance amounting to R8 251 was paid to an incumbent. The post was filled from the 1 October 2014.

22. Remuneration of councillors

Mayor	809 232	764 609
Deputy Mayor	651 560	615 861
Speaker	436 926	489 375
Chief Whip	425 272	385 798
Executive Committee	3 108 875	2 666 905
Councillors	2 817 426	3 167 055
Councillors' pension contribution	720 726	724 190
MPAC Chair	425 459	-
	9 395 476	8 813 793

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the statement of financial performance. The Mayor, Deputy Mayor and Speaker have the use of a Council owned vehicle together with a driver for official duties, and furthermore security is provided for some Exco members based on security assessments. The MPAC Chair was previously a part time councillor and has since 1 May 2015 become full time in accordance with Municipal Notice No. 41 dated 27 March 2015.

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Figures in Rand	2015	2014
23. Depreciation, amortisation and impairment		
Property, plant and equipment	48 631 872	48 447 313
Intangible assets	249 452	524 026
	48 881 324	48 971 339
24. Finance costs		
Interest paid - long term liabilities	12 671 936	13 637 099
25. Repairs and maintenance		
Vehicles, buildings & other	1 456 111	1 460 935
Water and sanitation infrastructure	75 364 076	50 647 483
	76 820 187	52 108 418
26. Bulk purchases		
Electricity for operations	19 562 540	19 409 608
Water	19 661 216	13 060 895
	39 223 756	32 470 503
27. Contracted services		
Service support agent, Information technology services, environmental health and administration services	87 960 565	80 975 345
Internal audit	1 991 962	1 430 244
Specialist services	411 641	109 448
	90 364 168	82 515 037
28. Grants and subsidies paid		
KZ 282 uMhlathuze Municipality	-	4 856 400
KZ 283 Ntambanana Municipality	7 181 000	6 851 000
KZ 284 Umlalazi Municipality	-	482 719
KZ 281 Umfolozi Municipality	-	43 000
	7 181 000	12 233 119

Other transactions with municipalities is included in the general expenses note 29.

uThungulu District Municipality

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Figures in Rand	2015	2014
29. General expenses		
Advertisements	579 002	699 734
Assessment rates & municipal charges	1 119 643	778 427
Audit committee fees	113 230	112 606
Bank charges	213 120	202 894
Bursaries	664 356	263 820
Chemicals & cleaning materials	2 445 543	2 633 851
Delegations	1 017 002	572 312
External audit fees	1 974 585	2 148 541
Fuel and oil	4 055 108	3 758 736
IDP operational externally funded projects	76 461 530	62 098 994
IDP operational internal funded projects	91 536 258	53 798 529
Indigent burials	103 196	101 172
Insurance	994 489	1 304 648
Landfill site reclamation	2 189 760	4 805 497
Legal fees	812 518	283 098
Levies & membership fees	1 619 574	1 262 303
Licenses	1 453 433	1 703 383
Personal protective equipment	489 405	232 004
Printing & postage	1 452 101	1 219 175
Publicity	1 063 057	1 134 157
Refreshments	454 587	475 771
Rent - plant and vehicles	5 578 574	5 004 228
Rent office	53 958	63 345
Skills development levy	1 118 212	946 139
Small tools	23 297	42 954
Staff medical examinations	142 171	213 850
Stores and material	98 317	73 358
Subsistence & travelling	2 484 323	1 260 218
Telephone	1 801 191	1 770 861
Training costs	2 563 384	1 646 864
Workmen's compensation	629 082	648 936
	205 304 006	151 260 405
30. Cash generated from operations		
Surplus	171 131 456	216 984 723
Adjustments for:		
Depreciation and amortisation	48 881 324	48 971 339
(Surplus)/Loss on sale of property, plant and equipment	1 405 553	192 530
Fair value adjustments	-	(59 806)
Debt impairment	10 259 804	4 329 873
Movements in defined benefit obligations	4 229 000	1 404 000
Movements in provisions	(803 642)	(9 227 691)
Changes in working capital:		
Inventories	(2 063 007)	717 125
Accounts receivables from non exchange transactions	(37 303 529)	(5 910 857)
Accounts receivable from exchange transactions - consumer debtors	(10 175 140)	(8 245 260)
Payables from exchange transactions	22 383 034	27 895 771
Accounts receivable from exchange transactions - Vat	(37 871 239)	(2 496 826)
Unspent conditional grants and receipts	(13 118 902)	19 294 194
Consumer deposits	37 054	547 538
Other non-cash items: Accruals	(30 364 352)	(15 767 003)
	126 627 414	278 629 650

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31. Commitments		
Authorised capital expenditure		
Approved and Contracted for		
• Infrastructure	292 916 129	284 205 170
This expenditure will be financed from:		
Grants	285 927 531	272 475 359
Own resources	6 988 598	11 729 811
	292 916 129	284 205 170

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive committee prior to 30 June 2015.

32. Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	4 830 040	3 681 092
- in second to fifth year inclusive	1 036 783	4 201 114
	5 866 823	7 882 206

Operating lease payments represent payments for the leasing of vehicles by the municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. An amount of R 4 907 951 is recognised in the statement of financial performance.

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33. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

The deviations greater than R 200 000 are listed individually below for the year ended 30 June 2015.

<u>Project description</u>	<u>Amount</u> (R)
Monthly maintenance for DIMS system	470 701
Management Advanced Programme	258 600
Purchase of BIOGAS digesters	280 326
IT security and IT governance consulting	630 000
Extension of the provision of plant hire services	1 152 059
Installation of IT system for fresh produce market	491 728
Extension of the provision of plant hire services	866 443
Training for councillors at Wits Business School	466 830
Water tanker services	288 000
Delivery discharge test of borehole services	407 721
Extension of the provision of plant hire services	769 833
Extension of the provision of plant hire services	866 443
Extension of the provision of plant hire services	485 612
SABC broadcasting services	285 000
SALGA games sports ware	279 387
SALGA games accommodation	280 000
Shared services	799 680
Extension of the provision of plant hire services	521 122
Extension of the provision of plant hire services	837 355
SALGA games catering services	307 458
Last dance music festival	250 000
Extension of the provision of plant hire services	1 547 629
Vehicle purchase	441 294
Uthungulu house phase 2 alterations	738 692
Extension of the provision of plant hire services	247 605
Emergency interventions Mtunzini waste water	5 746 344
Project implementation of fresh produce market	673 074
Provision of architectural services	285 300
Extension of the provision of plant hire services	1 050 513
Hire of environmental vehicles	209 868
Water tanker services - drought	1 307 042
SALGA games accommodation	325 800
Provision of Arcgis basic training	242 937
Extension of the provision of plant hire services	837 355
Rental of fresh produce market premises	324 900
Water tanker services - drought relief	2 228 369
Cost for purchase of water - drought relief	3 558 601
Drought relief contract work	1 794 411
Appointment of PMU support	694 080
Roadshows entertainment	208 000
Extension of the provision of plant hire services	651 613
Extension of the provision of plant hire services	903 374

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33. Deviation from supply chain management regulations (continued)

Extension of the provision of plant hire services	1 121 708
Purchase & distribution of vegetables for fresh produce market	2 590 138
Water tanker services - drought relief	617 016
Extension of the provision of plant hire services	1 387 210
Purchase & distribution of vegetables for fresh produce market	2 026 998
Purchase & distribution of vegetables for fresh produce market	927 458
Water tanker services - drought relief	<u>2 683 586</u>
	46 365 212
Various deviations less than R200 000 aggregated	<u>10 710 039</u>
Total	<u>57 075 251</u>

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34. Awards to close family members of persons in the service of the state

Paragraph 45 of the Municipal Finance Management Act, 2003(Act no. 56 of 2003); Municipal Supply Chain Management Regulations states that the particulars of any award more than R 2000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements.

The details are listed below for the period ending 30 June 2015;

Name of person	T Jordan
Relation	Spouse
Capacity	Admin Manager : Development City of Umhlathuze
Service Provider	Audio Computer World
Number of transactions	81
Total Amount	R 918 706

Name of person	N Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service Provider	Fana Manufacturing CC
Number of transactions	15
Total Amount	R 481 740

Name of person	R Pillay
Relation	Spouse
Capacity	Educator - Department of Education (Bufflesdale Secondary Tongaat)
Service Provider	KDM Sports CC
Number of transactions	1
Total Amount	R 11 721

Name of person	P.V Dube and E.N Dube
Relation	Parents
Capacity	Educators - Department of Education (Umkhanyakude District Office and Phalane Primary School)
Service Provider	Ziphozovela Multiservices CC
Number of transactions	91
Total Amount	R 2 330 832

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35. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year membership fee	1 552 673	1 212 390
Amount paid - current year	(1 552 673)	(1 212 390)
	-	-
Audit fees		
Current year fee	1 985 915	2 148 541
Amount paid - current year	(1 925 507)	(71 452)
Amount paid - previous years	(60 408)	(2 077 089)
	-	-
PAYE and UIF		
Current year subscription / fee	20 926 616	17 318 051
Amount paid - current year	(20 926 616)	(17 318 051)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	18 083 601	15 222 366
Amount paid - current year	(18 083 601)	(15 222 366)
	-	-

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35. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	61 107 594	23 236 355

All VAT returns have been submitted by the due date throughout the year. The VAT 201 returns for the months of January, February, March, April, May and June 2015 have not been settled as at 30 June 2015. An amount of R39 518 626 for the returns of January to April 2015 were subsequently received in July 2015, furthermore in the year under review the municipality had engaged SARS with respect to the following matters:

a)

Voluntary disclosure programme: An application was lodged in 2012/2013 to SARS amounting to R 3 723 130, SARS have considered the application and refunded the municipality in December 2014.

b)

ADR1: An ADR1 application was lodged disputing penalties imposed by SARS in respect to their derivation of certain transactions that occurred as a result of timing differences. The objection was lodged to contest the penalty and SARS has considered our application favourable and the penalty has been reversed in August 2015.

c)

In 2013/2014 the municipality assisted by Provincial Treasury embarked on a review of VAT transactions inclusive of apportionment vat calculations which have been applied. The review encompassed an analysis of the past five financial years. At the compilation of these financial statements the review was complete and an input vat amount of R14 million has been included in the January 2015 vat 201 return.

Councillors' arrear consumer accounts

At the reporting date no Councillor's had arrear accounts outstanding for more than 90 days.

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36. Contingent liabilities		
Contingent liabilities - Future legal fees and other		
1. Ex-employee 1 - legal action pending	600 000	600 000
2. Consulting Engineers 1 - legal matter pending	140 000	140 000
3. Contractor 1 - legal matter pending	100 000	100 000
4. Service provider 1 - legal action pending	40 000	40 000
5. Service provider 2 - legal action pending	20 000	-
6. Employees 2 & 3 - legal matter pending	90 000	90 000
7. Employee 4 - legal matter pending	80 000	80 000
8. Employee 5 - a case of theft of money	-	27 429
9. Employee 6 - a case of alleged theft of money	-	8 170
10. Employee 7 - legal matter pending	-	60 000
11. Employee 8 - legal matter pending	150 000	-
12. Employee 9 - legal matter pending	150 000	-
	<u>1 370 000</u>	<u>1 145 599</u>

1. Ex-employee 1 - legal action pending

The municipality has taken legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. New trial dates are pending.

2. Consulting Engineers 1 - legal matter pending

This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim and the matter is ready for trial and on the trial awaiting list.

3. Contractor 1 - legal matter pending

The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 2 above. The matter is with the high court, however it may not come before the court as it is our legal teams view that the Consultant is liable for all costs.

4. Service provider 1 - legal action pending

This is a high court claim in which an order of re-payment was obtained against the service provider.

5. Service provider 2 - legal action pending

This is a magistrates claim wherein a service provider has claimed against the municipality for damages to property. The matter is being defended by the municipality and legal processes's are been exchanged in preparation for the trial.

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36. Contingent liabilities (continued)

6. Employees 2 & 3 - legal matter pending

This matter refers to an application for a review of an arbitration award made in favour of the municipality. The application for review has been finalised by the court and the Judge has given his ruling which was in the favour of the municipality. The costs will be presented to the parties for settlement.

7. Employee 4 - legal matter pending

This matter refers to a labour dispute that an employee has lodged with the labour court. The matter has been opposed by Council.

8. Employee 5 - a case of theft of money

This matter refers to a case of theft of money by an employee. A criminal case was opened at the SAPS and attempts had been made to recover the monies, furthermore disciplinary action was taken and the said employee was subsequently found guilty and dismissed. The criminal case has been concluded by the SAPS.

9. Employee 6 - a case of alleged theft of money

This matter refers to a case of theft of money by an employee. A criminal case was opened at the SAPS and the employee has been dismissed through the disciplinary process. The criminal case has been concluded by the SAPS.

10. Employee 7 - legal matter pending

This matter refers to an application that has been brought by an employee against the municipality regarding employee matters. The matter was successfully opposed by the municipality and closed.

11. Employee 8 - legal matter pending

This matter refers to an application for review of an arbitration award issued in favour of the municipality against the employee. The matter is opposed by the municipality and relevant papers have been lodged with the labour court.

12. Employee 9 - legal matter pending

This matter refers to an application for review of an arbitration award issued in favour of the municipality against the employee. The matter is opposed by the municipality and relevant papers have been lodged with the labour court.

The contingent liabilities with associated estimated legal fees of R 1 370 000 mentioned above is generally costs associated with the litigation process and any resultant claims cannot be quantified.

uThungulu District Municipality

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Figures in Rand	2015	2014
37. Related parties		
	The uThungulu Financing Partnership uThungulu House Development Trust Uthungulu Fresh Produce Market	
Related party balances		
Investments in municipal entities		
The uThungulu Financing Partnership	15 750 107	18 160 173
uThungulu House Development Trust	4 016 824	4 844 303
Income received from related parties		
The uThungulu Financing Partnership	2 889 385	3 125 934
uThungulu House Development Trust	2 232 521	2 538 570
Balances outstanding from related parties		
The uThungulu Financing Partnership	19 071 473	22 332 937
% Interest in municipal entities		
The uThungulu Financing Partnership	99	99
uThungulu House Development Trust	100	100
Related party transactions		
Sub-lease payments		
The uThungulu Financing Partnership	5 097 986	5 648 876

The uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over a 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on 31 October 2017.

The Council embarked on the establishment of an entity known as the uThungulu Fresh Produce Market, which was incorporated on the 23 June 2015. The entity is dormant at the reporting date and anticipated to commence activities from the 1st of July 2015.

The above mentioned entities are incorporated in South Africa.

uThungulu District Municipality

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38. Budget and Actual amount variances

Variances greater than 10 % with a value not less than R500 000 as referenced on The Statement of Comparison of Budget and Actual amounts, as reflected on page 9 to page 11 are set out below:

Statement of financial performance

38.1 Other income

The variance is attributable to the debtor being raised for the Provincial Department of Education for the provision of fresh produce, which was not known at the time the budget was prepared.

38.2 Finance costs

The final budget amount of R 16 182 391 caters for the actual capital redemption and interest payments, while the actual amount of R 12 671 936 reflected is net of the capital redemption which was accounted for in long term liabilities per the statement of financial position.

38.3 General expenses

The variance is attributable to operational efficiencies on the sub votes and furthermore certain projects had not been completed in the year under review while others had not commenced due to the finalisation of the process with the departments.

Statement of financial position

38.4 Accounts receivable from non exchange transactions

The variance is mainly attributable to the increase in debtors raised for the Department of Water and Sanitation and Municipal Infrastructure Grant for water project expenditure incurred in the year under review, as a result of timing differences.

38.5 Accounts receivable from exchange transactions

The final budget of R 13 775 300 is exclusive of vat receivable, while the actual amount includes an amount of R 61 107 594 for vat receivable. The receiver of revenue as at June 2015 had not refunded the municipality for the period January 2015 to June 2015. Furthermore the Provincial Department of Education had not settled their debtor account.

38.6 Cash and cash equivalents

The municipality budgeted to have a bank account balance of R 23 490 000, however as a result of the municipality not fully spending the grant funding the cash holding as at 30 June 2015 amounted to R 78 305 527.

38.7 Property, plant, equipment and intangibles

The variance is mainly attributable to the net carrying values in the budget not being updated with the audited outcomes and therefore increasing the estimated net carrying value for the year under review.

38.8 Current portion & non current portion - long term liabilities

The variance is mainly attributable to the budget for the redemption of the short term portion allocated to the long term portion.

38.9 Payables from exchange transactions

The variance is attributable to an increase in spend on capital projects at year end and the subsequent increase

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

38. Budget and Actual amount variances (continued)

is due to the accrual of these payments.

38.10 Consumer deposits

Deposits are based on the average conventional consumption of consumers which have been effected by the very dry weather conditions in the year under review. The increased consumption trends in the period when deposits were reviewed has inadvertently contributed to the higher anticipated deposit holding.

38.11 Defined benefit obligations - current and non current

The variance is attributable to assumed variables and demographical profiles of membership which actuarial valuations are based on.

38.12 Unspent conditional grants and receipts

The municipality budgeted on fully expending grant allocations received for the year, however due to unforeseen circumstances an amount of R 38 603 382 was not spent.

38.13 Provisions - current and non current

The variance in the budget to actual is mainly due to the completion of the partial rehabilitation of the solid waste site, which inadvertently reduced the anticipated funding required to top up the provision for the solid waste site for full rehabilitation.

Cash flow statement

38.14 Grants

The variance on grant receipts is attributable to the grants allocations from the Department of Water and Sanitation not being received.

38.15 Suppliers

The variance is attributable to the increased spending on both capital and operational projects.

38.16 Finance costs

The variance is attributable to the movement in the headlease which is only determined at year end.

38.17 Property, plant, equipment and intangibles

Refer to note 38.7 above for further explanation to the variance.

38.18 Proceeds from the sale of property, plant and equipment

At the time of budgeting the proceeds from the sale of property, plant and equipment cannot be reasonably established.

38.19 Non current investment

The movement in the municipal entity investment is determined at year end and therefore could not be reasonable determined at budget stage.

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39. Prior year adjustments

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate affect of the prior year adjustments in the annual financial statements for the period ended 30 June 2015 is as follows:

1) Head lease - Reclassification

Effect on Non-current liabilities - refer to note 11

Re allocation of amortisation cost for long term liabilities

Previously reported balance for long term liabilities	72 486 892
Adjustment from current liabilities	<u>5 097 987</u>
	<u>77 584 879</u>

Effect on current liabilities - refer to note 11

Re allocation of amortisation cost for current portion of long term liabilities

Previously reported balance for current portion of long term liabilities	12 035 986
Adjustment to non-current liabilities	<u>(5 097 987)</u>
	<u>6 937 999</u>

2) Performance bonus

Effect on current liabilities, payable from exchange transactions - refer to note 12

Previously reported balance for trade payables from exchange transactions	163 569 778
Adjustment for performance bonus	<u>735 594</u>
	<u>164 305 372</u>

Effect on financial performance, employee related cost - refer to note 21

Previously reported balance - employee related costs	110 823 708
Adjustment for performance bonus	<u>735 594</u>
	<u>111 559 302</u>

3) Unspent conditional grants and receipt

Effect on current liabilities, unspent conditional grants & receipts - refer to note 19

Previously reported balance for unspent conditional grants & receipts	51 186 078
Adjustment for previously recognised grant revenue	568 567
Adjustment for revenue recognition for 2012/2013	<u>(32 361)</u>
	<u>51 722 284</u>

Effect on financial performance, government grants & subsidies - refer to note 18

Previously reported balance - government grants & subsidies	633 617 732
Adjustment for previously recognised grant revenue	<u>(568 567)</u>
	<u>633 049 165</u>

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39. Prior year adjustments (continued)

Movement in surplus for 2013/2014

Previously reported balance	218 288 884
Adjustment for performance bonus	(735 594)
Adjustment for previously recognised grant revenue	<u>(568 567)</u>
Restated	<u>216 984 723</u>

Movement in accumulated surplus

Accumulated Surplus as at 1st July 2013 as previously reported	1 344 961 215
Adjustment for revenue recognition	<u>32 361</u>
Accumulated Surplus re-stated	<u>1 344 993 576</u>

Accumulated Surplus as at 1st July 2014 as previously reported	1 563 250 097
Adjustment for performance bonus	(735 594)
Adjustment for previously recognised grant revenue	(568 567)
Adjustment for revenue recognition	<u>32 361</u>
Restated 2013/2014	<u>1 561 978 297</u>

4)Property, plant and equipment - reclassification of prior year balances

The following reclassification adjustments have an effect on the individual asset classification only and does not effect the overall previously reported total cost, accumulated depreciation , impairment and total carrying value.

Effect on buildings class

Previously reported opening carrying value 2013/2014	45 975 161
Adjustment	<u>5 017 270</u>
	<u>50 992 431</u>

Previously reported depreciation	(1 804 051)
Adjustment	<u>(284 632)</u>
	<u>(2 088 683)</u>

Previously reported impairment loss	0
Adjustment	<u>(12 986)</u>
	<u>(12 986)</u>

Previously reported closing carrying value 2013/2014	44 291 196
Adjustment	<u>4 719 652</u>
	<u>49 010 848</u>

Effect on land class

Previously reported opening carrying value 2013/2014	12 474 983
Adjustment	<u>(61 683)</u>
	<u>12 413 300</u>

Previously reported closing carrying value 2013/2014	12 474 983
Adjustment	<u>(61 683)</u>
	<u>12 413 300</u>

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39. Prior year adjustments (continued)

Effect on infrastructure - assets under construction class

Previously reported opening carrying value 2013/2014	497 527 309
Adjustment	<u>331 036</u>
	<u>497 858 339</u>

Previously reported additions	208 242 516
Adjustment	<u>314 160</u>
	<u>208 556 676</u>

Previously reported closing carrying value 2013/2014	519 646 469
Adjustment	<u>645 196</u>
	<u>520 291 665</u>

Effect on infrastructure class

Previously reported opening carrying value 2013/2014	597 720 191
Adjustment	<u>(3 761 839)</u>
	<u>593 958 351</u>

Previously reported depreciation	(40 409 473)
Adjustment	<u>135 085</u>
	<u>(40 274 387)</u>

Previously reported impairment loss	(1 775 130)
Adjustment	<u>12 986</u>
	<u>(1 762 143)</u>

Previously reported closing carrying value 2013/2014	741 588 452
Adjustment	<u>(3 613 767)</u>
	<u>737 974 685</u>

Effect on other assets - assets under construction class

Previously reported opening carrying value 2013/2014	3 374 055
Adjustment	<u>(331 036)</u>
	<u>3 043 017</u>

Previously reported additions	2 306 574
Adjustment	<u>(314 160)</u>
	<u>1 992 416</u>

Previously reported closing carrying value 2013/2014	5 680 629
Adjustment	<u>(645 196)</u>
	<u>5 035 433</u>

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39. Prior year adjustments (continued)

Effect on other assets class

Previously reported opening carrying value 2013/2014	16 263 969
Adjustment	<u>(1 193 748)</u>
	15 070 221
Previously reported depreciation	(4 452 108)
Adjustment	<u>149 547</u>
	<u>(4 302 561)</u>
Previously reported closing carrying value 2013/2014	18 952 063
Adjustment	<u>(1 044 202)</u>
	17 907 861

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2015

2014

40. Unauthorised, Fruitless & Wasteful and Irregular expenditure

To the best of our knowledge no known incidences of these expenditures have been incurred during the year under review.

41. Distribution losses

The technical department is responsible for monitoring and ensuring appropriate measures are developed to reduce water distribution losses. A number of programs have been implemented to reduce losses on a wide scale with our focus areas being that of the non urbanised areas. In the urban areas water losses are contained within the acceptable norms of the Department of Water and Sanitation and potential revenue losses thereby minimised. Losses are attributable to two components namely, normal losses through reticulation systems and losses due to influences attributable to external factors, i.e illegal connections.

The department of Water and Sanitation considers any losses below that of 25 % as an acceptable norm.

42. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 11, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Gearing ratios

The gearing ratio as at 2015 and 2014 restated respectively were as follows:

Total borrowings

Long-term liabilities	11	77 584 880	84 522 878
Less: Cash and cash equivalents	7	428 309 327	518 756 277
Net cash		(350 724 447)	(434 233 399)
Total equity		1 733 109 749	1 561 978 299
Total capital		1 382 385 302	1 127 744 900
		5,61%	6,88%

The comparative figure for total equity has been re-stated by an amount of R 1 271 798 (R 735 594 +R 568 567 - R 32 363) - refer to note 39

Financial risk management

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's financial services function monitors and manages the financial risks relating to the operation of the municipality. These risks include credit risk and liquidity risk.

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42. Risk management (continued)

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities.

The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current assets	576 674 159	589 963 537
Current liabilities	245 903 126	237 188 034
Liquidity ratio	2,34:1	2,48:1

Interest rate risk

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

Credit risk

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

Debtors comprise of mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Councils credit control and debt collection policy.

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

Financial instrument		
Investments	350 000 000	480 000 000
Cash and cash equivalents	78 309 327	38 756 277
Accounts receivable from exchange and non exchange transaction	139 706 036	64 615 933

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43. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of 1 733 109 749 and that the municipality's total assets exceed its total liabilities by 1 733 109 749.

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

44. Events after the reporting date

At the date of submission of the annual financial statements there were no known events.

Appendix A

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Other loans							
INCA @ 13.95%	31/12/2014	21 000 000	-	-	21 000 000	-	-
		21 000 000	-	-	21 000 000	-	-
Lease liability							
Leased property @ 11.95%	31/03/2017	24 296 048	-	(268 283)	24 564 331	-	-
		24 296 048	-	(268 283)	24 564 331	-	-
Annuity loans							
INCA @ 11.95%	30/06/2023	27 423 161	-	1 108 642	26 314 519	-	-
ABSA @ 12.60 %	30/06/2024	43 471 381	-	1 439 010	42 032 371	-	-
		70 894 542	-	2 547 652	68 346 890	-	-
Government loans							
Total external loans							
Other loans		21 000 000	-	-	21 000 000	-	-
Lease liability		24 296 048	-	(268 283)	24 564 331	-	-
Annuity loans		70 894 542	-	2 547 652	68 346 890	-	-
		116 190 590	-	2 279 369	113 911 221	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	2 647	(233 499)	-	-	(230 852)	(236 146)	(233 499)	-	-	-	(469 645)	(700 497)
	-	2 647	(233 499)	-	-	(230 852)	(236 146)	(233 499)	-	-	-	(469 645)	(700 497)

Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Agricultural/Biological assets	-	2 647	(233 499)	-	-	-	(230 852)	(236 146)	(233 499)	-	-	-	(469 645)	(700 497)
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	2 988	-	2 988	-	-	-	5 976	-	2 988	-	-	-	2 988	8 964
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	2 647	(233 499)	-	-	-	(230 852)	(236 146)	(233 499)	-	-	-	(469 645)	(700 497)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 988	-	2 988	-	-	-	5 976	-	2 988	-	-	-	2 988	8 964
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2 988	2 647	(230 511)	-	-	-	(224 876)	(236 146)	(230 511)	-	-	-	(466 657)	(691 533)

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	53 826 074	-	53 826 074	-	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	-	-	-	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	-	-	-	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	35 965	-	35 965	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	13 203 417	-	13 203 417	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	37 074 488	-	37 074 488	-	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	104 139 944	-	104 139 944	-	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(127 085 564)	-	(127 085 564)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(9 395 476)	-	(9 395 476)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(42 829 513)	-	(42 829 513)	-
Impairment	-	-	-	-
Amortisation	(532 125)	-	(532 125)	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(12 671 936)	-	(12 671 936)	-
Bad debts written off	(3 513 011)	-	(3 513 011)	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(69 590 792)	-	(69 590 792)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(39 096 245)	-	(39 096 245)	-
Contracted Services	(89 675 230)	-	(89 675 230)	-
Transfers and Subsidies	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(207 491 234)	-	(207 491 234)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(601 881 126)	-	(601 881 126)	-
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	1 236 920	-	1 236 920	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	1 236 920	-	1 236 920	-
Net surplus/ (deficit) for the year	(496 504 262)	-	(496 504 262)	-

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2015

	2015/2014										2014/2013				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments 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 of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Revenue by Vote	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Expenditure by Vote to be appropriated															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-