

# UTHUNGULU



uThungulu District Municipality  
uThungulu Distrik Munisipaliteit  
uMasipala Wesifunda Waso Thungulu

**Annual financial statements  
for the year ended 30 June 2016**

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## GENERAL INFORMATION

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

**uThungulu District Municipality**  
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The reports and statements set out below comprise the annual financial statements presented to the Council:

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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
IDP	Integrated Development Plan
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

# **uThungulu District Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY**

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The uThungulu District Municipality, situated in the central business district, Richards Bay, is a category C municipality established in terms of Section 12(1) of the Municipal Structures Act, 1998(Act No. 117 of 1998).

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 84, 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.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the annual financial statements were submitted to the Auditor General South Africa (AGSA) on 31 August 2016.

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**MH Nkosi**  
**Municipal Manager**

**Richards Bay**  
**31 August 2016**

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

Figures in Rand	Note(s)	2016	2015 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	8 837 164	8 615 053
Accounts receivable from exchange transactions	4	94 404 781	81 989 967
Accounts receivables from non exchange transactions	5	65 472 265	69 880 746
Current portion of long term receivables	6	89 365	43 742
Cash and cash equivalents	7	422 557 325	428 309 327
		<b>591 360 900</b>	<b>588 838 835</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	1 850 578 156	1 524 380 185
Intangible assets	9	2 081 454	1 049 746
Investments in municipal entities	10	14 400 106	19 766 930
Long term receivables	6	265 134	346 581
		<b>1 867 324 850</b>	<b>1 545 543 442</b>
<b>Total Assets</b>		<b>2 458 685 750</b>	<b>2 134 382 277</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of long term - liabilities	11	12 988 989	9 528 739
Payables from exchange transactions	12	196 696 530	186 688 406
Consumer deposits	13	10 138 749	9 698 427
Defined benefit obligations	14	650 000	336 000
Provisions	15	1 014 548	1 048 172
Unspent conditional grants and receipts	19	15 939 426	38 603 382
		<b>237 428 242</b>	<b>245 903 126</b>
<b>Non-Current Liabilities</b>			
Long - term liabilities	11	55 067 151	68 056 141
Defined benefit obligations	14	26 640 000	23 761 000
Provisions	15	67 112 461	63 016 396
		<b>148 819 612</b>	<b>154 833 537</b>
<b>Total Liabilities</b>		<b>386 247 854</b>	<b>400 736 663</b>
Total Assets		2 458 685 750	2 134 382 277
Total Liabilities		(386 247 854)	(400 736 663)
<b>Net Assets</b>		<b>2 072 437 896</b>	<b>1 733 645 614</b>
Accumulated surplus		2 072 437 896	1 733 645 614

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2016	2015 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	62 958 216	53 826 074
Rental income		41 254	35 965
Interest received	17	40 631 838	39 016 150
Other income	20	21 227 580	13 136 623
<b>Total revenue from exchange transactions</b>		<b>124 858 888</b>	<b>106 014 812</b>
<b>Revenue from non-exchange transactions</b>			
Government grants & subsidies	18	936 238 462	698 833 530
<b>Total revenue</b>		<b>1 061 097 350</b>	<b>804 848 342</b>
<b>Expenditure</b>			
Employee related costs	21	(152 435 306)	(132 209 676)
Remuneration of councillors	22	(10 094 526)	(9 395 476)
Depreciation, amortisation and impairment	23	(50 756 076)	(48 915 459)
Finance costs	24	(11 251 516)	(12 671 936)
Debt Impairment	4 & 5	(7 871 993)	(10 259 804)
Repairs and maintenance	25	(88 577 844)	(76 820 187)
Bulk purchases	26	(49 535 014)	(39 223 756)
Contracted services	27	(92 406 067)	(90 364 168)
Grants and donations	28	(30 109 719)	(7 181 000)
General expenses	29	(228 620 970)	(205 304 006)
<b>Total expenditure</b>		<b>(721 659 031)</b>	<b>(632 345 468)</b>
<b>Operating surplus</b>		<b>339 438 319</b>	<b>172 502 874</b>
Loss on disposal of property, plant and equipment		(632 302)	(835 553)
Inventories losses/write-downs		(13 735)	-
		<b>(646 037)</b>	<b>(835 553)</b>
<b>Surplus for the year</b>		<b>338 792 282</b>	<b>171 667 321</b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## STATEMENT OF CHANGES IN NET ASSETS

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
Opening balance as at 1 July 2014 as previously reported	1 561 978 293	1 561 978 293
<b>Balance as at 01 July 2014 restated</b>	<b>1 561 978 293</b>	<b>1 561 978 293</b>
Changes in net assets		
Surplus for the year restated- refer to note 39	171 667 321	171 667 321
Total changes	171 667 321	171 667 321
<b>Balance as at 01 July 2015 restated</b>	<b>1 733 645 614</b>	<b>1 733 645 614</b>
Changes in net assets		
Surplus for the year	338 792 282	338 792 282
Total changes	338 792 282	338 792 282
<b>Balance at 30 June 2016</b>	<b>2 072 437 896</b>	<b>2 072 437 896</b>



**uThungulu District Municipality**  
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**CASH FLOW STATEMENT**

Figures in Rand	Note(s)	2016	2015 Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from consumers and other		89 800 814	45 665 489
Grants		901 490 300	649 346 164
Interest income		40 631 838	37 074 488
		<u>1 031 922 952</u>	<u>732 086 141</u>
<b>Payments</b>			
Employee costs	21 & 22	(162 529 832)	(141 605 152)
Suppliers		(526 149 444)	(463 346 315)
Finance costs		(11 251 516)	(12 671 936)
		<u>(699 930 792)</u>	<u>(617 623 403)</u>
<b>Net cash flows from operating activities</b>	<b>30</b>	<b><u>331 992 160</u></b>	<b><u>114 462 738</u></b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(347 023 652)	(202 487 750)
Proceeds from sale/insurance of property, plant and equipment		944 575	1 236 920
Donation of property, plant and equipment		12 461 007	-
Decrease in non-current receivables		35 824	41 595
Movement in investments in municipal entities		5 366 824	3 237 544
<b>Net cash flows from investing activities</b>		<b><u>(328 215 422)</u></b>	<b><u>(197 971 691)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of long term liabilities	11	(9 528 740)	(6 937 997)
<b>Net cash flows from financing activities</b>		<b><u>(9 528 740)</u></b>	<b><u>(6 937 997)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(5 752 002)</u></b>	<b><u>(90 446 950)</u></b>
Cash and cash equivalents at the beginning of the year		428 309 327	518 756 277
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b><u>422 557 325</u></b>	<b><u>428 309 327</u></b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## 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
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	65 747 554	-	<b>65 747 554</b>	62 958 216	<b>(2 789 338)</b>	
Rental income	-	-	-	41 254	<b>41 254</b>	
Interest received	30 650 356	2 200 000	<b>32 850 356</b>	40 631 838	<b>7 781 482</b>	38.1
Other income	10 153 703	11 702 203	<b>21 855 906</b>	21 227 580	<b>(628 326)</b>	
<b>Total revenue from exchange transactions</b>	<b>106 551 613</b>	<b>13 902 203</b>	<b>120 453 816</b>	<b>124 858 888</b>	<b>4 405 072</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	980 124 300	(29 897 295)	<b>950 227 005</b>	936 238 462	<b>(13 988 543)</b>	
<b>Total revenue</b>	<b>1 086 675 913</b>	<b>(15 995 092)</b>	<b>1 070 680 821</b>	<b>1 061 097 350</b>	<b>(9 583 471)</b>	
<b>Expenditure</b>						
Employee related costs	(175 274 586)	19 338 344	<b>(155 936 242)</b>	(152 435 306)	<b>3 500 936</b>	
Remuneration of councillors	(11 411 487)	1 316 959	<b>(10 094 528)</b>	(10 094 526)	<b>2</b>	
Depreciation, amortisation and impairment	(52 920 151)	-	<b>(52 920 151)</b>	(50 756 076)	<b>2 164 075</b>	
Finance costs	(16 655 927)	5 404 413	<b>(11 251 514)</b>	(11 251 516)	<b>(2)</b>	
Debt impairment	(3 636 553)	(4 235 441)	<b>(7 871 994)</b>	(7 871 993)	<b>1</b>	
Repairs and maintenance	(47 625 918)	(40 951 969)	<b>(88 577 887)</b>	(88 577 844)	<b>43</b>	
Bulk purchases	(40 532 506)	(9 002 510)	<b>(49 535 016)</b>	(49 535 014)	<b>2</b>	
Contracted services	(109 793 489)	17 386 862	<b>(92 406 627)</b>	(92 406 067)	<b>560</b>	
Grants and donations	(12 563 000)	(5 072 977)	<b>(17 635 977)</b>	(30 109 719)	<b>(12 473 742)</b>	38.2
General expenses	(173 645 150)	(56 277 591)	<b>(229 922 741)</b>	(228 620 970)	<b>1 301 771</b>	
<b>Total expenditure</b>	<b>(644 058 767)</b>	<b>(72 093 910)</b>	<b>(716 152 677)</b>	<b>(721 659 031)</b>	<b>(5 506 354)</b>	
<b>Operating surplus/(loss)</b>	<b>442 617 146</b>	<b>(88 089 002)</b>	<b>354 528 144</b>	<b>339 438 319</b>	<b>(15 089 825)</b>	
Loss on disposal of property, plant and equipment	-	-	-	(632 302)	<b>(632 302)</b>	
Inventories losses/write-downs	-	-	-	(13 735)	<b>(13 735)</b>	
	-	-	-	<b>(646 037)</b>	<b>(646 037)</b>	
<b>Surplus</b>	<b>442 617 146</b>	<b>(88 089 002)</b>	<b>354 528 144</b>	<b>338 792 282</b>	<b>(15 735 862)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>442 617 146</b>	<b>(88 089 002)</b>	<b>354 528 144</b>	<b>338 792 282</b>	<b>(15 735 862)</b>	

# uThungulu District Municipality

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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
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8 985 594	-	<b>8 985 594</b>	8 837 164	<b>(148 430)</b>	
Current portion of long term receivables	41 651	-	<b>41 651</b>	89 365	<b>47 714</b>	
Accounts receivable from non exchange transactions	10 432 825	-	<b>10 432 825</b>	65 472 266	<b>55 039 441</b>	38.3
VAT receivable	-	-	-	70 443 855	<b>70 443 855</b>	38.4
Accounts receivable from exchange transactions	11 702 220	-	<b>11 702 220</b>	23 960 926	<b>12 258 706</b>	38.4
Cash and cash equivalents	344 782 000	-	<b>344 782 000</b>	422 557 325	<b>77 775 325</b>	38.5
	<b>375 944 290</b>	<b>-</b>	<b>375 944 290</b>	<b>591 360 901</b>	<b>215 416 611</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	2 469 677 830	(22 437 541)	<b>2 447 240 289</b>	1 850 578 156	<b>(596 662 133)</b>	38.6
Intangible assets	1 402 000	1 376 235	<b>2 778 235</b>	2 081 454	<b>(696 781)</b>	38.6
Investments in municipal entities	14 372 354	-	<b>14 372 354</b>	14 400 106	<b>27 752</b>	
Long term receivables	313 390	-	<b>313 390</b>	265 134	<b>(48 256)</b>	
	<b>2 485 765 574</b>	<b>(21 061 306)</b>	<b>2 464 704 268</b>	<b>1 867 324 850</b>	<b>(597 379 418)</b>	
<b>Total Assets</b>	<b>2 861 709 864</b>	<b>(21 061 306)</b>	<b>2 840 648 558</b>	<b>2 458 685 751</b>	<b>(381 962 807)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Current portion of long term liabilities	15 531 230	-	<b>15 531 230</b>	12 988 989	<b>(2 542 241)</b>	38.7
Payables from exchange transactions	115 559 004	-	<b>115 559 004</b>	196 696 530	<b>81 137 526</b>	38.8
Consumer deposits	9 521 000	-	<b>9 521 000</b>	10 138 749	<b>617 749</b>	
Defined benefit obligations	-	-	-	650 000	<b>650 000</b>	38.9
Unspent conditional grants and receipts	-	-	-	15 939 426	<b>15 939 426</b>	38.10
Provisions	6 753 897	-	<b>6 753 897</b>	1 014 548	<b>(5 739 349)</b>	38.11
	<b>147 365 131</b>	<b>-</b>	<b>147 365 131</b>	<b>237 428 242</b>	<b>90 063 111</b>	
<b>Non-Current Liabilities</b>						
Long - term liabilities	52 524 910	-	<b>52 524 910</b>	55 067 151	<b>2 542 241</b>	38.7
Defined benefit obligations	20 371 790	-	<b>20 371 790</b>	26 640 000	<b>6 268 210</b>	38.9
Provisions	81 742 138	-	<b>81 742 138</b>	67 112 461	<b>(14 629 677)</b>	38.11
	<b>154 638 838</b>	<b>-</b>	<b>154 638 838</b>	<b>148 819 612</b>	<b>(5 819 226)</b>	
<b>Total Liabilities</b>	<b>302 003 969</b>	<b>-</b>	<b>302 003 969</b>	<b>386 247 854</b>	<b>84 243 885</b>	
<b>Net Assets</b>	<b>2 559 705 895</b>	<b>(21 061 306)</b>	<b>2 538 644 589</b>	<b>2 072 437 897</b>	<b>(466 206 692)</b>	
<b>Reserves</b>						
Accumulated surplus	2 559 705 895	(21 061 306)	<b>2 538 644 589</b>	2 072 437 897	<b>(466 206 692)</b>	

# uThungulu District Municipality

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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
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Receipts from consumers and other	69 326 502	16 886 933	<b>86 213 435</b>	89 800 814	<b>3 587 379</b>	
Grants	980 124 000	(29 896 995)	<b>950 227 005</b>	901 490 300	<b>(48 736 705)</b>	
Interest income	30 650 356	2 200 000	<b>32 850 356</b>	40 631 838	<b>7 781 482</b>	38.12
	<b>1 080 100 858</b>	<b>(10 810 062)</b>	<b>1 069 290 796</b>	<b>1 031 922 952</b>	<b>(37 367 844)</b>	
<b>Payments</b>						
Employee costs	(186 686 000)	16 385 000	<b>(170 301 000)</b>	(162 529 832)	<b>7 771 168</b>	
Suppliers	(371 597 137)	(87 440 193)	<b>(459 037 330)</b>	(496 039 725)	<b>(37 002 395)</b>	
Finance costs	(16 655 927)	-	<b>(16 655 927)</b>	(11 251 516)	<b>5 404 411</b>	38.13
Transfers and grants	(12 563 000)	4 999 988	<b>(7 563 012)</b>	(30 109 719)	<b>(22 546 707)</b>	38.14
	<b>(587 502 064)</b>	<b>(66 055 205)</b>	<b>(653 557 269)</b>	<b>(699 930 792)</b>	<b>(46 373 523)</b>	
<b>Net cash flows from operating activities</b>	<b>492 598 794</b>	<b>(76 865 267)</b>	<b>415 733 527</b>	<b>331 992 160</b>	<b>(83 741 367)</b>	
<b>Cash flows from investing activities</b>						
Payment of property, plant, equipment	(512 244 980)	21 061 306	<b>(491 183 674)</b>	(347 023 652)	<b>144 160 022</b>	38.15
Proceeds from insurance settlements of property, plant and equipment	-	-	-	944 574	<b>944 574</b>	38.16
Donation of assets	-	-	-	12 461 007	<b>12 461 007</b>	38.17
Decrease in non current receivables	41 000	-	<b>41 000</b>	35 824	<b>(5 176)</b>	
Decrease in non current investments	5 383 000	-	<b>5 383 000</b>	5 366 824	<b>(16 176)</b>	
<b>Net cash flows from investing activities</b>	<b>(506 820 980)</b>	<b>21 061 306</b>	<b>(485 759 674)</b>	<b>(328 215 423)</b>	<b>157 544 251</b>	
<b>Cash flows from financing activities</b>						
Repayment of long-term liabilities	(9 528 740)	-	<b>(9 528 740)</b>	(9 528 740)	-	
Increase/(Decrease) in consumer deposits	866 000	-	<b>866 000</b>	-	<b>(866 000)</b>	38.18
<b>Net cash flows from financing activities</b>	<b>(8 662 740)</b>	<b>-</b>	<b>(8 662 740)</b>	<b>(9 528 740)</b>	<b>(866 000)</b>	
Net increase/(decrease) in cash and cash equivalents	(22 884 926)	(55 803 961)	<b>(78 688 887)</b>	(5 752 003)	<b>72 936 884</b>	
Cash and cash equivalents at the beginning of the year	436 438 148	-	<b>436 438 148</b>	428 309 327	<b>(8 128 821)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>413 553 222</b>	<b>(55 803 961)</b>	<b>357 749 261</b>	<b>422 557 324</b>	<b>64 808 063</b>	

## **ACCOUNTING POLICIES**

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### **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 judgement.

## **ACCOUNTING POLICIES**

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### **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, directives and interpretations have been issued and effective from 1 April 2015**

#### GRAP standards

GRAP 105 - Transfers of functions between entities under common control

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality. A transferor is the municipality that relinquishes control of a function.

For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

This standard is currently not relevant to the municipality as no functions have been transferred between entities under common control.

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

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

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

Control for accounting purposes is defined in the Standard of GRAP on Consolidated and Separate Financial Statements as: "The power to govern the financing and operating policies of an entity so as to obtain benefit from its activities". The key consideration in determining whether or not control exists for accounting purposes is that an entity must be able to demonstrate both that it has certain decision-making capabilities over another, and that it benefits from the activities of that entity.

The effect of applying this standard will be on the measurement of transferred assets and liabilities at fair value.

This standard is currently not relevant to the municipality as no functions have been transferred between entities not under common control.

GRAP 107 - Mergers

The objective of this standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not

## **ACCOUNTING POLICIES**

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### **1.2 New standards and interpretations (continued)**

result in an municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

The standard deals with the requirements for accounting for a merger, and is currently not relevant to the municipality as there is no foreseeable indication that a merger with another municipality will take place.

#### Directives issued and effective

Directive 11: Changes in measurement basis following the initial adoption of the standards of GRAP.

This directive allows a change in accounting policy on a once off basis to the cost model from the revaluation or fair value model initially adopted. The directive will not have a material impact on the municipality's financial statements as the cost model was adopted from inception.

#### Interpretations of the standards of GRAP

IGRAP 11: Consolidations - Special Purpose Entities (SPE)

The interpretation deals with the issue of circumstances under which an entity should consolidate an SPE. It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

IGRAP 12: Jointly Controlled Entities (JCE)

This interpretation of the standards of GRAP deals with a venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation. It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **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 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.

## **ACCOUNTING POLICIES**

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### **1.2 New standards and interpretations (continued)**

**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 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.



## **ACCOUNTING POLICIES**

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### **1.3 Financial instruments (continued)**

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).

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 unitised 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.

## **ACCOUNTING POLICIES**

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### **1.3 Financial instruments (continued)**

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.

#### **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:

<b>Class</b>	<b>Category</b>
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:

<b>Class</b>	<b>Category</b>
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**

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### **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**

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### **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 13 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**

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### **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, sanitation services and 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 assets 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 the 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.

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 an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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.

## **ACCOUNTING POLICIES**

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### **1.6 Property, plant and equipment (continued)**

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	Depreciation method	Average useful life
<b>Buildings</b>	Straight line	30 years
• Other buildings		30 years
• Permanent		
<b>Plant and Equipment</b>	Straight line	
• Weed eater		2 years
• Lawn mower		2 years
• Other		5 years
• Skid mounted fire response unit		15 years
<b>Furniture</b>	Straight line	10 years
<b>Computer equipment</b>	Straight line	5 years
<b>Infrastructure - plant and equipment</b>	Straight line	
• Heavy duty infrastructure pumps		15 years
• Unspecified infrastructure assets		15 years
• Standby generator sets - water sewerage camps		15 years
<b>Infrastructure - sewage services</b>	Straight line	
• Sewerage containment		50 years
• Sewerage network		50 years
• Sewerage purification		50 years
<b>Infrastructure - solid waste cell services</b>	Straight line	
• Solid waste cell		15 years
• Cemetery		15 years
<b>Infrastructure water services</b>	Straight line	
• Small schemes		20 years
• Water abstraction		20 years
• Water network		20 years
• Water purification		20 years
• Water storage		50 years
<b>Equipment</b>	Straight line	
• Office equipment		5 years
<b>Motor vehicles</b>	Straight line	
• Bakkie, LDV, Sedan and tanker		7 years
• Truck		7 years
• Trailer and caravan		5 years
• Forklift		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**

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### **1.7 Intangible assets**

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

#### Subsequent measurement, amortisation and impairment

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 years

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.



## **ACCOUNTING POLICIES**

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### **1.8 Impairment of non-cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented 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.

### **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.

## **ACCOUNTING POLICIES**

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### **1.9 Leases (continued)**

#### **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.

### **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.

## **ACCOUNTING POLICIES**

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### **1.12 Revenue from exchange transactions (continued)**

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.

### **1.13 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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, an 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.

## **ACCOUNTING POLICIES**

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### **1.13 Revenue from non-exchange transactions (continued)**

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.

### **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.

## **ACCOUNTING POLICIES**

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### **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.

### **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.

## **ACCOUNTING POLICIES**

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### **1.18 Fruitless and wasteful expenditure (continued)**

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.

### **1.23 Contingent assets and contingent liabilities**

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

### **1.24 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.

### **1.25 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

## **ACCOUNTING POLICIES**

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### **1.25 Events after reporting date (continued)**

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

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

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

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 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 but are not yet effective.

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul>	No pronounced effective date for municipalities	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"><li>GRAP 20: Related parties</li></ul>	No effective date	The impact of the amendment is not expected to be material.
<ul style="list-style-type: none"><li>GRAP 32: Service Concession Arrangements: Grantor</li></ul>	No effective date	Currently not relevant to the municipality
<ul style="list-style-type: none"><li>GRAP 108: Statutory Receivables</li></ul>	No effective date	The effect will be on the recognition, measurement, presentation and disclosure of statutory receivables.
<ul style="list-style-type: none"><li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li></ul>	No effective date	Currently not relevant to the municipality, however the interpretation standard deals with the accounting for concession arrangement.
<ul style="list-style-type: none"><li>GRAP 109: Accounting by Principals and Agents</li></ul>	No effective date	The impact of the amendment is not material.



**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2016	2015
<b>3. Inventories</b>		
Consumable and maintenance materials	7 474 179	7 347 622
Water	1 362 985	1 267 431
	<b>8 837 164</b>	<b>8 615 053</b>
Inventories recognised as an expense during the year	2 764 786	2 610 502
<b>Inventory pledged as security</b>		
No inventory was pledged as security.		
<b>4. Accounts receivable from exchange transactions</b>		
<b>Consumer debtors - Gross balances</b>		
Water	56 086 270	47 935 815
Sanitation	7 023 947	5 885 272
Solid waste	2 473 836	2 666 001
	<b>65 584 053</b>	<b>56 487 088</b>
<b>Less: Allowance for impairment</b>		
Water	(36 146 813)	(31 422 278)
Sanitation	(5 144 441)	(3 927 915)
Solid waste	(331 873)	(254 522)
	<b>(41 623 127)</b>	<b>(35 604 715)</b>
<b>Net balance</b>		
Water	19 939 457	16 513 537
Sanitation	1 879 506	1 957 357
Solid waste	2 141 963	2 411 479
	<b>23 960 926</b>	<b>20 882 373</b>
<b>Summary of debtors by service type</b>		
<b>Water</b>		
Current (0 -30 days)	6 383 827	5 016 762
31 - 60 days	2 374 891	2 143 045
61 - 90 days	1 246 969	1 218 404
91 - 120 days	1 437 219	1 062 456
> 121 days	44 643 364	38 495 148
Less: Allowance for impairment	(36 146 813)	(31 422 278)
	<b>19 939 457</b>	<b>16 513 537</b>
<b>Sanitation</b>		
Current (0 -30 days)	562 344	440 556
31 - 60 days	260 687	234 815
61 - 90 days	187 810	154 640
91 - 120 days	154 438	140 074
> 121 days	5 858 668	4 915 187
Less: Allowance for impairment	(5 144 441)	(3 927 915)
	<b>1 879 506</b>	<b>1 957 357</b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>4. Accounts receivable from exchange transactions (continued)</b>		
<b>Solid waste</b>		
Current (0 -30 days)	1 412 052	1 736 280
31 - 60 days	454 617	520 599
61 - 90 days	37 511	75 082
91 - 120 days	12 421	2 068
> 121 days	557 235	331 972
Less: Allowance for impairment	(331 873)	(254 522)
	<b>2 141 963</b>	<b>2 411 479</b>
<b>Summary of debtors by customer classification</b>		
<b>Domestic Consumers</b>		
Current (0 -30 days)	4 334 637	3 667 207
31 - 60 days	2 188 365	1 603 924
61 - 90 days	1 118 087	1 121 362
91 - 120 days	1 404 652	1 026 175
> 121 days	46 983 627	41 953 534
	56 029 368	49 372 202
Less: Allowance for impairment	(41 318 327)	(35 350 194)
	<b>14 711 041</b>	<b>14 022 008</b>
<b>Industrial/Commercial</b>		
Current (0 -30 days)	2 542 450	2 481 547
31 - 60 days	323 582	782 961
61 - 90 days	88 411	218 522
91 - 120 days	64 265	55 401
> 121 days	1 934 184	1 360 482
	4 952 892	4 898 913
Less: Allowance for impairment	(304 804)	(254 521)
	<b>4 648 088</b>	<b>4 644 392</b>
<b>National and Provincial government</b>		
Current (0 -30 days)	1 481 135	1 044 844
31 - 60 days	578 248	511 574
61 - 90 days	265 792	108 242
91 - 120 days	135 161	123 022
> 121 days	2 141 456	428 291
	<b>4 601 792</b>	<b>2 215 973</b>
<b>Total</b>		
Current (0 - 30 days)	8 358 223	7 193 598
31 - 60 days	3 090 195	2 898 459
61 - 90 days	1 472 290	1 448 126
91 - 120 days	1 604 078	1 204 598
> 121 days	51 059 267	43 742 307
Less: Allowance for impairment	(41 623 127)	(35 604 715)
	<b>23 960 926</b>	<b>20 882 373</b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>4. Accounts receivable from exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(35 604 715)	(33 727 281)
Contributions to allowance	<b>(7 871 989)</b>	<b>(5 390 445)</b>
Debt impairment written off against allowance	1 853 577	3 513 011
	<b>(41 623 127)</b>	<b>(35 604 715)</b>

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	23 960 926	20 882 373
Vat receivable - refer to note 35 for full details	70 443 855	61 107 594
	<b>94 404 781</b>	<b>81 989 967</b>

### 5. Accounts receivables from non exchange transactions

Payments in advance	3 237 703	14 502 073
Employee, councillor account transactions	495 735	370 213
Investment interest accrual	2 401 099	3 847 173
Grant and other debtors	52 201 316	45 250 197
Deposits	7 136 413	5 911 090
uMhlathuze municipality - soccer stadium	-	4 869 359
Impairment uMhlathuze municipality - soccer stadium	-	(4 869 359)
	<b>65 472 265</b>	<b>69 880 746</b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
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### 5. Accounts receivables from non exchange transactions (continued)

Payments in advance - In the 2014/2015 financial year an amount of R12 164 676 was transferred to conveyances and held in trust for the purchase of a building which was transferred subsequent to year end.

Employee, councillor account transactions - In the 2014/2015 financial year employee transactions amounting to R 10 457 were included in the Grants and other debtors classification and have been re-classified accordingly in the comparative year and in the 2015/2016 financial year to employee, councillor account transactions - refer to note 39.

Grant and other debtors - In the 2014/2015 financial year 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, which were received in the 2015/2016 year under review. In the year under review the following debtors have been raised of R 33 007 696 and R 19 193 620 for the Department of Water and Sanitation and Municipal Infrastructure Grant respectively.

#### Debt impairment

As of 30 June 2016, the total debt impairment as recognised in the statement of financial performance for accounts from exchange transactions amounted to R 7 871 993m871. The impairment of R 4 869 359 in the 2014/2015 year has to date not been written off.

Accounts receivable from exchange transactions	7 871 993	5 390 445
Accounts receivable from non exchange transactions	-	4 869 359
	<b>7 871 993</b>	<b>10 259 804</b>

### 6. Long term receivables

Staff home loans	<b>265 134</b>	<b>346 581</b>
Non-current assets	265 134	346 581
Current portion of long term receivables	89 365	43 742
	<b>354 499</b>	<b>390 323</b>

#### 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. In the reporting year a staff member has left the municipality and the full outstanding loan amounting to R 50 796 will be settled by the pension fund (NJMPF) in the 2016/2017 financial year.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	3 800	3 800
Cash book balances	82 553 525	78 305 527
Call Investment deposits	340 000 000	350 000 000
	<b>422 557 325</b>	<b>428 309 327</b>

Call Investment deposits portfolio is detailed below:

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Investment</u> R
ABSA	11/07/2016	R 40 000 000
NEDBANK	CALL	R 10 000 000
NEDBANK	CALL	R 10 000 000
STANDARD BANK	18/07/2016	R 40 000 000
STANDARD BANK	28/07/2016	R 20 000 000
STANDARD BANK	22/08/2016	R 75 000 000
STANDARD BANK	26/08/2016	R 20 000 000
STANDARD BANK	15/09/2016	R 20 000 000
INVESTEC	24/08/2016	R 30 000 000
INVESTEC	20/09/2016	R 75 000 000
		<b>R 340 000 000</b>

An average interest rate of 7.53%(2015 - 6.33%) was received on investments placed for the financial year.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**7. Cash and cash equivalents (continued)**

The municipality had the following bank accounts

<u>Account description/number</u>	Bank statement balances			Cash book balances		
	30 June 2016 R	30 June 2015 R	30 June 2014 R	30 June 2016 R	30 June 2015 R	30 June 2014 R
<b>NEDBANK - Primary Account Account No. 145 408 8885</b>	93 170 349	119 500 691	79 327 350	93 130 177	119 463 892	79 294 133
Other accounts						
<b>NEDBANK - Account No. 145 408 8893</b>	2 319 220	2 142 699	5 941 970	2 166 735	1 692 115	5 217 802
<b>NEDBANK - Account No. 145 408 9016</b>	2 514 756	-	-	(12 764 216)	(43 140 539)	(46 040 460)
<b>NEDBANK - Account No. 145 408 8907</b>	12 028	13 360	13 360	12 028	13 360	13 360
<b>NEDBANK - Account No. 145 409 4141</b>	8 801	276 699	267 642	8 801	276 699	267 642
<b>Total</b>	<b>98 025 154</b>	<b>121 933 449</b>	<b>85 550 322</b>	<b>82 553 525</b>	<b>78 305 527</b>	<b>38 752 477</b>

Detailed bank reconciliations in support of cash book balances are available at the registered office of the municipality.

## uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

#### 8. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	68 266 776	(17 004 679)	51 262 097	61 802 962	(14 888 429)	46 914 533
Land	12 413 300	-	12 413 300	12 413 300	-	12 413 300
Infrastructure under construction	759 230 386	-	759 230 386	625 474 690	-	625 474 690
Infrastructure	1 351 255 017	(337 896 859)	1 013 358 158	1 109 329 559	(293 597 349)	815 732 210
Other assets - assets under construction	1 291 772	-	1 291 772	8 168 983	-	8 168 983
Other assets	33 718 273	(20 695 830)	13 022 443	33 658 831	(17 982 362)	15 676 469
<b>Total</b>	<b>2 226 175 524</b>	<b>(375 597 368)</b>	<b>1 850 578 156</b>	<b>1 850 848 325</b>	<b>(326 468 140)</b>	<b>1 524 380 185</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening carrying value	Additions	Disposals	Transfers	Donations	Depreciation	Total
Buildings	46 914 533	12 164 676	-	6 463 814	(11 982 484)	(2 298 442)	51 262 097
Land	12 413 300	-	-	-	-	-	12 413 300
Infrastructure under construction	625 474 690	373 905 050	-	(240 149 354)	-	-	759 230 386
Infrastructure	815 732 210	1 115 391	(148 489)	240 974 527	-	(44 315 481)	1 013 358 158
Other assets - assets under construction	8 168 983	411 776	-	(7 288 987)	-	-	1 291 772
Other assets	15 676 469	2 924 980	(1 428 387)	-	(324 143)	(3 826 476)	13 022 443
	<b>1 524 380 185</b>	<b>390 521 873</b>	<b>(1 576 876)</b>	<b>-</b>	<b>(12 306 627)</b>	<b>(50 440 399)</b>	<b>1 850 578 156</b>

## uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

#### 8. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2015 restated

	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	3 133 550	-	-	-	-	8 168 983
Other assets	17 907 861	4 298 949	(2 382 902)	-	(4 152 655)	5 216	15 676 469
	<b>1 342 633 792</b>	<b>232 795 302</b>	<b>(2 382 902)</b>	<b>-</b>	<b>(48 671 223)</b>	<b>5 216</b>	<b>1 524 380 185</b>

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.

Assets with a carrying value of R 11 982 484 (building) and R 324 143 (other assets) were transferred/donated to the municipal entity, Uthungulu Fresh Produce Market in the 2015/2016 financial year.

The previously reported additions and depreciation for other assets have been restated - Refer to note 39.



## uThungulu District Municipality

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 9. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other	3 495 464	(1 414 010)	2 081 454	2 169 958	(1 120 212)	1 049 746

#### Reconciliation of intangible assets - 2016

	Opening carrying value	Additions	Donations	Amortisation	Total
Computer software & other	1 049 746	1 515 500	(168 115)	(315 677)	2 081 454

#### 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

Assets with a carrying value of R 168 115 were transferred to the municipal entity, Uthungulu Fresh Produce Market in the 2015/2016 financial year.

# uThungulu District Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>10. Investments in municipal entities</b>		
	%	%
	<b>holding</b>	<b>holding</b>
	<b>2016</b>	<b>2015</b>
		<b>Carrying</b>
		<b>amount</b>
		<b>2016</b>
		<b>Carrying</b>
		<b>amount</b>
		<b>2015</b>
uThungulu Financing Partnership	99,00 %	99,00 %
uThungulu House Development Trust	100,00 %	100,00 %
Uthungulu Fresh Produce Market	100,00 %	- %
		11 684 588
		15 750 106
		2 714 518
		4 016 824
		1 000
		-
		<b>14 400 106</b>
		<b>19 766 930</b>
<p>The carrying amounts of municipal entities are shown net of impairment losses.</p>		
<b>11. Long term liabilities</b>		
<b>At amortised cost</b>		
ABSA Bank 12.6%		34 087 360
		36 442 488
<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 8 years). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.</p>		
INCA 11.95%		20 301 718
		22 070 918
<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 7 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.</p>		
Obligation under Finance Headlease		13 667 062
		19 071 474
<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>		
<b>Long term liabilities</b>		<b>68 056 140</b>
		<b>77 584 880</b>
<p>Refer to appendix A for more information.</p>		
<b>Non-current liabilities</b>		
At amortised cost		55 067 151
		68 056 141
<b>Current liabilities</b>		
At amortised cost		12 988 989
		9 528 739

**uThungulu District Municipality**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2016	2015
<b>11. Long term liabilities (continued)</b>		
<b>Finance lease</b>		
<b>Obligations under finance lease</b>		
- not later than one year	10 863 942	9 529 774
- later than one year and not later than five years	5 787 334	16 651 276
less future finance charges	(2 984 215)	(7 109 577)
The original lease period expires on 31 October 2017, ownership of the property will vest with Uthungulu on the termination of the lease.		
	<b>13 667 061</b>	<b>19 071 473</b>
<b>Present value of minimum lease payments</b>		
- not later than one year	9 444 379	8 281 850
- later than one year and not later than five years	4 222 682	10 789 623
	<b>13 667 061</b>	<b>19 071 473</b>
<b>12. Payables from exchange transactions</b>		
Accrued leave pay	9 884 563	8 083 646
Amounts received in advance	3 409 996	2 844 874
Employee payable transactions	115 301	745 078
Retention payables	52 850 114	31 543 694
Trade payables	130 436 556	143 471 114
	<b>196 696 530</b>	<b>186 688 406</b>
Payables are settled in terms of legislation, except for retention's which are settled in terms of the contract agreement. Retentions amounting to R 790 218 was written back to sundry income as prescription was effected - refer to note 20.		
Payments received in advance are non interest bearing.		
<b>13. Consumer deposits</b>		
Water	<b>10 138 749</b>	<b>9 698 427</b>
In terms of Council's by-laws no interest is raised or paid on consumer deposits.		

# uThungulu District Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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 2016 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 funding 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)	270	235
Continuation members (Retirees, widowers and orphans)	4	4
	<b>274</b>	<b>239</b>

#### Estimated liability in respect of past services

In-service members (employees)	20 373 000	18 242 000
Continuation members (Retirees, widowers and orphans)	1 967 000	1 936 000
	<b>22 340 000</b>	<b>20 178 000</b>

# uThungulu District Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
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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 2016 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 2016 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 funding 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 the defined benefit obligation-post employment medical aid benefits	(22 340 000)	(20 178 000)
Present value of the defined benefit obligation-long service awards	(4 950 000)	(3 919 000)
	<b>(27 290 000)</b>	<b>(24 097 000)</b>
Non-current liabilities	(26 640 000)	(23 761 000)
Current liabilities	(650 000)	(336 000)
	<b>(27 290 000)</b>	<b>(24 097 000)</b>

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

Opening balance	24 097 000	19 868 000
Net expense recognised in the statement of financial performance - total included in employee related costs	3 193 000	4 229 000
	<b>27 290 000</b>	<b>24 097 000</b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>14. Defined benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Post employment medical aid benefits - current service cost	1 437 000	1 668 000
Long service awards - current service cost	548 000	646 000
Post employment medical aid benefits - Interest cost	1 905 000	1 484 000
Long service awards - interest cost	370 000	338 000
Post employment medical aid benefits - actuarial loss / (gain)	(1 052 307)	1 290 277
Long service awards - actuarial loss / (gain)	419 058	(706 370)
Post employment medical aid benefits - benefits paid	(127 693)	(117 277)
Long service awards - benefits paid	(306 058)	(373 630)
	<b>3 193 000</b>	<b>4 229 000</b>
<b>Calculation of actuarial gains and losses</b>		
Post employment medical aid benefits - actuarial loss / (gain)	(1 052 307)	1 290 277
Long service awards - actuarial loss / (gain)	419 058	(706 370)
	<b>(633 249)</b>	<b>583 907</b>

### Expected future service and interest costs

#### Post employment medical aid benefits

The future service cost for the ensuing year is established to be R 1 731 000, whereas the interest cost for the next year is estimated to be R 2 296 000 (2015 - R 1 437 000 and R 1 905 000 respectively).

The municipality expects to make a contribution of R 184 000, (2015 - R 191 000) 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 687 000, whereas the interest cost for the next year is estimated to be R 519 000 (2015 - R 548 000 and R 370 000 respectively).

The municipality expects to make a contribution of R 466 000, (2015 - R 145 000) to the defined benefit plans during the next financial year.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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	Yield curve
Medical aid contribution inflation	CPI + 1%	CPI + 1%
Net effective discount rate	Yield curve based	Yield curve based
Consumer Price inflation (CPI)	Difference between nominal and yield curves	Difference between nominal and yield curves

#### Long service Awards

Discount rate	Yield curve	Yield curve
Normal Salary increase rate	Equal to CPI + 1%	Equal to CPI + 1%
Net effective discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and real yield curves	Difference between nominal and real yield curves

The expected retirement age for females is 58 years and males 63 years (2015 - females 58 years and males 63 years).

The basis on which the discount rate and medical aid inflation rate has been determined as follows 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 2016 by the JSE.

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.

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

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 14. Defined benefit obligations (continued)

The basis on which the discount rate and salary inflation has been determined as follows 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 2016 by the JSE.

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 2016 of 6%. The next salary increase was assumed to take place on 01 July 2017.

#### 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)	702 000	854 000
Effect on the aggregate of the service cost and interest cost - pemab	129 000	140 000
Effect on the post employment medical aid benefit (pemab)	(961 000)	(1 161 000)
Effect on the aggregate of the service cost and interest cost - pemab	(176 000)	(191 000)
Effect on the long service awards (lsa)	389 000	316 000
Effect on the aggregate of the service cost and interest cost - lsa	110 000	87 000
Effect on the long service awards (lsa)	(349 000)	(173 000)
Effect on the aggregate of the service cost and interest cost - lsa	(97 000)	(23 000)



# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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<b>Figures in Rand</b>	<b>2016</b>	<b>2015</b>
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### 14. Defined benefit obligations (continued)

#### Defined benefits obligations

An amount of R 16 465 085 (2015 - R14 043 954) 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.

A service benefit in the form of participation in the Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund) was in existence, whereby the municipality and employee co-contributed towards a group life cover. During the course of the year, pursuant to ongoing and prior engagements with relevant stakeholders, the municipality ceased participation therein in October 2015. The fund had by 30 June 2016 initiated the appropriate liquidation processes as legislated.

<b>Description of Fund</b>	<b>Last Actuarial Valuation</b>	<b>Total Assets R'000</b>	<b>Total Liabilities R'000</b>	<b>Net Gain/ (Loss) R'000</b>
Government Employees Pension Fund	March 2014	1 425 719	1 173 516	252 203
KwaZulu-Natal Joint Municipal Provident Fund	March 2015	2 636 064	2 453 607	182 457
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2015	10 113 227	10 113 227	-
Natal Joint Municipal Pension Fund (Retirement)	March 2015	3 650 776	3 799 470	(148 694)
Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund)	February 2015	36 010 216	36 010 216	-

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**15. Provisions**

**Reconciliation of provisions - 2016**

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of refuse landfill site	63 016 396	4 096 065	-	67 112 461
Performance bonus	1 048 172	579 354	(612 978)	1 014 548
	<b>64 064 568</b>	<b>4 675 419</b>	<b>(612 978)</b>	<b>68 127 009</b>

**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 reclamation of refuse landfill site	3 279 412	-	-	(3 279 412)	-
	<b>64 868 210</b>	<b>3 237 932</b>	<b>(4 041 574)</b>	<b>-</b>	<b>64 064 568</b>

Non-current liabilities

**67 112 461    63 016 396**

Current liabilities

**1 014 548    1 048 172**

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 R67 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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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>16. Revenue from exchange transactions - Service charges</b>		
Sale of water	39 620 647	35 133 653
Solid waste revenue	16 913 003	13 523 837
Sanitation revenue	5 794 842	4 898 097
Cemetery revenue	629 724	270 487
	<b>62 958 216</b>	<b>53 826 074</b>

### 17. Revenue from exchange transactions - Interest received

#### Interest revenue

Outstanding debtors	1 760 410	1 970 353
External investments	38 871 428	37 045 797
	<b>40 631 838</b>	<b>39 016 150</b>

In the 2014/2015 financial year, an amount of R1 941 662 pertaining to interest earned from consumer debtors had been disclosed under sundry income in note 20. In the year under review interest earned from consumer debtors has been included in interest revenue for outstanding debtors and the comparative figure amended accordingly. Refer to note 39.

### 18. Revenue from non exchange transactions - Government grants and subsidies

#### Operating grants

Levy Replacement Grant	200 614 222	197 121 000
Equitable Share	209 661 640	185 008 000
Municipal Infrastructure Grant	192 867 552	152 276 250
Department of Co-operative Governance and Traditional Affairs (previously DTLGA)	707 862	5 984 028
Department of Water and Sanitation	314 818 177	126 613 813
Department of Co-operative Governance and Traditional Affairs	6 376 274	18 954 076
Department of Public Works	6 639 000	5 337 000
National Treasury	1 691 000	5 387 500
Public Donors	532 675	70 841
Department of Transport	2 321 000	1 696 343
Department of Agriculture	-	139 297
European Union	9 060	245 382
	<b>936 238 462</b>	<b>698 833 530</b>

# uThungulu District Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

#### 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.

##### 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	175 330 000	144 063 000
Conditions met - transferred to revenue	(192 867 550)	(152 276 250)
Mig debtor receipt	(1 656 070)	-
Mig debtor raised	19 193 620	1 656 070
	-	-

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	616 741	5 600 770
Current-year receipts	250 000	1 000 000
Conditions met - transferred to revenue	(707 862)	(5 984 029)
Close out project savings transferred to funder	(31 496)	-
	<b>127 383</b>	<b>616 741</b>

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.

## uThungulu District Municipality

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>18. Revenue from non exchange transactions - Government grants and subsidies (continued)</b>		
<b>Department of Water and Sanitation</b>		
Balance unspent at beginning of year	30 885 035	11 360 251
Current-year receipts: RBIG	211 616 302	73 055 670
Conditions met - transferred to revenue : RBIG	(206 194 902)	(107 098 341)
Debtor receipt : RBIG	(38 429 396)	(2 368 365)
Debtor - RBIG	33 007 696	38 211 291
Current - year receipts : ACIP	1 526 000	958 356
Conditions met - transferred to revenue : ACIP	(1 526 000)	(958 356)
Current -year receipts : MWIG	88 118 000	37 412 000
Conditions met-transferred to revenue - MWIG	(84 163 464)	(17 728 524)
Transferred to funder : MWIG - EQS	(20 545 118)	-
Conditions met-transferred to revenue : Other	(67 358)	(828 590)
Conditions met - transferred to revenue : Other	-	(1 130 357)
Current-year receipts: Drought relief	10 866 453	-
Conditions met - transferred to revenue : Drought relief	(10 866 453)	-
Current-year receipts: WSOG	12 000 000	-
Conditions met - transferred to revenue : WSOG	(12 000 000)	-
	<b>14 226 795</b>	<b>30 885 035</b>

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.

In the 2014/2015 financial year the unspent allocation for MWIG amounting to R 30 817 678 was in agreement with National Treasury, to be set off against Levy Replacement and Equitable Share tranche in three equal installments, commencing in the 2015/2016 financial year. An amount of R 20 545 118 was set off against the Levy Replacement and Equitable Share tranche in 2015/2016.

The remaining amount of R 10 272 559 pertaining to the unspent allocation of R 30 817 678 is yet to be reduced from the 2016/2017 tranche and remains a liability in the unspent portion of R 14 226 795.

## uThungulu District Municipality

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Figures in Rand	2016	2015
<b>18. Revenue from non exchange transactions - Government grants and subsidies (continued)</b>		
<b>Department of Co-operative Governance and Traditional Affairs</b>		
Balance unspent at beginning of year	5 436 424	22 456 499
Current-year receipts: MSIG	940 000	934 000
Conditions met-transferred to revenue: MSIG	(940 000)	(934 000)
Conditions met-transferred to revenue: Councillor Training Programme	-	(6 563)
Conditions met-transferred to revenue: Growth and Development Summit	(21 672)	(126 956)
Conditions met-transferred to revenue: Public Participation	-	(750 000)
Conditions met-transferred to revenue: Fresh Produce Market	(5 263 655)	(12 596 016)
Current-year receipts: Municipal Excellency	-	1 000 000
Conditions met-transferred to revenue: Municipal Excellency	-	(2 000 000)
Conditions met-transferred to revenue: BIOGAS	-	(1 472 722)
Conditions met-transferred to revenue: Other	(151 097)	(1 067 818)
	<b>-</b>	<b>5 436 424</b>

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

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.

An amount of R 5 263 655 was transferred to the municipal entity, Uthungulu Fresh Produce Market - Refer to note 37.

#### Department of Public Works Grants

Balance unspent at beginning of year	-	127 094
Current-year receipts: EPWP	6 639 000	5 337 000
Conditions met - transferred to revenue : EPWP	(6 639 000)	(5 337 000)
Transferred to EQS & LRG	-	(127 094)
	<b>-</b>	<b>-</b>

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. In the 2014/2015 financial year the allocation from funder was reduced by an amount of R127 094 through a set off against the Levy replacement and Equitable share tranche. This pertained to the unspent allocation from previous financial years.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>18. Revenue from non exchange transactions - Government grants and subsidies (continued)</b>		
<b>National Treasury</b>		
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	(1 250 000)	(1 387 500)
Conditions met transferred to revenue - Rural Households Infrastructure Grant	-	(4 000 000)
Current-year receipts: LG SETA	441 837	-
Conditions met transferred to revenue- LG SETA	(441 000)	-
	<b>837</b>	<b>-</b>

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

National Treasury grants are used for:

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

### Public donors

Balance unspent at beginning of year	37 203	88 044
Current-year receipts: NEDBANK	-	20 000
Conditions met - transferred to revenue: NEDBANK	(20 000)	-
Conditions met - transferred to revenue : FOSKOR	(12 675)	(53 604)
Conditions met - transferred to revenue : BELL	-	(17 237)
Current year receipts: TRONOX	500 000	-
Conditions met - transferred to revenue : TRONOX	(500 000)	-
Current year receipts : ITHALA	28 250	-
	<b>32 778</b>	<b>37 203</b>

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

The allocations were received to partner with the district municipality in raising funds to support children in need of school uniforms, water reticulation projects, youth and HIV/Aids programme's.

### Department of Sports and Recreation

Balance unspent at beginning of year	<b>3 813</b>	<b>3 813</b>
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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.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>18. Revenue from non exchange transactions - Government grants and subsidies (continued)</b>		
<b>Department of Transport</b>		
Balance unspent at beginning of year	1 615 116	1 006 459
Current-year receipts: Rural transport services and infrastructure grant	2 321 000	2 305 000
Conditions met - transferred to revenue: Rural transport services and infrastructure grant	(2 321 000)	(1 696 343)
Transferred to funder - EQS	(1 076 743)	-
	<b>538 373</b>	<b>1 615 116</b>

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.

In the 2014/2015 financial year the unspent allocation for Rural transport services and infrastructure grant amounting to R 1 615 116 was in agreement with National Treasury, to be set off against Levy Replacement and Equitable Share tranche in three equal installments, commencing in the 2015/2016 financial year. An amount of R 1 076 743 was set off against the Levy Replacement and Equitable Share tranche in 2015/2016. The remaining amount of R 538 373 pertaining to the unspent allocation of R 1 615 116 is yet to be reduced from the 2016/2017 tranche and remains a liability in the unspent portion of R 538 373.

### Department of Economic Development Tourism and Environmental Affairs

Current-year receipts	1 000 000	-
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Conditions still to be met - remain liabilities (see note 19)

The grant received from the Department of Economic Affairs and Tourism in April 2016 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
Conditions met - transferred to revenue	-	(139 298)
	<b>-</b>	<b>-</b>

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.



# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>18. Revenue from non exchange transactions - Government grants and subsidies (continued)</b>		
<b>European Union</b>		
Balance unspent at beginning of year	9 060	245 385
Current-year receipts	9 447	9 057
Conditions met - transferred to revenue	(9 060)	(245 382)
	<b>9 447</b>	<b>9 060</b>

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:**

#### **Conditional grants from spheres of government and receipts**

Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	127 383	616 741
Department of Water and Sanitation	14 226 795	30 885 035
Department of Co-operative Governance and Traditional Affairs	-	5 436 424
National Treasury	837	-
Public donors	32 778	37 203
Department of Sport and Recreation	3 813	3 813
Department of Transport	538 373	1 615 116
Department of Economic Development Tourism and Environmental Affairs	1 000 000	-
European Union	9 447	9 050
	<b>15 939 426</b>	<b>38 603 382</b>

### 20. Revenue from exchange transactions - Other income

Sundry income	15 458 456	6 946 269
Income from the uThungulu House Development Trust	1 757 694	2 232 521
Income from uThungulu Financing Partnership	2 404 255	2 889 385
Tender deposits	793 152	722 004
SETA refund	235 794	99 093
Insurance claim proceeds	522 327	130 742
Lease income	55 902	116 609
	<b>21 227 580</b>	<b>13 136 623</b>

Sundry income - In the 2014/2015 financial year comparative, an amount of R1 941 662 pertaining to interest earned from consumer debtors had been disclosed under sundry income. In the year under review interest earned from consumer debtors has been included in interest revenue for outstanding debtors in note 17.

Sundry income - In the 2015/2016 financial year an input vat claim lodged with SARS for previous years VAT apportionment was paid to the municipality amounting to R 14 411 741 (Refer to note 35).

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>21. Employee related costs</b>		
Employee related costs - salaries and wages	104 872 184	90 358 752
Employee related costs - contributions for UIF, pensions and medical aid	23 452 028	20 151 028
Travel and other allowances	11 962 031	9 831 428
Overtime and relief payments	6 271 658	5 232 127
Housing benefits and allowances	2 684 405	2 407 341
Defined benefits obligations: post-retirement health care benefit & long service awards	3 193 000	4 229 000
	<b>152 435 306</b>	<b>132 209 676</b>
Included in employee related costs above are the following salaries, allowances and benefits:		
<b>Remuneration of Municipal Manager</b>		
Annual remuneration	1 172 250	1 119 627
Car allowance	393 819	383 981
Performance bonuses	149 284	197 353
Contributions to UIF and other	1 872	1 866
	<b>1 717 225</b>	<b>1 702 827</b>
<b>Remuneration of Deputy Municipal Manager - Technical Services</b>		
Annual remuneration	977 264	928 061
Car allowance	217 280	241 520
Performance bonuses	-	179 416
Contributions to UIF, pension and other	228 436	209 832
	<b>1 422 980</b>	<b>1 588 829</b>
<b>Remuneration of Deputy Municipal Manager - Corporate Services</b>		
Annual remuneration	1 023 078	977 152
Car allowance	312 608	298 575
Performance bonuses	135 716	179 416
Contributions to UIF and other	1 872	1 866
Annual bonus	85 257	81 429
	<b>1 558 531</b>	<b>1 538 438</b>
<b>Remuneration of Deputy Municipal Manager - Financial Services</b>		
Annual remuneration	994 665	950 009
Car allowance	442 306	419 218
Performance bonuses	135 716	179 416
Contributions to UIF and other	1 872	1 866
	<b>1 574 559</b>	<b>1 550 509</b>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>21. Employee related costs (continued)</b>		
<b>Remuneration of Deputy Municipal Manager - Planning &amp; Economic Development</b>		
Annual remuneration	1 088 980	694 348
Car allowance	217 800	144 127
Performance bonuses	90 477	-
Contributions to UIF, pension, medical and other	52 268	31 830
Annual Bonus	90 748	7 411
	<b>1 540 273</b>	<b>877 716</b>

In the 2014/2015 financial year the position was filled and the incumbent commenced with her appointment from the 1 November 2014.

### Deputy Municipal Manager - Community Services

Annual Remuneration	1 046 386	747 000
Car Allowance	199 445	136 340
Performance Bonuses	101 787	-
Contributions to UIF, Medical, Pension and other	179 359	133 870
Acting allowance	15 634	8 251
	<b>1 542 611</b>	<b>1 025 461</b>

In the 2014/2015 financial year an acting allowance amounting to R8 251 was paid to an incumbent as the post was only filled from the 1 October 2014. In the year under review an acting allowance was paid to the incumbent for fulfilling the duties pertaining to the Technical department.

### 22. Remuneration of councillors

Mayor	859 982	809 232
Deputy Mayor	608 666	651 560
Speaker	464 013	436 926
Chief Whip	653 620	425 272
Executive Committee	3 289 193	3 108 875
Councillors	2 804 210	2 817 426
Councillors' pension contribution	742 400	720 726
MPAC Chair	672 442	425 459
	<b>10 094 526</b>	<b>9 395 476</b>

### In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chair 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 decrease in remuneration reflected for the post of Deputy Mayor is due to the position being vacant for a month, while the Chief Whip's remuneration reflected has increased as the previous Chief Whip was co paid by the Local Municipality. 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.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>23. Depreciation, amortisation and impairment</b>		
Property, plant and equipment	50 440 399	48 666 007
Intangible assets	315 677	249 452
	<b>50 756 076</b>	<b>48 915 459</b>
<p>The comparative figure for depreciation property, plant and equipment has been restated by an amount of R 34 135 - refer to note 39</p>		
<b>24. Finance costs</b>		
Interest paid - long term liabilities	<b>11 251 516</b>	<b>12 671 936</b>
<b>25. Repairs and maintenance</b>		
Vehicles, buildings and other	1 323 933	1 456 111
Water and sanitation infrastructure	87 253 911	75 364 076
	<b>88 577 844</b>	<b>76 820 187</b>
<b>26. Bulk purchases</b>		
Electricity for operations	25 928 362	19 562 540
Water	23 606 652	19 661 216
	<b>49 535 014</b>	<b>39 223 756</b>
<b>27. Contracted services</b>		
Service support agent, Information technology services, environmental health and administration services	90 552 707	87 960 565
Internal audit	1 729 913	1 991 962
Specialist services	123 447	411 641
	<b>92 406 067</b>	<b>90 364 168</b>
<b>28. Grants and donations</b>		
KZ 283 Ntambanana Municipality	7 563 000	7 181 000
Uthungulu Fresh Produce Market	22 546 719	-
	<b>30 109 719</b>	<b>7 181 000</b>

In the 2015/2016 financial year the municipality transferred a grant of R 10 071 977 and donated assets with a carrying value of R 12 474 743 to the municipal entity, Uthungulu Fresh Produce Market, as the entity commenced with operations - refer to note 8. Other transactions with municipalities are included in the general expenses note 29.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

<b>Figures in Rand</b>	<b>2016</b>	<b>2015</b>
<b>29. General expenses</b>		
Advertisements	691 660	579 002
Assessment rates and municipal charges	929 822	1 119 643
Audit committee fees	184 808	113 230
Bank charges	213 096	213 120
Bursaries	1 070 348	664 356
Chemicals and cleaning materials	3 628 603	2 445 543
Delegations	895 732	1 017 002
External audit fees	2 510 235	1 974 585
Fuel and oil	4 058 947	4 055 108
IDP operational externally funded projects	77 092 806	76 461 530
IDP operational internal funded projects	103 664 517	91 536 258
Indigent burials	100 132	103 196
Insurance	1 197 668	994 489
Landfill site reclamation	4 096 065	2 189 760
Legal fees	2 201 896	812 518
Levies and membership fees	1 838 240	1 619 574
Licenses	1 205 469	1 453 433
Personal protective equipment	485 513	489 405
Printing and postage	1 684 271	1 452 101
Publicity	1 756 816	1 063 057
Refreshments	545 491	454 587
Rent - plant and vehicles	7 919 137	5 578 574
Rent office	51 206	53 958
Skills development levy	1 199 612	1 118 212
Small tools	63 401	23 297
Staff medical examinations	268 910	142 171
Stores and material	102 211	98 317
Subsistence and travelling	3 697 481	2 484 323
Telephone	1 797 608	1 801 191
Training costs	2 706 122	2 563 384
Workmen's compensation	763 147	629 082
	<b>228 620 970</b>	<b>205 304 006</b>

Included in general expenses is operational Integrated Development Projects (IDP) which are funded through both surplus (internally funded) and grants (externally funded).

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand	2016	2015
<b>30. Cash generated from operations</b>		
Surplus	338 792 282	171 667 321
<b>Adjustments for:</b>		
Depreciation and amortisation	50 756 076	48 915 459
(Surplus)/Loss on sale of property, plant and equipment	632 302	835 553
Debt impairment	7 871 993	10 259 804
Movements in defined benefit obligations	3 193 000	4 229 000
Movements in provisions	4 062 441	(803 642)
Inventories losses/write downs	13 735	-
<b>Changes in working capital:</b>		
Inventories	(222 111)	(2 063 007)
Accounts receivables from non exchange transactions	4 408 480	(49 468 205)
Accounts receivable from exchange transactions - consumer debtors	(10 950 546)	(10 175 140)
Payables from exchange transactions	10 008 124	22 383 034
Accounts receivable from exchange transactions - Vat	(9 336 261)	(37 871 239)
Unspent conditional grants and receipts	(22 663 956)	(13 118 902)
Consumer deposits	440 322	37 054
Other non-cash items: Accruals	(45 013 721)	(30 364 352)
	<b>331 992 160</b>	<b>114 462 738</b>

**31. Commitments**

**Authorised capital expenditure**

**Approved and Contracted for**

• Infrastructure	456 595 670	279 927 929
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**This expenditure will be financed from:**

• Government grants	456 595 670	269 656 469
• Own resources	-	10 271 460

**456 595 670      279 927 929**

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Council prior to 30 June 2016.

**32. Operating leases - as lessee (expense)**

**Minimum lease payments due**

- not later than one year	6 288 360	4 830 040
- later than one year and not later than five years	464 381	1 036 783

**6 752 741      5 866 823**

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. A number of the current lease agreements will be ending in the first quarter of 2016/2017. The outer year disclosed amounts are based on the current terms on a month to month. An amount of R 5 434 599 is recognised in the statement of financial performance.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 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 2016.

<u>Project description</u>	<u>Amount</u>
	R
Analysis of water samples and swabs	216 600
Hire of LDV's with Diff lock	250 908
Training for officials at Wits business school - CPMD	388 000
Training for officials at Wits business school - CPMD	256 500
Extension of the provision of plant hire services	1 346 782
Mayoral cup	250 000
Mayoral cup	206 500
Purchase and distribution of vegetables for fresh produce market	1 973 176
Water tanker services - drought relief	2 584 183
Purchase and distribution of vegetables for fresh produce market	2 720 812
Extension of the provision of plant hire services	1 404 710
Water tanker services - drought relief	1 711 411
Marketing the launch of King's experience	350 000
Human resources workstudy	1 139 259
Extension of the provision of plant hire services	1 421 476
Purchase and distribution of vegetables for fresh produce market	2 744 356
Water tanker services - drought relief	2 020 739
Purchase and distribution of vegetables for fresh produce market	2 537 721
Salga game sports wear	385 320
Upgrading of WSDP	950 000
Extension of the provision of plant hire services	1 295 506
Water tanker services - drought relief	2 020 739
Purchase and distribution of vegetables for fresh produce market	234 650
Delivery of materials	395 982
Development of master plan for tanker reduction	1 390 000
Extension of the provision of plant hire services	1 437 428
Salga games - catering services	472 500
Water tanker services - drought relief	2 586 763
IDP roadshows	217 000
Extension of the provision of plant hire services	1 330 485
Water tanker services - drought relief	4 144 330
Extension of the provision of plant hire services	1 351 697
Water tanker services - drought relief	1 081 440
Delivery of specialised equipment	686 000
Extension of the provision of plant hire services	1 377 437
Water tanker services - drought relief	3 377 746
Training for officials at Wits business school - MFMP	291 000
Extension of the provision of plant hire services	1 294 438
Water tanker services - drought relief	2 122 902
Rudimentary drought projects - Umfolozi Local Municipality	1 063 253
Rudimentary drought projects - Nkandla Local Municipality	2 907 990
Rudimentary drought projects - Ntambanana Local Municipality	1 124 700
Rudimentary drought projects - Umlalazi Local Municipality	2 583 279

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 33. Deviation from supply chain management regulations (continued)

	R
Rudimentary drought projects - Ntambanana Local Municipality	1 089 338
Rudimentary drought projects - Nkandla Local Municipality	2 936 933
Rudimentary drought projects - Umlalazi Local Municipality	3 038 951
Rudimentary drought projects - Umfolozi Local Municipality	2 605 336
Water tanker services - drought relief	3 268 687
Extension of the provision of plant hire services	1 465 617
Water tanker services - drought relief	3 717 583
Repairs to specialised pumps	233 634
Rudimentary drought projects - Umfolozi Local Municipality	2 493 181
Rudimentary drought projects - Umfolozi & Umlalazi Local Municipality	2 821 693
Extension of the provision of plant hire services	1 410 534
Water tanker services - drought relief	<u>3 104 478</u>
	87 831 413
Various deviations less than R200 000 aggregated	<u>11 757 158</u>
Total	<b><u>99 588 571</u></b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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 2 000 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 2016;

Name of person	T. Jordan
Relation	Spouse
Capacity	Deputy Manager: Development Administration City of Umhlatuze
Service Provider	Audio Computer World
Number of transactions	103
Total Amount	R1 520 256

Name of person	N. Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service Provider	Fana Manufacturing CC
Number of transactions	38
Total Amount	R1 222 627

Name of person	R. Pillay
Relation	Spouse
Capacity	Educator - Department of Education
Service Provider	KDM Sports CC
Number of transactions	9
Total Amount	R115 074

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year membership fee	1 696 882	1 552 673
Amount paid - current year	(1 696 882)	(1 552 673)
	-	-
<b>Audit fees</b>		
Current year fee	2 471 746	1 985 915
Amount paid - current year	(2 471 746)	(1 925 507)
Amount paid - previous years	-	(60 408)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	24 585 822	20 926 616
Amount paid - current year	(24 585 822)	(20 926 616)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	20 759 404	18 083 601
Amount paid - current year	(20 759 404)	(18 083 601)
	-	-

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>35. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>VAT</b>		
VAT receivable	70 443 855	61 107 594

All VAT returns have been submitted by the due date throughout the year. The VAT 201 returns for the months of November and December 2015 and February, April, May and June 2016 have not been settled as at 30 June 2016. An amount of R 19 101 986 for the returns of November and December 2015 were subsequently received in July 2016. Furthermore in the year under review the municipality had engaged SARS with respect to the following matters:

a)

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 was reversed in August 2015.

b)

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, an input vat amount of R14 411 741 was included in the January 2015 vat 201 return and SARS has transferred the full amount to the Municipality on 7 July 2015.

### **Councillors arrear consumer accounts**

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

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>36. Contingent liabilities</b>		
<u>A - Contingent liabilities - Future legal fees and other</u>		
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	50 000	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 8 - legal matter pending	150 000	150 000
9. Employee 9 - legal matter pending	150 000	150 000
10. Employee 10 - legal matter pending	150 000	-
	<b>1 550 000</b>	<b>1 370 000</b>

### 1. Ex-employee 1 - legal action pending

The municipality has taken legal action against an ex-employee who 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 taken 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 magistrate's claim wherein a service provider has claimed against the municipality for damages to property. The matter has been defended by the municipality and the magistrate concluded that litigation in court be suspended pending an attempt by both parties to resolve the dispute outside of court. The matter has yet to be resolved.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand

2016

2015

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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 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.

#### 9. 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.

#### 10. Employee 10 - legal matter pending

This matter refers to an application for the review of the findings of the Chairperson during the internal disciplinary processes. The matter is set for review in the labour court and relevant papers have been lodged with the said court.

The contingent liabilities with associated estimated legal fees of R 1 550 000 mentioned above is generally costs associated with the litigation process and any resultant claims cannot be quantified.

#### B - Potential impact of drought

The drought which prevailed during the course of the period, as reported herein, has resulted in significant declines in dam and reservoir levels. The resultant effect of the harsh drought was the implementation of scheduled water rationing and pressure reductions. The Municipality has taken note of reports from consumers alleging that individual meters are recording consumption's greater than what they estimated to have consumed, and as such further alleged that the intermittent water supplies are causing meter inaccuracies. The Municipality has sourced the services of a specialist in the field of water reticulation and management, and an investigation is being conducted so as to ascertain whether the drought and the water conservatory strategies of the Municipality could have contributed to some water meters recording inaccurate readings. The process has commenced in the fourth quarter of the 2015/2016 financial year and is scheduled to extend into the latter part of the first quarter of the 2016/2017 financial year where after a determination shall be made based on adequate scientific information drawn through reliable and accurate testing mechanisms. In the event that consumption inaccuracies conclusively proven, adjustments to revenue recognized for water sales may be required.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
<b>37. Related parties</b>		
<b>Relationships</b>		
Municipal entities		The uThungulu Financing Partnership uThungulu House Development Trust Uthungulu Fresh Produce Market
<b>Related party balances</b>		
<b>Investments in municipal entities</b>		
The uThungulu Financing Partnership	11 684 589	15 750 107
uThungulu House Development Trust	2 714 518	4 016 824
Uthungulu Fresh Produce Market	1 000	-
<b>Income received from related parties</b>		
The uThungulu Financing Partnership	2 404 255	2 889 385
uThungulu House Development Trust	1 757 694	2 232 521
<b>Balances outstanding from related parties</b>		
The uThungulu Financing Partnership	13 667 062	19 071 474
<b>% Interest in municipal entities</b>		
The uThungulu Financing Partnership	99	99
uThungulu House Development Trust	100	100
Uthungulu Fresh Produce Market	100	-
<b>Grants and donations paid</b>		
Uthungulu Fresh Produce Market - refer to note 28	22 546 719	-
<b>Provincial grant transferred - COGTA</b>		
Uthungulu Fresh Produce Market - refer to note 18	5 263 655	-
<b>Related party transactions</b>		
<b>Sub-lease payments</b>		
The uThungulu Financing Partnership	4 125 362	5 097 986

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 District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand	2016	2015
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### 37. Related parties (continued)

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 and commenced activities from the 1st of July 2015 (Previously dormant).

The above mentioned entities are incorporated in South Africa.

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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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 Interest received

The variance between budget and actual amounts are attributable to the prudent monitoring of available funds which could be invested together with the interest rate increasing in the financial year under review.

##### 38.2 Grants and donations

The variance between the budget and actual amounts are attributable to a non cash donation of assets to the municipal entity, Uthungulu Fresh Produce Market. The budget and related expenditure for these asset transactions were incurred in the 2014/2015 financial year.

#### **Statement of financial position**

##### 38.3 Accounts receivable from non exchange transactions

The variance is mainly attributable to the 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.

##### 38.4 Accounts receivable from exchange transactions

The final budget of R 11 702 220 is exclusive of VAT receivable, while the actual amount includes an amount of R 70 443 855 for vat receivable. The receiver of revenue as at June 2016 had not refunded the municipality for the period November and December 2015 and February, April, May and June 2016. Furthermore consumer debtors have increased due to the economic pressure negatively impacting poorer households, which is contributing to outstanding debtors.

##### 38.5 Cash and cash equivalents

The municipality budgeted to have a bank account balance of R 24 782 000 and an investment holding of R320 000 000 at year end, however as a result of the receipt of VAT monies and surplus cash available, the cash book and investment holding as at 30 June 2016 amounted to R 82 553 525 and R 340 000 000 respectively.

##### 38.6 Property, plant, equipment and intangibles

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

##### 38.7 Current portion & non current portion - long term liabilities

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

##### 38.8 Payables from exchange transactions

The variance is attributable to an increase in spend on capital projects at year end, the subsequent increase in retention's held and the number of drought projects being executed in the later part of the financial year.

##### 38.9 Defined benefit obligations - current and non current



## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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### **38. Budget and Actual amount variances (continued)**

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

#### 38.10 Unspent conditional grants and receipts

The municipality budgeted on fully expending grant allocations received for the year, however due to circumstances an amount of R 15 939 426 was not spent. Included in the unspent balance detailed in note 18, is an amount of R 10 272 559 and R 538 374 pertaining to the prior years unspent allocation of R 30 817 678 and R 1 615 115 respectively. The allocations will be reduced from the 2016/2017 equitable share tranche as per agreement with National Treasury. The unspent portion for the year under review amounts to R 5 128 493 which could not be spent due to unforeseen circumstances.

#### 38.11 Provisions - current and non current

The variance in the budget to actuals is mainly due to the completion of the partial rehabilitation in the previous financial years of the solid waste site, which inadvertently required no budget for the short term portion.

### **Cash flow statement**

#### 38.12 Interest income

The prudent investment of surplus cash as referred to above in 38.1

#### 38.13 Finance costs

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

#### 38.14 Transfers and grants

The variance is attributable to the virement of funding to the Uthungulu Fresh Produce Market which had not been accounted for in the cash flow budget.

#### 38.15 Property, plant, equipment and intangibles

The variance is attributable to unspent capital budgets relating to multi year projects not yet completed.

#### 38.16 Proceeds from insurance settlements of PPE

At the time of budgeting the proceeds from the settlement of insurance claims on property, plant and equipment cannot be reasonably established.

#### 38.17 Donation of property, plant and equipment

The variance between the budget and actual amounts are attributable to the donation of assets to the municipal entity, Uthungulu Fresh Produce Market. The budget and related expenditure for these asset transactions were incurred in the 2014/2015 financial year.

#### 38.18 Movement in consumer deposits

The movement in consumer deposits budget of R 866 000 is a requirement on the National Treasury budget template, disclosing such under cash flows from financing activities, however the actual movement of R 440 322 has been accounted for in the net cash flows from operating activities in the annual financial statements. The actual variance is therefore R 425 678.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 39. Prior period 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 2016 is as follows:

#### 1)Property, plant and equipment - restatement of prior year balances

In the current financial year, the municipality noted that a vehicle that was acquired in the 2014/2015 financial year was brought into the asset register at the incorrect cost.

The following adjustments to property, plant and equipment have been effected:

#### Financial Position

*Effect on non current assets - Property, plant and equipment*

Previously reported 2014/2015 - Carrying value	1 523 844 320
Adjustment	<u>535 865</u>
Restated 2014/2015 carrying value	<u>1 524 380 185</u>

*Effect on accumulated surplus*

Previously reported 2014/2015	1 733 109 749
Adjustment	<u>535 865</u>
Restated accumulated surplus	<u>1 733 645 614</u>

*Effect on non current assets - Property, plant and equipment :other assets class - refer to note 8*

Previously reported 2014/2015 - Cost	33 088 831
Adjustment	<u>570 000</u>
Restated balance - cost	<u>33 658 831</u>

Previously reported 2014/2015 - Accumulated depreciation	(17 948 227)
Adjustment	<u>( 34 135)</u>
Restated balance for accumulated depreciation	<u>(17 982 362)</u>

Previously reported 2014/2015 - Carrying value	15 140 604
Adjustment	<u>535 865</u>
Restated carrying value	<u>15 676 469</u>

Previously reported 2014/2015 Additions	3 728 949
Adjustment	<u>570 000</u>
Restated additions	<u>4 298 949</u>

#### Financial Performance

*Effect on depreciation, amortisation and impairment*

Previously reported depreciation, amortisation and impairment for 2014/2015	48 881 324
Adjustment to depreciation for other assets	<u>34 135</u>
Restated depreciation, amortisation and impairment	<u>48 915 459</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 39. Prior period adjustments (continued)

*Effect on depreciation - other assets : refer to note 8*

Previously reported depreciation for 2014/2015	4 118 520
Adjustment	<u>34 135</u>
Restated depreciation	<u>4 152 655</u>

*Effect on reported operating surplus for 2014/2015*

Previously reported surplus	172 537 009
Adjustment for depreciation	<u>(34 135)</u>
Restated operating surplus	<u>172 502 874</u>

*Effect on reported surplus for the 2014/2015*

Previously reported loss on disposal of property, plant and equipment	1 405 553
Adjustment	<u>( 570 000)</u>
Restated loss on disposal of property, plant and equipment	<u>835 553</u>

Previously reported surplus for the year	171 131 456
Adjustment	<u>535 865</u>
Restated surplus	<u>171 667 321</u>

*Effect on reported accumulated surplus for 2014/2015*

Previously reported accumulated surplus 1 July 2014	1 561 978 299
Restated surplus for 2014/2015	<u>171 667 321</u>
Restated accumulated surplus 30 June 2015	<u>1 733 645 620</u>

### 2) Reclassifications on the statement of performance and position

*Effect on other income - refer to note 20*

Previously reported other income 2014/2015	15 078 285
Restated other income	<u>13 136 263</u>
Reclassified to interest received	<u>1 941 662</u>

*Effect on interest received - refer to note 17*

Previously reported interest received 2014/2015	37 074 488
Restated interest received	<u>39 016 150</u>
Reclassified from other income	<u>(1 941 662)</u>

*Effect on accounts receivable from non exchange transactions - refer to note 5*

Previously reported employee, councilor account transaction 2014/2015	359 756
Restated employee, councilor account transaction	<u>370 213</u>
Reclassified from grant and other debtors	<u>(10 457)</u>

Previously reported grant and other debtors 2014/2015	45 260 654
Restated grant and other debtors	<u>45 250 197</u>
Reclassified to employee, councilor account transaction	<u>10 457</u>

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2016	2015
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### 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 has established a new unit responsible for monitoring and ensuring that appropriate measures are developed to reduce water distribution losses. A number of programs have been implemented to reduce losses such as smart metering, pressure reduction, active leak detection and pressure optimisation. In the urban areas water losses are contained within the acceptable norms of the Department of Water and Sanitation and potential revenue losses thereby minimized. 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. The calculated loss of 28% is primarily attributable to the harsh drought and the reactive mechanisms that council employed to provide water through water tankers and jojos, these volumes of water are provided at no cost to community thus escalating the non revenue water. The effects of periodic water rationing and pressure fluctuations are being analysed through a specialist independent party in order to determine if such has any effect on the authenticity of recorded consumptions, which could influence the reported non revenue water.

### 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 2016 and 2015 restated respectively were as follows:

<b>Total borrowings</b>			
Long-term liabilities	11	68 056 140	77 584 880
Less: Cash and cash equivalents	7	422 557 325	428 309 327
Net cash		(354 501 185)	(350 724 447)
Total equity		2 072 437 896	1 733 645 614
<b>Total capital</b>		<b>1 717 936 711</b>	<b>1 382 921 167</b>
		3,96%	5,61%

The comparative figure for total equity has been re-stated by an amount of R 535 865 to R 1 733 645 614 - refer to note 39.

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand	2016	2015
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### 42. Risk management (continued)

#### 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.

#### 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	591 360 901	588 838 835
Current Liabilities	237 428 242	245 903 126
Liquidity ratio	2,49:1	2,39:1

#### 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 counter-party.

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	340 000 000	350 000 000
Cash and cash equivalents	82 557 325	78 309 327
Accounts receivable from exchange and non exchange transaction	159 877 047	151 870 713

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2016

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 43. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of 2 072 437 896 and that the municipality's total assets exceeded its total liabilities by 2 072 437 896.

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 adjusting events.

The following non- adjusting events are detailed below.

Re-determination of boundaries in terms of Section 21 of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998) - Gazette No. 1594 dated 28 January 2016

In terms of the re-determination of boundaries, Ntambanana Local Municipality will be incorporated into Umfolozi Local Municipality, uMhlathuze Local Municipality and Mthonjaneni Local Municipality. The District is a Water Service Authority for the entire District with exception of KZ 282 - uMhlathuze Local Municipality and therefore the water infrastructure assets for the wards being incorporated into KZ 282, will be transferred after the local elections and the final de-establishment of Ntambanana Local Municipality.

The water infrastructure assets effected by the above event amounts to R 7 922 076 and R 4 808 405 being the cost price and carrying value as at 30 June 2016 respectively. The latter effect will be incorporated in the 2016/2017 financial reporting period.

#### Re naming of the District Municipality

In terms of Section 12 of the Local Government: Municipal Structures Act,1998: Repeal and Replacement of establishment notice for the King Cetshwayo District Municipality (DC 28), the District municipality has changed its name from Uthungulu District Municipality to King Cetshwayo District Municipality effective 21 July 2016.

## Appendix A

June 2016

### Schedule of external loans as at 30 June 2016

	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Lease liability</b>							
Leased property @ 23,8%	17/10/2017	19 071 473	-	5 404 412	13 667 061	-	-
		<b>19 071 473</b>	<b>-</b>	<b>5 404 412</b>	<b>13 667 061</b>	<b>-</b>	<b>-</b>
<b>Annuity loans</b>							
INCA @ 11.95%	30/06/2023	22 070 918	-	1 769 200	20 301 718	-	-
ABSA @ 12.60 %	30/06/2024	36 442 488	-	2 355 127	34 087 361	-	-
		<b>58 513 406</b>	<b>-</b>	<b>4 124 327</b>	<b>54 389 079</b>	<b>-</b>	<b>-</b>
<b>Government loans</b>							
<b>Total external loans</b>							
Lease liability		19 071 473	-	5 404 412	13 667 061	-	-
Annuity loans		58 513 406	-	4 124 327	54 389 079	-	-
		<b>77 584 879</b>	<b>-</b>	<b>9 528 739</b>	<b>68 056 140</b>	<b>-</b>	<b>-</b>

# Appendix B

June 2016

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

Cost/Revaluation	Accumulated depreciation
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	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
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>														
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

June 2016

## 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
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total property plant and equipment</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Appendix B

June 2016

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

Cost/Revaluation							Accumulated depreciation					
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	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
<b>Agricultural/Biological assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-



**Appendix C**  
June 2016

**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**

June 2016

**Segmental Statement of Financial Performance for the year ended  
2014/2015 2015/2016**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>804 848 342</b>	<b>633 716 886</b>	<b>171 131 456</b>	<b>Total</b>	<b>1 062 041 927</b>	<b>658 617 316</b>	<b>403 424 611</b>

## Appendix E(1)

June 2016

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

	Current year 2015 Act. Bal.	Current year 2015 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	-	-	-	-	
	-	-	-	-	
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	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
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	-	-	-	-	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	-	-	-	-	

## Appendix E(1)

June 2016

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

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
<b>Expenses</b>				
Personnel	-	-	-	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	-	-	-	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	-	-	-	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	-	-	-	-
Bad debts written off	-	-	-	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	-	-	-	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	-	-	-	-
Contracted Services	-	-	-	-
Transfers and Subsidies	-	-	-	-
Cost of housing sold	-	-	-	-
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)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	-	-	-	-
Gain or loss on disposal of assets and liabilities	-	-	-	-
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)**

June 2016

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

	<b>Current year 2015 Act. Bal.</b>	<b>Current year 2015 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	-	-	-	-



**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure			
MSIG	COGTA	940 000	-	-	-	-	3 502	362 713	(4 475)	578 260
Fresh Produce Market	COGTA	-	-	-	-	-	-	-	5 263 654	-
Municipal Governance Share	COGTA	-	-	-	-	-	-	-	-	150 761
Deployment Growth and Development Summit	COGTA	-	-	-	-	-	-	-	-	21 670
Intergovernmental Relations	COGTA	-	-	-	-	-	-	-	-	187
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Rural Transport Services & Infrastructure	DOT	2 321 000	-	-	-	-	195 712	507 520	623 278	994 490
		-	-	-	-	-	-	-	-	-
Regional Bulk Infrastructure	DWS	52 007 975	95 172 952	64 435 374	-	-	24 431 380	60 334 124	57 373 288	64 056 109
Drought Relief	DWS	-	7 727 942	3 138 512	-	-	-	-	-	10 866 453
Institutional Support	DWS	-	-	-	-	-	-	-	-	8 100
Municipal Water Infrastructure	DWS	22 030 000	44 058 000	22 030 000	-	-	73 366	9 305 916	29 631 191	45 152 991
ACIP	DWS	-	1 526 000	-	-	-	-	-	-	1 526 000
WSOSG Boreholes	DWS	-	-	-	-	-	-	-	-	59 258
Water Services Operating & transfer Subsidy	DWS	-	-	12 000 000	-	-	-	-	-	12 000 000
		-	-	-	-	-	-	-	-	-
Disaster Management Centre	DTLGA	-	-	-	-	-	-	-	-	6 134
Corridor Development Planning	DTLGA	-	-	-	-	-	-	-	-	195 583
Regional Council Planning	DTLGA	-	-	-	-	-	-	-	121 080	9 013
Development Shared Services	DTLGA	-	250 000	-	-	-	-	250 000	-	-

Implementation of Fresh Produce Market Consolidate prior grants	DTLGA	-	-	-	-	-	-	-	-	-	108 300
Municipal Infrastructure Grant	MIG	57 000 000	45 000 000	73 330 000	-	-	13 656 603	48 245 814	26 344 295	-	104 620 838
Local Governemnt Fiance Grant	NT	1 250 000	-	-	-	-	424 450	280 797	165 106	-	379 647
Equitable Share	NT	74 782 392	55 096 829	40 140 176	-	-	-	-	-	-	191 641 259
Levy Replacement Grant	NT	88 239 411	65 011 450	47 363 361	-	-	-	-	-	-	200 614 222
LG Seta Discretionary Grant	NT	-	-	279 837	162 000	-	-	-	-	-	441 000
Environmental Health	NT	7 926 197	5 839 721	4 254 463	-	-	-	-	-	-	18 020 381
EPWP	PW	2 656 000	1 992 000	1 991 000	-	-	877 582	1 324 065	1 137 393	-	3 299 960
Economic Development & Tourism	EDEAT	-	-	-	1 000 000	-	-	-	-	-	-
Ithala sponsorship	Ithala Bank	28 250	-	-	-	-	-	-	-	-	-
Water reticulation	Tronox	-	-	500 000	-	-	-	-	432 312	-	67 688
School Programmes	Nedbank	-	-	-	-	-	-	-	-	-	20 000
HIV Awareness	Foskor	-	-	-	-	-	-	-	-	-	12 468
Youth Programmes	Foskor	-	-	-	-	-	-	-	-	-	207
LED Projects	EU	-	-	-	9 458	-	-	-	-	-	9 060
		309 181 225	321 674 894	269 462 723	1 171 458	-	39 662 595	120 610 949	121 087 122	-	654 877 791

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 2016**

	2016/2015										2015/2014				
	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
<b>Revenue by Vote</b>															
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 %	-	-	-	-	
<b>Total Revenue by Vote</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
<b>Expenditure by Vote to be appropriated</b>															
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 %	-	-	-	-	
<b>Total Expenditure by Vote</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	

**Appendix G3  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2016**

	2016/2015							2015/2014							
	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 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
<b>Revenue By Source</b>															
Property rates	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	39 620 647	39 620 647	39 620 647	DIV/0 %	DIV/0 %	-	-	-	35 133 653
Service charges - sanitation revenue	-	-	-	-	-	-	5 794 842	5 794 842	5 794 842	DIV/0 %	DIV/0 %	-	-	-	4 898 097
Service charges - refuse revenue	-	-	-	-	-	-	16 913 003	16 913 003	16 913 003	DIV/0 %	DIV/0 %	-	-	-	13 523 837
Service charges - other	-	-	-	-	-	-	629 724	629 724	629 724	DIV/0 %	DIV/0 %	-	-	-	270 487
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Interest earned - external investments	-	-	-	-	-	-	40 631 838	40 631 838	40 631 838	DIV/0 %	DIV/0 %	-	-	-	37 074 488
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Agency services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers recognised - operational	-	-	-	-	-	-	477 905 293	477 905 293	477 905 293	DIV/0 %	DIV/0 %	-	-	-	514 053 220
Other revenue	-	-	-	-	-	-	32 368 282	32 368 282	32 368 282	DIV/0 %	DIV/0 %	-	-	-	30 352 025
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1 236 920
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>613 863 629</b>	<b>-</b>	<b>613 863 629</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>636 542 727</b>

**Appendix G3  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2016**

	2016/2015									2015/2014					
	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 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
<b>Expenditure By Type</b>															
Employee related costs	-	-	-	-	-	-	147 248 188	-	147 248 188	DIV/0 %	DIV/0 %	-	-	-	127 085 564
Remuneration of councillors	-	-	-	-	-	-	10 094 525	-	10 094 525	DIV/0 %	DIV/0 %	-	-	-	9 395 476
Debt impairment	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	3 513 011
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	43 361 638
Finance charges	-	-	-	-	-	-	16 655 928	-	16 655 928	DIV/0 %	DIV/0 %	-	-	-	12 671 936
Bulk purchases	-	-	-	-	-	-	47 102 304	-	47 102 304	DIV/0 %	DIV/0 %	-	-	-	39 096 245
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	-	-	-	-	-	-	86 356 510	-	86 356 510	DIV/0 %	DIV/0 %	-	-	-	89 675 230
Transfers and grants	-	-	-	-	-	-	7 563 000	-	7 563 000	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	-	-	-	-	-	-	311 153 648	-	311 153 648	DIV/0 %	DIV/0 %	-	-	-	277 082 026
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure</b>	-	-	-	-	-	-	<b>626 174 103</b>	-	<b>626 174 103</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	<b>601 881 126</b>
<b>Surplus/(Deficit)</b>	-	-	-	-	-	-	<b>(12 310 474)</b>	-	<b>(12 310 474)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	<b>34 661 601</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	-	-	-	-	-	<b>(12 310 474)</b>	-	<b>(12 310 474)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	<b>34 661 601</b>
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	-	-	-	-	-	-	<b>(12 310 474)</b>	-	<b>(12 310 474)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	<b>34 661 601</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	-	-	-	-	-	-	<b>(12 310 474)</b>	-	<b>(12 310 474)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	<b>34 661 601</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	-	-	-	-	-	-	<b>(12 310 474)</b>	-	<b>(12 310 474)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	<b>34 661 601</b>

**Appendix G4  
Budgeted Capital Expenditure by vote, standard classification and funding  
for the year ended 30 June 2016**

	2016/2015									2015/2014					
	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 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
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
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 %	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	-	-	-	-	-	-	-	-	-	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	-
<b>Single-year expenditure</b>															
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 %	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	-	-	-	-	-	-	-	-	-	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	-
<b>Total Capital Expenditure - Vote</b>	-	-	-	-	-	-	-	-	-	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	-



**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2016**

	2016/2015									2015/2014					
	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 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
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Community and public safety</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Trading services</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Funded by:</b>															
National Government	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Transfers recognised - capital</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Capital Funding</b>	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-

**Appendix G5  
Budgeted Cash Flows  
for the year ended 30 June 2016**

	2016/2015					2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Cash flow from operating activities</b>									
<b>Receipts</b>									
Ratepayers and other	-	-	-	-	1 135 996 744	1 135 996 744	DIV/0 %	DIV/0 %	1 191 742 540
Government - operating	-	-	-	-	477 905 293	477 905 293	DIV/0 %	DIV/0 %	514 053 220
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	40 631 838	40 631 838	DIV/0 %	DIV/0 %	37 074 488
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
<b>Payments</b>									
Suppliers and employees	-	-	-	-	938 524 165	938 524 165	DIV/0 %	DIV/0 %	494 733 248
Finance charges	-	-	-	-	16 655 928	16 655 928	DIV/0 %	DIV/0 %	12 671 936
Transfers and Grants	-	-	-	-	7 563 000	7 563 000	DIV/0 %	DIV/0 %	-
<b>Net cash flow from/used operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 617 276 968</b>	<b>2 617 276 968</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>2 250 275 432</b>
<b>Cash flow from investing activities</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	-	-	-	-	259 570	259 570	DIV/0 %	DIV/0 %	1 236 920
Decrease (increase) in non-current debtors	-	-	-	-	(35 824)	(35 824)	DIV/0 %	DIV/0 %	(41 724)
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	(3 237 544)	(3 237 544)	DIV/0 %	DIV/0 %	(1 668 347)
<b>Payments</b>									
Capital assets	-	-	-	-	304 845	304 845	DIV/0 %	DIV/0 %	(158 449)
<b>Net cash flow from/used investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 708 953)</b>	<b>(2 708 953)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>(631 600)</b>
<b>Cash flow from financing activities</b>									
<b>Receipts</b>									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	(4 124 328)	(4 124 328)	DIV/0 %	DIV/0 %	(8 621 972)
Increase (decrease) in consumer deposits	-	-	-	-	440 322	440 322	DIV/0 %	DIV/0 %	37 054
<b>Payments</b>									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
<b>Net cash flow from/used financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 684 006)</b>	<b>(3 684 006)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>(8 584 918)</b>
<b>Net increase/(decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 610 884 009</b>	<b>2 610 884 009</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>2 241 058 914</b>
Cash/cash equivalents at the year begin:					514 590 343				610 828 316
<b>Cash/cash equivalents at the year end:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 125 474 352</b>	<b>2 610 884 009</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	