

ETHEKWINI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## GENERAL INFORMATION

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<b>LEGAL FORM OF ENTITY</b>	Municipality
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	High Capacity, Category A, local Authority
<b>ACCOUNTING OFFICER</b>	Mr. Sibusiso Sithole
<b>REGISTERED OFFICE</b>	City Hall Dr. Pixle KaSeme Street Durban 4000
<b>POSTAL ADDRESS</b>	P O Box 1014 Durban 4000
<b>MUNICIPALITY</b>	Municipality incorporated in South Africa
<b>BANKERS</b>	Nedbank (Primary banker with effect 1 October 2015 - refer note 49 for previous bankers) P O Box 5662, Durban, 4000
<b>AUDITORS</b>	The Auditor-General, South Africa

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

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The reports and statements set out below comprise the annual financial statements presented to the Councillors:

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### ABBREVIATIONS

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

## **eThekweni Municipality**

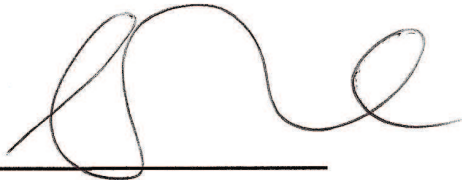
Annual Financial Statements for the year ended 30 June 2016

### **Municipal Manager**

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 96, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



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Municipal Manager

Durban

31 August 2016

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Position as at June 30, 2016

Figures in Rand thousand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	345,831	353,438
Loan to Municipal entity	3	226,590	226,590
Investments	4	6,620,000	4,999,990
Receivables from exchange transactions	5	3,538,032	2,864,725
Receivables from non-exchange transactions	6	237,341	238,303
Consumer debtors	8	2,893,526	2,948,370
Current portion of Long term Receivables	9	41,437	10,966
Call Investment Deposits	10	195,000	265,000
Cash and Bank Balances	10	930,713	821,263
		<b>15,028,470</b>	<b>12,728,645</b>
<b>Non-Current Assets</b>			
Investment property	11	246,188	248,069
Property, plant and equipment	12	42,819,714	39,897,526
Intangible assets	13	907,400	862,891
Heritage assets	14	23,737	19,731
Investments in Municipal entities	15	815,292	668,065
Interest in joint ventures	16	74,309	66,546
Investments	4	-	500,000
Long term Receivables	9	43,287	82,764
		<b>44,929,927</b>	<b>42,345,592</b>
<b>Total Assets</b>		<b>59,958,397</b>	<b>55,074,237</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
External Borrowings	17	1,065,702	991,878
Payables from exchange transactions	18	5,808,521	5,323,185
VAT payable	7	116,040	82,316
Consumer deposits	19	1,903,633	1,693,058
Employee benefit obligation	20	554,040	621,111
Unspent conditional grants and receipts	21	749,320	1,126,071
Provisions	22	95,578	98,442
Bank overdraft	10	830,009	687,496
		<b>11,122,843</b>	<b>10,623,557</b>
<b>Non-Current Liabilities</b>			
External Borrowings	17	8,170,657	9,249,268
Employee benefit obligation	20	2,949,887	2,353,172
Provisions	22	870,029	800,734
		<b>11,990,573</b>	<b>12,403,174</b>
<b>Total Liabilities</b>		<b>23,113,416</b>	<b>23,026,731</b>
<b>Net Assets</b>		<b>36,844,981</b>	<b>32,047,506</b>
Housing Development Fund	23	123,368	152,924
Accumulated surplus		36,721,613	31,894,582
<b>Total Net Assets</b>		<b>36,844,981</b>	<b>32,047,506</b>

\* See Note 42

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	16,019,056	14,319,411
Rental of facilities and equipment		447,586	455,572
Other income	25	293,889	452,446
Interest received	26	764,893	537,585
Gains on disposal of assets		10,276	49,065
Share of Income from Joint Venture		7,763	4,969
<b>Total revenue from exchange transactions</b>		<b>17,543,463</b>	<b>15,819,048</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Fines		591,392	262,262
Property rates	27	6,230,523	5,677,933
Property rates - penalties imposed		112,883	161,999
Donations - PPE		1,160	2,077
Licences and permits		40,912	40,461
<b>Transfer revenue</b>			
Government grants & subsidies	28	5,770,287	5,411,557
Levies	29	2,103,316	1,968,781
Public contributions and donations		68,821	8,975
Reversal of loss on impairment: Property, Plant and Equipment	12	5,725	3,782
Reversal of Impairment : Municipal Entities	15	57,227	84,631
<b>Total revenue from non-exchange transactions</b>		<b>14,982,246</b>	<b>13,622,458</b>
<b>Total revenue</b>		<b>32,525,709</b>	<b>29,441,506</b>
<b>Expenditure</b>			
Employee related costs	30	(8,101,737)	(7,040,053)
Remuneration of councillors	31	(105,334)	(100,795)
Amortisation - Intangible assets	13	(72,576)	(46,540)
Impairment Loss - Investment Properties	11	-	(7,085)
Depreciation - Property, Plant and Equipment	12	(1,806,790)	(1,724,863)
Impairment Loss - Property, Plant and Equipment	12	(12,147)	(8,664)
Finance costs	32	(971,776)	(953,433)
Lease rentals on operating lease		(72,164)	(57,676)
Debt Impairment		(1,366,008)	(2,094,085)
Depreciation - Investment Properties	11	(1,861)	(1,727)
Repairs and maintenance		(2,251,612)	(2,491,968)
Bulk purchases	33	(9,464,736)	(8,378,618)
Contracted services		(1,355,872)	(1,321,266)
Grants and subsidies paid	34	(207,535)	(179,772)
Housing - Development Expenditure		(200)	(3,568)
General Expenses	35	(1,937,886)	(1,930,512)
<b>Total expenditure</b>		<b>(27,728,234)</b>	<b>(26,340,625)</b>
<b>Surplus for the year</b>		<b>4,797,475</b>	<b>3,100,881</b>

\* See Note 42

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## STATEMENT OF CHANGES IN NET ASSETS

	Housing development fund	Accumulated surplus	Total net assets
Figures in Rand thousand			
Opening balance as previously reported	170,764	28,859,207	29,029,971
Adjustments			
Prior year adjustments (prior to 2014/15)	-	(83,346)	(83,346)
<b>Balance at July 01, 2014 as restated</b>	<b>170,764</b>	<b>28,775,861</b>	<b>28,946,625</b>
Changes in net assets			
Surplus for the year as previously reported	-	3,035,405	3,035,405
Transfer: Housing Development Fund	(17,840)	17,840	-
Total changes	(17,840)	3,053,245	3,035,405
Opening balance	152,924	31,829,106	31,982,030
Adjustments			
Prior year adjustments (2014/15)	-	65,476	65,476
<b>Restated* Balance at July 01, 2015 as restated*</b>	<b>152,924</b>	<b>31,894,582</b>	<b>32,047,506</b>
Changes in net assets			
Surplus for the year	-	4,797,475	4,797,475
Transfer: Housing Development Fund	(29,556)	29,556	-
Total changes	(29,556)	4,827,031	4,797,475
<b>Balance at June 30, 2016</b>	<b>123,368</b>	<b>36,721,613</b>	<b>36,844,981</b>

\* See Note 42



# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Cash Flow Statement

Figures in Rand thousand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Ratepayers, Government and Other		29,619,040	26,320,909
Interest income		764,893	537,585
		<b>30,383,933</b>	<b>26,858,494</b>
<b>Payments</b>			
Employee costs and Suppliers		(22,465,285)	(21,814,847)
Finance costs		(971,776)	(953,433)
		<b>(23,437,061)</b>	<b>(22,768,280)</b>
<b>Net cash flows from operating activities</b>	<b>36</b>	<b>6,946,872</b>	<b>4,090,214</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(4,755,252)	(4,603,082)
Proceeds from sale of property, plant and equipment, Intangibles & Investment Property	12	14,409	57,285
Purchase of other intangible assets	13	(100,186)	(136,073)
Purchase of Heritage assets	14	(3,115)	(482)
Decrease (Increase) in non-current receivables		9,006	(11,403)
Increase in Investment in Municipal Entity		(90,000)	(84,631)
Decrease in Joint Venture Loan account		-	101
<b>Net cash flows from investing activities</b>		<b>(4,925,138)</b>	<b>(4,778,285)</b>
<b>Cash flows from financing activities</b>			
Proceeds from external borrowings		-	1,000,000
Repayment of external borrowings		(1,004,787)	(1,006,570)
<b>Net cash flows from financing activities</b>		<b>(1,004,787)</b>	<b>(6,570)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,016,947</b>	<b>(694,641)</b>
Cash and cash equivalents at the beginning of the year		5,898,757	6,593,398
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>6,915,704</b>	<b>5,898,757</b>

\* See Note 42

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	5,936,803	-	5,936,803	-	-	5,936,803	6,343,406	-	406,603	107 %	107 %
Service charges	16,609,914	1,335	16,611,249	-	-	16,611,249	16,019,056	-	(592,193)	96 %	96 %
Investment revenue	748,005	-	748,005	-	-	748,005	764,893	-	16,888	102 %	102 %
Transfers recognised - operational	2,640,037	87,865	2,727,902	-	-	2,727,902	2,044,375	-	(683,527)	75 %	77 %
Other own revenue	3,214,409	1,604	3,216,013	-	-	3,216,013	3,620,304	-	404,291	113 %	113 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>29,149,168</b>	<b>90,804</b>	<b>29,239,972</b>	-	-	<b>29,239,972</b>	<b>28,792,034</b>	-	<b>(447,938)</b>	<b>98 %</b>	<b>99 %</b>
Employee costs	(7,826,569)	(6,288)	(7,832,857)	-	-	(7,832,857)	(8,101,737)	-	(268,880)	103 %	104 %
Remuneration of councillors	(98,554)	(7,466)	(106,020)	-	-	(106,020)	(105,334)	-	686	99 %	107 %
Debt impairment	(644,931)	(329,686)	(974,617)	-	-	(974,617)	(1,366,008)	-	(391,391)	140 %	212 %
Depreciation and asset impairment	(2,085,418)	52	(2,085,366)	-	-	(2,085,366)	(1,893,374)	-	191,992	91 %	91 %
Finance charges	(1,427,493)	(75,635)	(1,503,128)	-	-	(1,503,128)	(971,776)	-	531,352	65 %	68 %
Materials and bulk purchases	(9,766,032)	61,500	(9,704,532)	-	-	(9,704,532)	(9,464,736)	-	239,796	98 %	97 %
Transfers and grants	(222,501)	4,639	(217,862)	-	-	(217,862)	(207,535)	-	10,327	95 %	93 %
Other expenditure	(6,953,227)	83,439	(6,869,788)	-	-	(6,869,788)	(5,617,734)	-	1,252,054	82 %	81 %
<b>Total expenditure</b>	<b>(29,024,725)</b>	<b>(269,445)</b>	<b>(29,294,170)</b>	-	-	<b>(29,294,170)</b>	<b>(27,728,234)</b>	-	<b>1,565,936</b>	<b>95 %</b>	<b>96 %</b>
<b>Surplus/(Deficit)</b>	<b>124,443</b>	<b>(178,641)</b>	<b>(54,198)</b>	-	-	<b>(54,198)</b>	<b>1,063,800</b>	-	<b>1,117,998</b>	<b>(1,963)%</b>	<b>855 %</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Appropriation Statement

Figures in Rand thousand

	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	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,564,953	101,297	3,666,250	-	-	3,666,250	3,725,912		59,662	102 %	105 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>3,689,396</b>	<b>(77,344)</b>	<b>3,612,052</b>	-	-	<b>3,612,052</b>	<b>4,789,712</b>		<b>1,177,660</b>	<b>133 %</b>	<b>130 %</b>
Share of surplus (deficit) of associate	-	-	-	-	-	-	(7,763)		(7,763)	- %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>3,689,396</b>	<b>(77,344)</b>	<b>3,612,052</b>	-	-	<b>3,612,052</b>	<b>4,797,475</b>		<b>1,185,423</b>	<b>133 %</b>	<b>130 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	5,236,168	-	5,236,168	-	-	5,236,168	4,858,553		(377,615)	93 %	93 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	2,858,195	468,734	3,326,929	-	-	3,326,929	3,725,912		398,983	112 %	130 %
Borrowing	1,000,000	-	1,000,000	-	-	1,000,000	-		(1,000,000)	- %	- %
Internally generated funds	1,377,973	(468,734)	909,239	-	-	909,239	1,132,641		223,402	125 %	82 %
<b>Total sources of capital funds</b>	<b>5,236,168</b>	<b>-</b>	<b>5,236,168</b>	-	-	<b>5,236,168</b>	<b>4,858,553</b>		<b>(377,615)</b>	<b>93 %</b>	<b>93 %</b>

# eThekwi Municipality

Annual Financial Statements for the year ended June 30, 2016

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	5,790,242	(396,102)	5,394,140	-	-	5,394,140	6,946,872		1,552,732	129 %	120 %
Net cash from (used) investing	(5,901,766)	-	(5,901,766)	-	-	(5,901,766)	(4,925,138)		976,628	83 %	83 %
Net cash from (used) financing	(15,663)	-	(15,663)	-	-	(15,663)	(1,004,787)		(989,124)	6,415 %	6,415 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(127,187)</b>	<b>(396,102)</b>	<b>(523,289)</b>	-	-	<b>(523,289)</b>	<b>1,016,947</b>		<b>1,540,236</b>	<b>(194)%</b>	<b>(800)%</b>
Cash and cash equivalents at the beginning of the year	5,002,698	896,102	5,898,800	-	-	5,898,800	5,898,757		(43)	100 %	118 %
<b>Cash and cash equivalents at year end</b>	<b>4,875,511</b>	<b>500,000</b>	<b>5,375,511</b>	-	-	<b>5,375,511</b>	<b>6,915,704</b>		<b>(1,540,193)</b>	<b>129 %</b>	<b>142 %</b>

Refer to note 50 for details.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1. Basis of preparation

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

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board

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

GRAP 1 Presentation of Financial Statements  
GRAP 2 Cash Flow Statements  
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors  
GRAP 4 The Effects of Changes in Foreign Exchange Rates  
GRAP 5 Borrowing Costs  
GRAP 6 Consolidated and Separate Financial Statements  
GRAP 7 Investments in Associates  
GRAP 8 Investment in Joint Ventures  
GRAP 9 Revenue from Exchange Transactions  
GRAP 10 Financial Reporting in Hyperinflationary Economies  
GRAP 11 Construction Contracts  
GRAP 12 Inventories  
GRAP 13 Leases  
GRAP 14 Events after the Reporting Date  
GRAP 16 Investment Properties  
GRAP 17 Property, Plant and Equipment  
GRAP 18 Segment Reporting  
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets  
GRAP 21 Impairment of Non-cash-generating Assets  
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)  
GRAP 24 Presentation of Budget Information in Financial Statements  
GRAP 25 Employee Benefits  
GRAP 26 Impairment of Cash-generating Assets  
GRAP 27 Agriculture GRAP  
GRAP 31 Intangible Assets  
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations  
GRAP 103 Heritage Assets  
GRAP 104 Financial Instruments  
GRAP 105 Transfer of Functions between Entities Under Common Control  
GRAP 106 Transfer of Functions between Entities Not Under Common Control  
GRAP 107 Mergers

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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

### **Directives issued and effective:**

- Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
- Directive 2: Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions.
- Directive 3: Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities.
- Directive 4: Transitional Provisions for Medium and Low Capacity Municipalities.
- Directive 5: Determining the GRAP reporting framework.
- Directive 6: Provisions for Revenue collected by SARS
- Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP
- Directive 9: The Application of The Standards of GRAP by Trading Entities
- Directive 10: Application of The Standards of GRAP by Public Further Education And Training Colleges
- Directive 11: Measurement Bases following Initial Adoption of Standards of GRAP
- Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

### **Interpretations of the Standards of GRAP**

- IGRAP 1: Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3: Determining Whether an Arrangement Contains a Lease
- IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6: Loyalty Programmes
- IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9: Distributions of Non-cash Assets to Owners
- IGRAP 10: Assets Received from Customers
- IGRAP 11: Consolidation - Special Purpose Entities
- IGRAP 12: Jointly Controlled Entities - Non-Monetary Contributions
- IGRAP 13: Operating Leases – Incentives
- IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15: Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16: Intangible Assets - Website Costs

### **Approved guidelines of Standards of GRAP:**

- Guide 1: Guideline on Accounting for Public Private Partnerships

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

- IFRS 4 (AC 141) Insurance Contracts
- IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
- IAS 12 (AC 102) Income Taxes
- SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
- SIC - 29 (AC 429) Service Concession Arrangements - Disclosures
- IFRIC 12 (AC 445) Service Concession Arrangements

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

- GRAP 20 Related Party Disclosures

### **Standards, amendments to standards and interpretations issued but not yet effective:**

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## ACCOUNTING POLICIES

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GRAP 20: Related Party Disclosures-issued June 2011:

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

GRAP 32 and IGRAP 17: Service Concession Arrangements: Grantor - issued August 2013:

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

GRAP 108: Statutory Receivables - issued September 2013:

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

GRAP 109: Accounting by Principals and Agents issued July 2015:

Compliance with this standard would have had an effect on presentation and disclosure. The information disclosed in accordance with this Standard shall be provided for each material principal-agent arrangement and in aggregate for other principal-agent arrangements.

A summary of the significant accounting policies are disclosed below.

**These accounting policies are consistent with the previous year, unless otherwise stated.**

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality and its entities.

### 1.2 Going concern assumption

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

### 1.3 Housing development fund

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

### 1.4 Retirement Benefits

#### 1.4.1 Short-term employee benefits

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

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

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

# eThekwini Municipality

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## ACCOUNTING POLICIES

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### 1.4 Retirement Benefits (continued)

#### 1.4.2 Defined contribution plans

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

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

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

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

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



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## ACCOUNTING POLICIES

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### 1.4 Retirement Benefits (continued)

#### 1.4.3 Pension obligations

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

The Municipality has both defined benefit and defined contribution plans.

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

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

The following are defined benefit funds:

Durban Pension Fund

Government Employee's Pension Fund

SALA

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - RetirementDurban Pension Fund

The following are defined contribution funds:

KZN Pension Fund

Multi Linked

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

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

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

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

The Municipality has both defined benefit and defined contribution plans

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

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

The liability/asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates, best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.4 Retirement Benefits (continued)

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

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

Durban Marine Theme Park (proprietary) limited reimburses uShaka Management (Pty) Ltd for the cost of the provident fund which is governed by the pension's funds act of 1956. Contributions are based on a percentage of the payroll and charged to the statement of financial performance in the year to which they relate.

All staff of the I.C.C (proprietary) Limited are members of the I.C.C pension fund which is defined contribution fund.

#### 1.4.4 Other post-employment benefit obligations

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

#### Multi-Employer Retirement Benefit Plans

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan are included in note 5

### 1.5 Significant Judgements

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

Significant judgements include:

#### Post Retirement Benefits and Multi-Employer Retirement Benefit Plans

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

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

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

#### Provision for impairment of trade receivables

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.5 Significant Judgements (continued)

#### Non-cash generating and cash generating Impairment testing

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

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

#### Provisions

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

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

A provision is recognised when:

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.6 Investment property

#### Initial Recognition

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

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

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

#### Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, Investment properties is carried at cost less any accumulated depreciation and any accumulated impairment losses. Transfers to or from investment property are made only when there is a change in use. The fair value of Investment Properties is disclosed in the note for information purposes.

#### Depreciation

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

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

#### Derecognition and Impairment

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Financial Performance in the period of the retirement or disposal.

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

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

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.7 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, to meet service delivery objectives, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

#### Initial Recognition

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

#### Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### Depreciation and Impairment:-

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

In accordance with GRAP 17, Property, Plant and Equipment, the useful life of an asset must be reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change must be treated as a change in an accounting estimate. This change would be applied prospectively and only impact the income statement during the year the estimate was revised.

However, if the asset has already reached the end of its estimated useful life, the change in useful life must be accounted for retrospectively as a correction of a prior period error in determination of the new useful life. This change would have an impact on accumulated surplus and the balance sheet.

The annual depreciation rates are based on the following estimated asset lives:-

Details	Years
Infrastructure	
• Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	20 - 80 years
• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 30 years
• Car Parks	15 years
• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.7 Property, plant and equipment (continued)

• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicle	3 - 11 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Other items of Plant and Equipment	3 - 5 years
• Biological Assets	50 – 80 years

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

All assets are considered to have a nil residual value.

#### **Derecognition:**

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

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

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.8 Intangible assets

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

#### Initial Recognition

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

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- The municipality has the resources to complete the project.
- It is probable that the municipality will receive future economic benefits or service potential.
- Its ability to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

#### Subsequent Measurement

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

#### Amortisation and Impairment

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

Details	Years
Computer Software	5 - 20 years

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

#### Derecognition:

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

### 1.9 Heritage assets

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.9 Heritage assets (continued)

#### Initial Recognition

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

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

#### Subsequent measurement

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

#### Depreciation and Impairment

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

#### Derecognition

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

### 1.10 Investments in Municipal entities

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

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

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

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

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

### 1.11 Interest in joint ventures

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

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

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

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

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



# **eThekwini Municipality**

Annual Financial Statements for the year ended June 30, 2016

## **ACCOUNTING POLICIES**

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### **1.12 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.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.12 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

##### Loans to (from) municipal entities

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

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

##### Debtors

Debtors are initially recognised at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The provision for impairment is measured as the difference between the assets' carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

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

##### Creditors

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

##### Cash and cash equivalents

These are initially and subsequently recorded at fair value.

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

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

##### Borrowings and other financial liabilities

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

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

Other financial liabilities are carried at amortised cost.

##### Loans and receivables

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.12 Financial instruments (continued)

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

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

#### Fixed and Negotiable Deposits

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

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

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

### 1.13 Taxation

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

Deferred Income tax with respect to Municipal Entities is provided in full, using the liability method, on temporal differences arising between the tax basis of asset and liabilities and their carrying amounts in the financial Statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax asset are recognised to the extent that is probable that the future taxable profit will be available against which temporary differences will be utilised

### 1.14 Long Service Awards

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

### 1.15 Leases

#### Operating leases - The Municipality as lessor

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

They are depreciated over their expected useful lives (land is not depreciated) on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

#### Operating leases - The Municipality as lessee

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.16 Inventories

#### Initial Recognition

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

#### Subsequent Measurement

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

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

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

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

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

### 1.17 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the municipality determines the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

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

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

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

### 1.19 Grants, Transfers and Donations

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

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

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

### 1.20 Budget Information

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

Comparative information is not required.

### 1.21 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality / entity. Refer note 40 - Related Parties.

### 1.22 Commitments

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

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.23 Post-reporting date events

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

Two types of events can be identified:

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

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

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

### 1.24 Provisions and contingencies

Provisions are recognised when:

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

### 1.25 Revenue

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

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

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

Revenue is recognised as follows:

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.25 Revenue (continued)

#### 1.26.1 Revenue from exchange transactions

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

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

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

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

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

Interest and rentals are recognised on a time proportion basis.

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

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

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

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

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

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

Durban Marine Theme (Proprietary) Limited recognises revenue from entrance parking fees and sales immediately upon receipt.

All other revenue is recognised as it accrues.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.25 Revenue (continued)

#### 1.26.2 Revenue from non-exchange transactions

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

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

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

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

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

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

### 1.26 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowing costs are applied.

### 1.27 Translation of foreign currencies

#### Foreign currency transactions

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

### 1.28 Comparatives information

#### 1.27.1 Current year comparatives

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

#### 1.27.2 Prior year comparatives

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

### 1.29 Unauthorised expenditure

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



# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## ACCOUNTING POLICIES

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### 1.30 Fruitless and wasteful expenditure

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

### 1.31 Irregular expenditure

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>2. Inventories</b>		
Consumable stores	332,112	340,726
Maintenance materials	89	72
Water	13,630	12,640
	<b>345,831</b>	<b>353,438</b>
<p>The cost of inventories recognised as an expense during the period in respect of water sales was R1 729m (2015: R1 662m).</p>		
<b>3. Loan to municipal entity</b>		
<b>Controlled entity</b>		
ICC Durban (Proprietary) Limited	226,590	226,590
<p>This loan is unsecured, interest free and has no fixed date of repayment. The shareholder has not requested repayment of the loan since cash and cash equivalents of the entity have been allocated to future expenditure such that the entity maintains an acceptable standard within the world conferencing environment.</p>		
<b>4. Investments</b>		
<b>Designated at fair value</b>		
Fixed Deposit	6,620,000	5,499,990
<b>Non-current assets</b>		
Fixed Deposit	-	500,000
<b>Current assets</b>		
Fixed Deposit	6,620,000	4,999,990
<p>Investments are non-derivative financial assets and are classified at fair value and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are recognised at cost. Investments with maturities greater than twelve months are recognised at fair value.</p>		
<b>5. Receivables from exchange transactions</b>		
Provision for Bad Debts - Other (mainly in respect of Sundry services and interest on outstanding debt)	(1,105,719)	(1,100,078)
Prepayments	36,902	37,389
Provision for Bad Debts - DOHS	(2,213,844)	(2,018,471)
Other Debtors (mainly in respect of Sundry services and interest on outstanding debt)	3,105,015	2,123,487
Debtor - DOHS	3,551,768	3,389,321
Accruals	163,910	433,077
	<b>3,538,032</b>	<b>2,864,725</b>
<b>6. Receivables from non-exchange transactions</b>		
Fines	1,727,015	1,191,515
Provision for Bad Debts - Traffic Fines	(1,489,674)	(953,212)
	<b>237,341</b>	<b>238,303</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>7. VAT</b>		
<b>VAT reconciliation</b>		
VAT payable	(116,040)	(82,316)
<b>Net Vat</b>	<b>(116,040)</b>	<b>(82,316)</b>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	2,336,214	2,164,207
Electricity	1,336,823	1,350,460
Water	1,699,875	1,482,316
Refuse	143,567	120,439
Business service levies	-	3,765
Housing rental	78,724	64,790
Waste water	280,327	251,215
	<b>5,875,530</b>	<b>5,437,192</b>
<b>Less: Allowance for impairment</b>		
Rates	(934,568)	(937,798)
Electricity	(249,531)	(195,907)
Water	(1,507,658)	(1,081,604)
Refuse	(51,964)	(80,130)
Business service levies	-	(3,765)
Housing rental	(72,369)	(56,813)
Waste water	(165,914)	(132,805)
	<b>(2,982,004)</b>	<b>(2,488,822)</b>
<b>Net balance</b>		
Rates	1,401,646	1,226,409
Electricity	1,087,292	1,154,553
Water	192,217	400,712
Refuse	91,603	40,309
Housing rental	6,355	7,977
Waste water	114,413	118,410
	<b>2,893,526</b>	<b>2,948,370</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	1,087,292	1,154,553
Water	192,217	400,712
Waste water	114,413	118,410
Refuse	91,603	40,309
Housing rental	6,355	7,977
	<b>1,491,880</b>	<b>1,721,961</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	1,401,646	1,226,409
<b>Net balance</b>	<b>2,893,526</b>	<b>2,948,370</b>

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>8. Consumer debtors (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	919,546	213,242
31 - 60 days	100,608	63,404
61 - 90 days	38,693	46,182
91 - 120 days	29,861	40,554
121 - 365 days	935,282	1,540,640
> 365 days	312,224	260,185
	<b>2,336,214</b>	<b>2,164,207</b>
<b>Electricity, Water, Solid Waste and Waste Water</b>		
Current (0 -30 days)	1,256,409	1,220,074
31 - 60 days	212,240	263,958
61 - 90 days	90,253	79,530
91 - 120 days	77,421	72,923
> 365 days	1,824,269	1,567,945
	<b>3,460,592</b>	<b>3,204,430</b>
<b>Regional services levies</b>		
> 365 days	-	3,765
<b>Housing rental</b>		
Current (0 -30 days)	6,561	7,416
31 - 60 days	1,743	1,146
61 - 90 days	1,275	1,240
91 - 120 days	1,415	1,218
121 - 365 days	67,730	53,770
	<b>78,724</b>	<b>64,790</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(2,512,023)	(2,008,078)
Contributions to allowance	(551,580)	(615,257)
Debt impairment written off against allowance	81,600	111,311
	<b>(2,982,003)</b>	<b>(2,512,024)</b>
<b>9. Long-term receivables</b>		
Loan: Durban Point Development Company Proprietary Limited	96,585	171,671
Housing Selling scheme loans	123,839	126,864
First Metro Housing Loans	11,929	13,077
Land sales	1,010	2,101
Education Loans	12,308	15,478
Debt Impairment: Durban Point Development Company Proprietary Limited	(96,585)	(171,671)
Debt Impairment: Housing Selling scheme loans	(64,362)	(63,790)
	<b>84,724</b>	<b>93,730</b>
<b>Less: Current portion transferred to current receivables</b>		
Housing Selling scheme loans	37,715	5,119
First Metro Housing Loans	828	1,147
Land sales	1,010	2,101
Education Loans	1,884	2,599
	<b>41,437</b>	<b>10,966</b>
Long-term receivables - Non-current portion	43,287	82,764

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>9. Long-term receivables (continued)</b>		
Long-term receivables - Current portion	41,437	10,966

### Education Loans

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

### Housing selling scheme loans

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

### Housing First Metro loan

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

## 10. Cash and Bank Balances

Refer to note 49 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	11,160	18,330
Bank balances	919,553	802,933
Bank balances and cash	930,713	821,263
Bank overdraft	(830,009)	(687,496)
	100,704	133,767
Call Investment Deposits	195,000	265,000
Investments	6,620,000	5,499,990
<b>Cash and cash equivalents</b>	<b>6,915,704</b>	<b>5,898,757</b>

## 11. Investment property

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	102,359	(45,663)	56,696	102,359	(43,802)	58,557
Non-revenue Generating	196,577	(7,085)	189,492	196,597	(7,085)	189,512
<b>Total</b>	<b>298,936</b>	<b>(52,748)</b>	<b>246,188</b>	<b>298,956</b>	<b>(50,887)</b>	<b>248,069</b>

### Reconciliation of investment property - 2016

	Opening balance	Disposals	Depreciation	Total
Revenue Generating	58,557	-	(1,861)	56,696
Non-revenue Generating	189,512	(20)	-	189,492
	<b>248,069</b>	<b>(20)</b>	<b>(1,861)</b>	<b>246,188</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

2016

2015

### 11. Investment property (continued)

#### Reconciliation of investment property - 2015

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	60,284	-	-	(1,727)	58,557
Non-revenue Generating	196,632	(35)	(7,085)	-	189,512
	<b>256,916</b>	<b>(35)</b>	<b>(7,085)</b>	<b>(1,727)</b>	<b>248,069</b>

The fair value of the above properties is R3.4 billion (2015: R3.5 billion). Investment properties have been valued in accordance with current market conditions. The Municipality lets properties under operating leases. Property rental income earned during the year was R70.2million (2015: R81.6million). The operating costs related to the rental of these properties amounted to R17.1million (2015: R18.3million).

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 12. Property, plant and equipment

	2016		2015			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	5,147,667	(1,059,086)	4,088,581	6,583,473	(911,646)	5,671,827
Infrastructure	40,928,811	(8,741,332)	32,187,479	35,213,079	(7,710,831)	27,502,248
Community	4,987,542	(987,385)	4,000,157	4,829,998	(862,069)	3,967,929
Other property, plant and equipment	7,339,975	(4,859,737)	2,480,238	7,106,357	(4,414,429)	2,691,928
Housing Development Fund	130,616	(67,357)	63,259	129,784	(66,190)	63,594
<b>Total</b>	<b>58,534,611</b>	<b>(15,714,897)</b>	<b>42,819,714</b>	<b>53,862,691</b>	<b>(13,965,165)</b>	<b>39,897,526</b>

## eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

### Notes to the Annual Financial Statements

Figures in Rand thousand

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

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

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Depreciation	Impairment loss	Total
Land and Buildings	5,671,827	48,284	-	-	(1,484,090)	(147,440)	-	4,088,581
Infrastructure	27,502,248	1,819,829	(56)	-	3,895,980	(1,028,707)	(1,815)	32,187,479
Community	3,967,929	78,835	-	-	78,709	(121,412)	(3,904)	4,000,157
Other property, plant and equipment	2,691,928	303,075	(3,933)	(16,919)	14,438	(507,648)	(703)	2,480,238
Housing Development Fund	63,594	168	(104)	-	1,184	(1,583)	-	63,259
	<b>39,897,526</b>	<b>2,250,191</b>	<b>(4,093)</b>	<b>(16,919)</b>	<b>2,506,221</b>	<b>(1,806,790)</b>	<b>(6,422)</b>	<b>42,819,714</b>

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

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Depreciation	Impairment loss	Total
Land and Buildings	4,548,602	240,629	(40)	60	1,011,151	(128,575)	-	5,671,827
Infrastructure	25,525,075	1,629,279	(783)	17	1,309,021	(958,032)	(2,329)	27,502,248
Community	3,964,978	73,956	-	-	51,982	(120,229)	(2,758)	3,967,929
Other property, plant and equipment	2,927,127	314,658	(7,182)	(761)	(25,686)	(516,433)	205	2,691,928
Housing Development Fund	65,190	170	(172)	-	-	(1,594)	-	63,594
	<b>37,030,972</b>	<b>2,258,692</b>	<b>(8,177)</b>	<b>(684)</b>	<b>2,346,468</b>	<b>(1,724,863)</b>	<b>(4,882)</b>	<b>39,897,526</b>

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R442million (2015: R410million) but are fully depreciated. This amount is made up as follows: Landfill (Disposal sites) - R282million; PPE fully impaired - R160million. The Net Impairment Loss of R6 422m is made up of reversal of impairment of R5 725 and the impairment loss of R12 147.



## eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

### Notes to the Annual Financial Statements

Figures in Rand thousand

#### 13. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	54,622	-	54,622	50,107	-	50,107
Computer software	1,251,295	(398,517)	852,778	1,106,752	(293,968)	812,784
<b>Total</b>	<b>1,305,917</b>	<b>(398,517)</b>	<b>907,400</b>	<b>1,156,859</b>	<b>(293,968)</b>	<b>862,891</b>

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Amortisation	Total
Servitudes	50,107	4,515	-	-	-	-	54,622
Computer software	812,784	67,436	(20)	16,919	28,235	(72,576)	852,778
	<b>862,891</b>	<b>71,951</b>	<b>(20)</b>	<b>16,919</b>	<b>28,235</b>	<b>(72,576)</b>	<b>907,400</b>

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Amortisation	Total
Servitudes	48,435	1,672	-	-	-	-	50,107
Computer software	724,212	83,483	(8)	719	50,918	(46,540)	812,784
	<b>772,647</b>	<b>85,155</b>	<b>(8)</b>	<b>719</b>	<b>50,918</b>	<b>(46,540)</b>	<b>862,891</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

2016 2015

### 14. Heritage assets

	2016			2015		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	23,737	-	23,737	19,731	-	19,731

#### Reconciliation of heritage assets 2016

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	19,731	3,115	891	23,737

#### Reconciliation of heritage assets 2015

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	19,283	482	(34)	19,731

#### Heritage assets which fair values cannot be reliably measured

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

Ornithology	38,349	39,429
Mammalogy	14,617	18,741
Entomology	140,024	140,474
Arachnology	619	706
Echinodermata	36	36
Palaeontology	33,302	184,200
Ethnographic	11,759	4,100
Library collection	4,794	3,260
Conchology	5,126	
Audio Visual collection	3,668	625
Numismatic	2,464	
Textile & Costume	14,442	13,183
Glass & Ceramics	7,863	3,366
Other Historical	1,105	17,938
Don Africana Books & Periodicals	4,556	3,471
Exhibitions	894	451
Ichthyology	351	246
Herpetology	2,757	3,073
Biographical	1,191	12,470
Toys	4,415	2,669
Philately	2,247	1,918,566
War memorials	113	1,950
Firearms	168	154
Paintings	7,365	523
Photographic	3,846,903	23,000
Furniture	674	
Documents / Cartoons / Plans	633,597	
Pinetown Library Collection	228	985

#### Heritage assets which fair values cannot be reliably measured

Some of the items as previously reported above have been reclassified in the current year in terms of the categories.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand			2016	2015
<b>15. Investments in Municipal entities</b>				
Name of company	% holding	% holding	Carrying	Carrying
	2016	2015	amount 2016	amount 2015
ICC Durban (Proprietary ) Limited	100.00 %	100.00 %	1	1
Durban Marine Theme Park (State Owned Company) Limited	100.00 %	99.80 %	962,996	872,996
			962,997	872,997
Impairment of investment in controlled entities			(147,705)	(204,932)
			<b>815,292</b>	<b>668,065</b>

At its meeting on 22 June 2016, and taking cognizance of the International Convention Centre and Durban Marine Theme Park, Council confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern". Impairment reversal for the year amounted to R57 227m (2015: R84 631m).

### As at June 30, 2016

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	1	10
Percentage owned by Council (%)	100	100
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	-
Electricity Income Received (R'000)	10,762	20,904
Water Income Received (R'000)	1,535	8,193
Rates Income Received (R'000)	5,687	3,851
Refuse Removal (R'000)	940	1,082
Insurance (R'000)	-	494

### As at June 30, 2015

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand		2016	2015
<b>16. Interest in joint ventures</b>			
Name of company	Listed / Unlisted	Carrying amount 2016	Carrying amount 2015
Effingham development	66.74%	74,309	66,546
Durban Point Development Company (Pty) Ltd	50.00%	78,467	-
		152,776	66,546
Impairment of DPDC Joint Venture		(78,467)	-
		74,309	66,546

This represents a 66.74% investment in Effingham Development and a 50% investment in Durban Point Development Company (Joint Ventures).

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

Durban Point Development Company's mandate is to develop land in the Durban Point precinct and is not involved in the development of any top structures. The company is co-owned by the Council and Rocpoint Proprietary Limited.

The Council obtained a 50% shareholding in the Durban Point Development Company in December 2015 through an irrevocable cession agreement between the Durban Infrastructure Development Trust and the Council.

### Summary of the municipality's interest in the joint venture - Effingham Development

#### Non-current assets

Township Property	58,779	55,553
Current assets - Debtors	16,062	22,081
Current assets - Bank Balances and Cash on hand	20,665	13,110

<b>Total Assets</b>	<b>95,506</b>	<b>90,744</b>
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#### Equity and Liabilities

Members Loan Accounts	74,309	66,546
Current liabilities - Creditors	21,197	24,198

<b>Total Equity and Liabilities</b>	<b>95,506</b>	<b>90,744</b>
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#### Reconciliation of Investment in Joint Venture

Balance at beginning of year	66,546	61,678
Share of Income for the year	7,763	4,969
Payment received	-	(101)
<b>Balance at end of year</b>	<b>74,309</b>	<b>66,546</b>

### Summary of the municipality's interest in the joint venture - Durban Point Development Company

Non-current assets - Property	2,675
Current assets - Debtors	1,639
Current assets - Inventory	93,350
Current assets - Bank Balances and Cash on hand	1,279
<b>TOTAL ASSETS</b>	<b>98,943</b>
Equity - Accumulated Loss	(20,573)
Equity - Loans from shareholders	78,466
Non-current liability - Rates Liability	39,558
Current Liabilities - Creditors	1,492
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>98,943</b>

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

	2016	2015
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### 17. External Borrowings

#### Designated at fair value

Annuity loans	9,236,359	10,241,146
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The fair value of all long term loans approximates their book values.

Refer to Note 52 for more detail on long-term liabilities.

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

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

AFD Calyon loan of R58.7m is separately secured by a cession of carbon credit income in the event of default or nonpayment.

The income is estimated to be R5m for the year 2016/17 (excluding VAT).

All other loans are unsecured.

The Municipality has budgeted to borrow R1billion per annum for the next 3 financial years (commencing in 2016/17) in order to finance capital expenditure. This practice is consistent with prior years.

#### Non-current liabilities

Designated at fair value	8,170,657	9,249,268
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#### Current liabilities

Designated at fair value	1,065,702	991,878
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### 18. Payables from exchange transactions

Trade payables	1,768,751	2,305,740
Payments received in advance	53,703	47,215
Income received in advance - D.O.H.S	822,203	709,954
Other payables	1,951,962	1,368,864
Retentions	286,049	219,315
Bank deposits not yet receipted	427,327	206,338
Staff leave	467,012	436,246
Deferred Expenditure (Straight-lining of Leases)	31,514	29,513
	<b>5,808,521</b>	<b>5,323,185</b>

### 19. Consumer deposits

Electricity	1,324,488	1,179,569
Water	346,618	309,047
Interest	232,527	204,442
	<b>1,903,633</b>	<b>1,693,058</b>

Reflected under Consumer Deposits above is an accrual of interest at an effective interest rate of 3% per annum (2015: 3%) which is paid to consumers when deposits are refunded.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

	2016	2015
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### 20. Employee benefit obligations

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

#### Carrying value

Post-employment medical benefits	(3,881,543)	(3,497,714)
Post-employment pension benefits	377,616	523,431
	<b>(3,503,927)</b>	<b>(2,974,283)</b>

Non-current liabilities	(2,949,887)	(2,353,172)
Current liabilities	(554,040)	(621,111)
	<b>(3,503,927)</b>	<b>(2,974,283)</b>

Actuarial Valuations:

The actuarial valuations were done by Independent Actuaries & Consultants, an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. Assumptions applied in the current period are summarised in the reconciliation of the actuarial gains and losses.

#### Net Actuarial Gain / (Loss): Post-employment Medical Benefits

Actuarial gains and (losses) arising from changes in financial assumptions	(9,767)	(46,189)
Actuarial gains and (losses) arising from changes in demographic assumptions	-	202,692
Actuarial gains and (losses) arising from experience adjustments	(21,796)	(179,321)
	<b>(31,563)</b>	<b>(22,818)</b>

#### Net Actuarial Gain / (Loss): Post-employment Pension Benefits

Change in economic assumptions	(247,821)	169,863
Experience variance and data changes	295,875	340,906
	<b>48,054</b>	<b>510,769</b>

#### Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	502,088	472,748
Pension Benefits: Contribution to Funds	195,368	(153,564)
<b>Total, included in employee benefits expense</b>	<b>697,456</b>	<b>319,184</b>

#### Post-Retirement Medical Aid Plan

The municipality operates on 6 accredited medical aid schemes, namely Key Health, Hosmed, Bonitas, Samwumed, Discovery and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

#### Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3,497,714	3,132,817
Current service cost	157,146	152,312
Interest cost	313,379	297,618
Actuarial (gains) losses	31,563	22,818
Benefit payments	(118,259)	(107,851)
<b>Balance at end of year</b>	<b>3,881,543</b>	<b>3,497,714</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand 2016 2015

### 20. Employee benefit obligations (continued)

#### Net expense recognised in the Statement of financial performance

Current service cost	157,146	152,312
Interest cost	313,379	297,618
Actuarial (gains) losses	31,563	22,818
<b>Total, included in employee benefits expense</b>	<b>502,088</b>	<b>472,748</b>

#### Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Present Value of Obligations	(2,752,683)	(2,867,471)	(3,132,817)	(3,497,714)	(3,881,543)
Fair Value of Plan Assets	2,752,683	2,867,471	3,132,817	3,497,714	3,881,543

#### Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)

In respect of Present Value of Obligations	(162,839)	(179,531)	(120,563)	183,275	(21,796)
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#### Disclosure Requirement in terms of GRAP 25

	Central Assumption 8.76%	Health Care cost Inflation -0.5%	+0.5%
Accrued Liability June 30, 2016	3,881,543	3,570,933	4,232,018
Current Service Cost + Interest Cost 2015/16	470,525	509,589	624,571

#### Sensitivity Results from Previous Valuation

	Central Assumption 7.92%	-1%	+1%
Accrued Liability June 30, 2015	3,497,714	3,131,796	3,973,737
Current Service Cost + Interest Cost 2012/13	473,124	413,755	551,452

#### Disclosure Requirement in terms of GRAP 25:

The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R129.2million.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>20. Employee benefit obligations (continued)</b>		
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	9.74 %	8.91 %
General increases to medical aid contributions	8.76 %	7.92 %
Salary Inflation	8.76 %	7.40 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	80.00 %
Real rate (Gap)	0.90 %	0.92 %
General Inflation	7.26 %	6.42 %
Other assumptions:		
Age of spouse - Husbands 5 years older than wives		
Mortality of in-service members - Mortality table based on Durban Pension Fund experience		
Mortality of pensioners - based on the PA(90) mortality tables		
<b>Percentage of in-service members withdrawing before retirement:</b>		
Age 20	7.85 %	7.85 %
Age 25	5.67 %	5.67 %
Age 30	4.20 %	4.20 %
Age 35	3.31 %	3.31 %
Age 40	2.23 %	2.23 %
Age 45	1.21 %	1.21 %
Age 50	0.55 %	0.55 %
<b>Pension benefits</b>		
<b>The amounts recognised in the Statement of Financial Position were determined as follows:</b>		
Present value of funded obligations	11,257,690	10,695,658
Fair value of plan assets	(11,635,306)	(11,219,089)
<b>Liability (Surplus) in the Statement of Financial Position</b>	<b>(377,616)</b>	<b>(523,431)</b>
<b>Net expense recognised in the statement of financial performance</b>		
Service cost	(143,224)	(103,616)
Interest cost	(938,359)	(942,464)
Expected return on assets	980,823	1,287,090
Net actuarial gains / (losses) recognised in the year	(94,608)	(745,023)
Change in unrecognised due to net asset limit	-	657,577
	<b>(195,368)</b>	<b>153,564</b>



# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand 2016 2015

### 20. Employee benefit obligations (continued)

#### Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	(10,695,658)	(10,832,916)
Current service cost	(143,224)	(103,616)
Contributions by plan participants	(18,885)	(19,892)
Actuarial gains (losses)	48,054	510,769
Interest cost	(938,359)	(942,464)
Benefit payments	490,382	692,461
<b>Balance at end of year</b>	<b>(11,257,690)</b>	<b>(10,695,658)</b>

#### Movement in the fair value of plan assets is as follows:

Balance at beginning of the year	11,219,089	11,808,164
Actuarial gains (losses)	(142,662)	(1,255,792)
Employer contributions	49,553	52,196
Employee contributions	18,885	19,892
Benefit payments	(490,382)	(692,461)
Expected return on assets	980,823	1,287,090
<b>Balance at end of year</b>	<b>11,635,306</b>	<b>11,219,089</b>

#### Disclosure in terms GRAP 25

Defined benefit obligation	(11,257,690)	(10,695,658)
Plan assets	11,635,306	11,219,089
Funded status (before applying the net asset limit)	377,616	523,431
Experience adjustments on plan liabilities	(295,875)	(340,906)
Experience adjustments on plan assets	142,662	1,255,792

The expected return on plan assets was determined with reference to the average nominal yield for government bonds with duration of between 15 and 20 years as at 30 June 2016. The resulting expected return on plan assets was 9.7%p.a.

The actual return on plan assets (in accordance with paragraph 116 of GRAP 25) for the year ending 30 June 2016 was 0.27%p.a.

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	9.70	8.90
Expected return on plan assets	9.70	8.90
Future salary increases	8.30	7.40
Future pension increases	7.30	6.40

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 20. Employee benefit obligations (continued)

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

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

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 20. Employee benefit obligations (continued)

The KZN Municipal Pension Fund is a defined contribution fund and became operational on 2001-11-01. As at 30 June 2016 the KZN Municipal Pension Fund had a membership of 20 382 eThekwini staff with R10 765m invested. In the coming year 103 staff who will be turning 63 and are expected to retire. The Fund's in-house living annuity membership has increased to 92 with a total of R142,6m invested.

Most members are invested in the Fund's default portfolio, the 'Managed Fund' with a holding exceeding R9b. Coronation, Foord, Investec, and Prudential, are mandated to make asset allocation and investment decisions in line with a moderately aggressive investment objective given to this portfolio.

The 'Aggressive Fund' portfolio, an alternative investment choice available, has specialist investment mandates with an equity bias, the allocation of which is set to the maximum permitted through regulation.

As an indication, the annual return to the end of June 2016 of the Managed Fund was 6,2%, and against the trend, the Defensive Fund was the best performer at 9,4%. Such lower than normal returns reflect the correction that occurred in world investment markets over the last 12 months. Interestingly, the fact that the returns are firstly positive, and then, still above inflation, is largely due to gains made from the 25% offshore allocation.

The Fund continues to move towards becoming fully self-insured. In 2016 the disability insurance became fully self-insured and the death and funeral self-insurance increased from 20% to 40%. Of the Employer's 18% contribution, 14,664% is now invested into the member investment account, 0,385% is used for administration cost and related expenses, and 2,951% goes to the insurance premium. Considering that some years ago members banked less than 14% in terms of the employer contribution of 18%, the fewer death claims and lower expenses now evident is welcome news for members.

In the preceding 12 months the Fund continued on its member education drive, and again, the annual seminars were held and attracted an audience of some 6000 members. In recognition the Fund was honoured in winning the prestigious Batseta Member Education Fund Challenge Award. Another communication initiative, that of providing retiring members advice at the Front Office, SmartXchange Building, is a service that retiring members are encouraged to make use of.

The need to promote black owned and managed companies in the investment, pension, and insurance sector features important on the agenda of Trustees who are now regularly interacting with these emerging companies. Significant transformation has already occurred with contracts concluded for Insurance (Nestlife), Beneficiary Services (Bophelo), and Investments (Kagiso). An initiative to increase the investment allocation to good performing black owned asset managers is presently under review.

The Durban Pension Fund is a closed defined benefit fund. With effect from 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality.

The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The statutory valuation as at 2016-01-01 revealed that the Fund was 106.5% funded (interim 2015-01-01: 103.2%). The value of assets amounted to R11,27 billion (2015-01-01: R10.94 billion) whilst the value of liabilities was determined to be R10,59 billion (2014-01-01: R10.6 billion). The active member pool solvency reserve is 64.5% funded (2015-01-01: 51.3%) and the pensioner pool solvency reserve is 100% funded (2015-01-01: 100%).

Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 9,3% being required to be funded by the employer surplus account and 1.38% from the contribution stabilization reserve account with effect 1 August 2016. In compliance with the Fund's rules an amount of R52.8 million (2014/15: R54.0 million) was contributed by Council in respect of retirement funding during the period under review.

#### Multi-Employer Retirement Benefit Plans:

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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2015

### 20. Employee benefit obligations (continued)

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

Two of the NJMP retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund.

The last actuarial valuations of the two Defined Benefit Funds (March 2015) showed both funds to be fully funded as regards pensions in payment. For the Retirement Fund the fund is underfunded as regards contributing members - thus the employers are paying a surcharge. For the Superannuation Fund the fund has sufficient assets to cover the basic liability as regards contributing members, but not any solvency reserves for the contributing members. A primary reason for the surcharge is that salaries have been increased at rates well in excess of inflation over the past number of years, which has increased the liabilities of the two Defined Benefit Funds. (from 2011: Surcharge updated to 17.5% for Retirement Fund and 9.5% for Superannuation Fund - please refer to valuation reports available from Fund's website or the Director.)

The three funds cater for employees of all municipalities in KZN.

Each fund is treated as one fund and not as a collection of sub-funds for each participating municipality. In the DB funds any surplus or deficit is spread across all municipalities - each municipality pays the same rate of contribution and the same rate of surcharge. A special additional surcharge is levied individually on municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other municipalities. This has the effect of removing some of the cross-subsidisation between municipalities. Other than this, all municipalities are treated in the same manner

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

### 21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Electricity Demand Side Management Grant	8,636	3,194
Department of Co Operative Governance and Traditional Affairs	5,000	6,445
Department of Transport and Public Transport Infrastructure	-	422,175
Department of Environmental Affairs	7,838	7,962
Neighbourhood Development Partnership	261	18,422
Department of Arts & Culture	443,607	318,062
Vuna Awards	-	875
Grant Accreditation	19,077	13,884
Department of Human Settlements	124,224	99,658
Lamontville and R293 Trf Deeds/ Administration	-	1,556
European Union	5,433	6,433
Donations and Public Contributions	54,367	54,412
D Moss Interest and Land Sales	8,073	8,073
Public Transport Network Operations	-	84,709
Municipal Human Settlement Capacity Grant	26,450	39,980
Sports and recreation Grant	10,000	-
Other Grants and Subsidies	36,354	40,231
	<b>749,320</b>	<b>1,126,071</b>

These amounts are invested in a ring-fenced investment until utilised. See note 28 for more detail.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015			
<b>22. Provisions</b>					
<b>Reconciliation of provisions - 2016</b>					
	Opening Balance	Additions	Utilised during the year	Interest charged	Total
<b>Current</b>					
Clearance of Alien Vegetation	19,419	16,405	(16,004)	-	19,820
Performance bonus	23,235	7,462	(17,225)	-	13,472
Long service awards	55,788	55,144	(48,646)	-	62,286
<b>Non-current</b>					
Environmental rehabilitation: Landfill sites	91,669	1,238	-	8,479	101,386
Clearance of Alien Vegetation	39,523	2,364	-	-	41,887
Long service awards	669,542	57,214	-	-	726,756
	<b>899,176</b>	<b>139,827</b>	<b>(81,875)</b>	<b>8,479</b>	<b>965,607</b>
<b>Reconciliation of provisions - 2015</b>					
	Opening Balance	Additions	Utilised during the year	Interest charged	Total
<b>Current</b>					
Clearance of Alien Vegetation	15,879	16,841	(13,301)	-	19,419
Performance bonus	11,552	12,345	(662)	-	23,235
Long service awards	62,439	40,479	(47,130)	-	55,788
<b>Non-current</b>					
Environmental rehabilitation: Landfill sites	84,241	(298)	-	7,726	91,669
Clearance of Alien Vegetation	37,641	1,882	-	-	39,523
Long service awards	618,817	50,725	-	-	669,542
	<b>830,569</b>	<b>121,974</b>	<b>(61,093)</b>	<b>7,726</b>	<b>899,176</b>
Non-current liabilities				870,029	800,734
Current liabilities				95,578	98,442
				<b>965,607</b>	<b>899,176</b>

### Environmental rehabilitation: Landfill sites

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

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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### 22. Provisions (continued)

The following assumptions were used to calculate the provision:

- (1) Discount rate of 10.50% (2015: 9.25%);
- (2) Inflation rate 6.30%(2015: 4.7%);
- (3) Total area expected to be rehabilitated: 913 151 square metres (2015: 913 151 square meters);
- (4) Rate per square metre: R154.54 (2015: R145.27) escalating every year by inflation rate;
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

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

Each of the landfill sites have a different lifespan for rehabilitation ranging from 2 years to 58 years and are best estimates provided for by the respective landfill site engineers. The remaining useful life of the Lovu Landfill Site has been extended from 21 years to 22 years as at 30 June 2016.

The total rehabilitation can be reconciled as follows:

Name	O/ Balance	Additions	Interest	Change in Estimate	C/ Balance
Bisasar	51,243	-	4,740	(983)	55,000
Maranhill	30,653	-	2,835	1,440	34,928
Wyebank	3,555	-	329	(39)	3,845
Shallcross	2,890	-	267	140	3,297
Buffelsdraai	1,618	-	150	572	2,340
Lovu	1,710	-	158	108	1,976
<b>Totals</b>	<b>91,669</b>	<b>-</b>	<b>8,479</b>	<b>1,238</b>	<b>101,386</b>

### Clearance of Alien Vegetation

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

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

### Data used for calculations:

Municipal owned land within the municipal area: 18 000 Ha  
 Municipal owned open space currently managed (prioritised): 2 200 Ha  
 Current approximate cost of clearing very high infestations of IAP's: R9 153.00 / Ha  
 (2015: R9 153.00 / Ha).

### Performance Bonus

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 22. Provisions (continued)

#### Long service awards

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

Long Service Leave will accrue as follows:

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

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

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

- 2% of monthly salary at 15-19 years

-3% of monthly salary at 20-24 years

-4% of monthly salary at 25-29 years

-5% of monthly salary at 30-34 years

-6% of monthly salary at 35 years or more

The abovementioned is limited to a maximum of R1 310.32 (2015: R1 155.28).

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2016 (2015: 30 June 2015). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 8.83% (2015: 8.35% ) was used based on internal rate of return.

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

Figures in Rand thousand	Municipality	
	2016	2015
Gross discount rate	8.83%	8.3
Salary inflation	7.45	7
Net discount rate	1.38	1.3%
Number of trading days per year	252	252
Assumed retirement age	63 years for males and females	63 years for males and females
	-	-

#### Summary of membership data used in the valuation

Current employees	30 June 2016	30 June 2015
Number of current employees	22,706	21,506
Average age of employees	41.8	41.9
Average years of past service	11	11.3
Average annual salary (R)	188,580	179,056

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>22. Provisions (continued)</b>	-	-
<b>Reconciliation of Defined Benefit Obligation</b>		
Opening Balance	725,330	681,256
Current Service cost	52,532	52,072
Interest cost	62,445	57,907
Actuarial losses (gains) - change in financial assumptions	(6,006)	(14,207)
Actuarial losses (gains) - experience variance	14,781	2,320
Cash movements - Benefit payments	(60,040)	(54,018)
	<b>789,042</b>	<b>725,330</b>
<b>Pre-retirement mortality</b>		
<b>Age</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
20	0.13%	0.13%
25	0.18%	0.18%
30	0.25%	0.25%
35	0.37%	0.37%
40	0.52%	0.52%
45	0.72%	0.72%
50	0.99%	0.99%
55	1.37%	1.37%
60	1.89%	1.89%
	-	-
<b>Withdrawal assumption</b>		
<b>Age</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
20	7.85%	7.85%
25	5.67%	5.67%
30	4.20%	4.20%
35	3.31%	3.31%
40	2.23%	2.23%
45	1.21%	1.21%
50	0.55%	0.55%
55	0%	0.00%
60+	0%	0.00%
	-	-
<b>23. Housing development fund</b>		
Accumulated Surplus	(143,611)	(114,055)
Loans extinguished by Government on 1 April 1998	266,979	266,979
	<b>123,368</b>	<b>152,924</b>



# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand 2016 2015

### 23. Housing development fund (continued)

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

Property, plant and equipment	65,628	66,314
Housing selling scheme loans	59,478	63,074
Housing rental Debtors	6,355	8,562
Housing other Debtors	30,331	64
Housing inventory	89	72
Investments	7,489	7,489
Investment properties	15,713	16,080
Grant Accrual	275,257	311,403
Bank and cash	4	4
Vat Receivable	2,733	57
<b>Assets</b>	<b>463,077</b>	<b>473,119</b>
Long-term liabilities	62	165
Unspent Conditional Grants	18,332	6,963
Creditors	17,001	46,789
Bank Overdraft	304,314	246,459
Government Grant Reserve	-	19,818
<b>Liabilities</b>	<b>339,709</b>	<b>320,194</b>
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>123,368</b>	<b>152,924</b>

### 24. Service charges

Sale of electricity	11,705,548	10,197,502
Sale of water	2,769,406	2,622,145
Solid waste	558,261	523,567
Sewerage and sanitation charges	805,590	801,616
Other service charges	180,251	174,581
<b>Total service charges</b>	<b>16,019,056</b>	<b>14,319,411</b>

### 25. Other income

Sundry income	280,589	441,204
Moses Mabhida Stadium	13,300	11,242
	<b>293,889</b>	<b>452,446</b>

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

### 26. Interest revenue

<b>Interest revenue</b>		
Interest earned - External Investments	518,207	362,443
Interest earned - Outstanding Debtors	246,686	175,142
	<b>764,893</b>	<b>537,585</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>27. Property rates</b>		
<b>Rates received</b>		
Residential	2,210,759	2,035,180
Business / Commercial	2,061,221	1,809,387
Unauthorised / Illegal development	27,776	26,734
Development Phasing	1,656	1,542
Agricultural	7,252	2,962
Vacant land	396,661	380,704
Industrial	1,514,407	1,393,157
Public Service Infrastructure	10,791	28,267
<b>Total Assessment Rates</b>	<b>6,230,523</b>	<b>5,677,933</b>
<b>Valuations</b>		
Residential	272,054,810	269,219,317
Business / Commercial	92,766,118	91,922,905
Unauthorised / Illegal development	290,196	473,063
Agricultural	2,869,523	2,875,549
Vacant land	12,923,845	12,342,130
Industrial	46,801,061	46,172,030
Public Service Infrastructure	15,528,926	16,211,123
Development Phasing Line	153,353	153,773
<b>Total Property Valuations</b>	<b>443,387,832</b>	<b>439,369,890</b>

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.01115 (2015: R0.01043); Agriculture - R0.00279 (2015: R0.00261); Vacant Land - R0.04998 (2015: R0.04678); Industrial - R0.03262 (2015: R0.03053); Business and Commercial - R0.02528 (2015: R0.02366); Public Service Infrastructure - R 0.00279 (2015: R0.00261); Unauthorised/Illegal Development - R0.5574(2015:R0.04678); Development Phasing line - R0.01649 (2015: R0.01544); Rural Residential R0.01115 (2015: R0.01043). All residential property owners are exempt from paying rates on the first R120 000 (2015: R120 000) of their property value. In addition to the R120 000, pensioners, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R3 623 (R3 390). The Senior Citizens rebate is limited to a maximum limit of R3 million on the value of the property.

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

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>28. Government grants and subsidies</b>		
Equitable Share	2,115,453	1,990,048
Expanded Public Works Programme Incentive	40,618	39,673
European Union	1,000	1,069
Primary Health Care Provincial Subsidy	135,000	96,600
Department of Transport and Public Transport infrastructure	1,232,168	742,064
Department of Environmental Affairs	123	23
Vuna Awards	875	-
Municipal Human Settlements Capacity Grant	27,872	12,489
Demand Side Management	364	11,114
Urban Settlement Development Grant	1,838,336	1,800,076
Other Grants	91,742	41,991
Public Contributions	295	4,034
Neighbourhood Development Partnership	53,549	15,833
Department of Human Settlements	110,770	454,752
Grant Accreditation	13,563	41,948
Department of Co-Operative Government and Traditional Affairs	2,029	1,561
Department of Arts and Culture	35,010	42,625
Public Transport Network Operations	-	36,111
Intergrated City Development Grant	46,781	52,621
Infrastructure Skills Grant	24,739	26,925
	<b>5,770,287</b>	<b>5,411,557</b>

### Equitable Share

Current-year receipts	2,115,453	1,990,048
Conditions met - transferred to revenue	(2,115,453)	(1,990,048)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### D Moss Interest and Land Sales

Balance unspent at beginning of year	8,073	8,073
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Conditions still to be met - remain liabilities (see note 21).

The above relates to funding for the acquisition of D Moss land.

### Department of Environmental Affairs

Balance unspent at beginning of year	7,962	2,242
Current-year receipts	-	5,743
Conditions met - transferred to revenue	(124)	(23)
	<b>7,838</b>	<b>7,962</b>

Conditions still to be met - remain liabilities (see note 21).

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.

### Department of Transport and Public Transport infrastructure

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>28. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	422,175	819,688
Current-year receipts	1,232,168	654,752
Conditions met - transferred to revenue	(1,232,168)	(742,064)
Paid back	(422,175)	(310,201)
	<b>-</b>	<b>422,175</b>

Conditions still to be met - remain liabilities (see note 21).

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

The underspending of funds is due to :

- \* Delays in awarding contracts as a result of court action.
- \* Construction disruption by Taxi industry.
- \* Transport Management Centre delays in securing a site.
- \* Construction for Bridge City Depot being delayed by EIA amendments.

### Neighbourhood Partnership Development

Balance unspent at beginning of year	18,422	3,181
Current-year receipts	53,810	34,255
Conditions met - transferred to revenue	(53,549)	(15,833)
Paid back	(18,422)	(3,181)
	<b>261</b>	<b>18,422</b>

Conditions still to be met - remain liabilities (see note 21).

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

### European Union

Balance unspent at beginning of year	6,433	7,456
Current-year receipts	-	46
Conditions met - transferred to revenue	(1,000)	(1,069)
	<b>5,433</b>	<b>6,433</b>

Conditions still to be met - remain liabilities (see note 21).

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

### Other Grants and Subsidies

Balance unspent at beginning of year	40,231	42,151
Current-year receipts	87,865	43,279
Paid back	-	(3,208)
Conditions met - transferred to revenue	(91,742)	(41,991)
	<b>36,354</b>	<b>40,231</b>

Conditions still to be met - remain liabilities (see note 21).

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

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>28. Government grants and subsidies (continued)</b>		
<b>Department of Human Settlements</b>		
Balance unspent at beginning of year	99,658	107,508
Current-year receipts	75,142	135,500
Conditions met - transferred to revenue	(110,770)	(454,753)
Accrued receipts	58,638	311,403
Transferred from Lamontville R293	1,556	-
	<b>124,224</b>	<b>99,658</b>
Conditions still to be met - remain liabilities (see note 21).		
Funding for the administration of Hostels in KwaZulu Natal.		
The reasons for the underspending of funds are :		
* Delays in construction of Cornumbia Access Road		
* Funding for CRU upgrade project received late in the year.		
* Delays in Donnelly Road CRU upgrade.		
<b>Lamontville R293 Trf Deeds/ Administration</b>		
Balance unspent at beginning of year	1,556	1,556
Transferred to Human Settlements	(1,556)	-
	<b>-</b>	<b>1,556</b>
Conditions still to be met - remain liabilities (see note 21).		
This grant was used to fund the maintenance of the Lamontville houses as well as the transfer of the R293 township houses to the beneficiaries.		
<b>Grant Accreditation</b>		
Balance unspent at beginning of year	13,884	13,884
Current-year receipts	18,756	41,948
Conditions met - transferred to revenue	(13,563)	(41,948)
	<b>19,077</b>	<b>13,884</b>
Conditions still to be met - remain liabilities (see note 21).		
These funds are for the administrative support provided for RDP houses.		
<b>Department of Co-operative Governance and Traditional Affairs</b>		
Balance unspent at beginning of year	6,445	7,006
Current-year receipts	585	1,000
Conditions met - transferred to revenue	(2,030)	(1,561)
	<b>5,000</b>	<b>6,445</b>
Conditions still to be met - remain liabilities (see note 21).		
Funds used for the construction of a Factory for Hazelmere Lungisa Indlela Village and to draft a land use management scheme for Shongweni Local Area Plan.		
<b>Donations and Public Contributions</b>		
Balance unspent at beginning of year	54,412	58,183
Current-year receipts	250	263

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>28. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(295)	(4,034)
	<b>54,367</b>	<b>54,412</b>

Conditions still to be met - remain liabilities (see note 21).

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

### Department of Arts & Culture

Balance unspent at beginning of year	318,062	236,617
Current-year receipts	160,555	124,070
Conditions met - transferred to revenue	(35,010)	(42,625)
	<b>443,607</b>	<b>318,062</b>

Conditions still to be met - remain liabilities (see note 21).

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

The reason for underspending of funds is due to delays in construction of new Central Library.

### Electricity Demand Side Management Grant

Balance unspent at beginning of year	3,194	14,308
Current-year receipts	9,000	-
Conditions met - transferred to revenue	(364)	(11,114)
Paid back	(3,194)	-
	<b>8,636</b>	<b>3,194</b>

Conditions still to be met - remain liabilities (see note 21).

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

### Infrastructure Skills Grants

Current-year receipts	24,739	26,925
Conditions met - transferred to revenue	(24,739)	(26,925)
	-	-

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 28. Government grants and subsidies (continued)

#### Urban Settlements Development Grant

Current-year receipts	1,838,336	1,800,076
Conditions met - transferred to revenue	(1,838,336)	(1,800,076)
	-	-

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

#### Expanded Public Works Incentive Grant

Balance unspent at beginning of year	-	5,519
Current-year receipts	40,618	34,154
Conditions met - transferred to revenue	(40,618)	(39,673)
	-	-

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

#### Vuna Awards

Balance unspent at beginning of year	875	875
Conditions met - transferred to revenue	(875)	-
	-	875

Conditions still to be met - remain liabilities (see note 21).

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

#### Primary Health Care Provincial Subsidy

Current-year receipts	135,000	27,000
Accrued receipts	-	69,600
Conditions met - transferred to revenue	(135,000)	(96,600)
	-	-

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

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>28. Government grants and subsidies (continued)</b>		
<b>Public Transport Network Operations</b>		
Balance unspent at beginning of year	84,709	-
Current-year receipts	-	120,820
Conditions met - transferred to revenue	-	(36,111)
Paid back	(84,709)	-
	<b>-</b>	<b>84,709</b>

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

The underspending of funds is mainly due to the fact that the city has not progressed to operations stage of its IRPTN.

### Integrated City Development

Current-year receipts	46,781	52,621
Conditions met - transferred to revenue	(46,781)	(52,621)
	<b>-</b>	<b>-</b>

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

### Municipal Human Settlements Capacity Grant

Balance unspent at beginning of year	39,980	-
Current-year receipts	14,342	52,469
Conditions met - transferred to revenue	(27,872)	(12,489)
	<b>26,450</b>	<b>39,980</b>

Conditions still to be met - remain liabilities (see note 21).

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

The reason for underspending is due to funds being received late in the financial year.

### Department of Sports & Recreation

Current-year receipts	10,000	-
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Conditions still to be met - remain liabilities (see note 21).

This grant is used for Durban Soccer Academy.

## 29. Levies

Fuel levy	2,103,316	1,968,781
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National Treasury shared revenue generated by the general fuel levy.



# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>30. Employee related costs</b>		
Employee related costs - Salaries and Wages	4,688,819	4,374,661
Medical aid and Pension Benefits	1,883,596	1,400,290
UIF	38,502	36,376
Contribution to Provisions (Leave Pay, Performance Bonus, Long Service Awards)	250,052	254,709
Travel, motor car, accommodation, subsistence and other allowances	370,071	348,139
Overtime payments	596,925	463,328
Housing benefits and allowances	39,388	17,376
Holiday Bonus	343,690	322,537
Other	71,153	52,396
Less: Employee costs relating to capitalisation and maintenance of PPE	(180,459)	(229,759)
	<b>8,101,737</b>	<b>7,040,053</b>

### Remuneration of the Municipal Manager - Mr. S. Sithole

Annual Remuneration	2,489	2,384
Car Allowance	166	180
Performance Bonuses	218	-
Contributions to UIF, Medical and Pension Funds	31	27
Other Allowances(Subsistence, Leave cashing, Backpay)	78	28
	<b>2,982</b>	<b>2,619</b>

### Remuneration of the Chief Finance Officer - Mr. K. A. Kumar

Annual Remuneration	1,364	1,311
Car Allowance	473	454
Market Allowance	242	242
Contributions to UIF, Medical and Pension Funds	327	304
Cellphone Allowance	18	18
Performance Bonus	136	-
Other Allowances(Subsistence, Leave cashing, Backpay)	120	22
	<b>2,680</b>	<b>2,351</b>

### Health and Social Services - Dr. M. Gumede

Annual Remuneration	1,769	1,695
Car Allowance	120	120
Performance Bonuses	163	-
Contributions to UIF, Medical and Pension Funds	52	46
Cellphone Allowance	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	123	75
	<b>2,239</b>	<b>1,948</b>

### Governance - Mr. S. O. Cele

Annual Remuneration	1,364	1,311
Car Allowance	473	454
Performance Bonuses	97	-
Contributions to UIF, Medical and Pension Funds	322	300
Market Allowance	121	121
Cellphone Allowance	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	147	51
	<b>2,536</b>	<b>2,249</b>

### Remuneration of the Municipal Manager - Dr. M. Sutcliffe

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

	2016	2015
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### 30. Employee related costs (continued)

Performance Bonus 2012	-	160
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#### Corporate and Human Resources - Mrs. D. P. Nene

Annual Remuneration	1,611	1,554
Car Allowance	108	108
Performance Bonuses	119	-
Contributions to UIF, Medical and Pension Funds	50	44
Other Allowances(Subsistence, Leave cashing, Backpay)	47	-
Cellphone Allowance	41	-
	<b>1,976</b>	<b>1,706</b>

#### Sustainable Development and City Enterprises - Dr. C. N. Moyo

Annual Remuneration	-	57
Car Allowance	-	4
Performance Bonuses	119	-
Contributions to UIF, Medical and Pension Funds	-	5
Cellphone Allowance	-	1
Other Allowances(Subsistence, Leave cashing, Backpay)	-	181
	<b>119</b>	<b>248</b>

Resigned: 11 July 2014

### 31. Remuneration of councillors

Councillors	105,334	100,795
Mayor	1,261	1,192
Deputy Mayor	1,017	967
Mayoral Committee Members	8,656	8,056
Speaker	1,095	1,054
Councillors	92,891	88,869
Traditional Leaders	415	657
<b>Total Councillors' Remuneration</b>	<b>105,335</b>	<b>100,795</b>

#### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with bodyguards and is provided with an office and secretarial support at the cost of the Council.

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

The Mayor ,the Deputy Mayor and speaker have full-time bodyguards.

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>31. Remuneration of councillors (continued)</b>		
<b>Mayor ( 1 )</b>		
Remuneration Allowances	723	696
Travelling Allowance	311	294
Cellphone Allowance	42	42
Medical Aid	73	51
Pension Fund	112	109
	<b>1,261</b>	<b>1,192</b>
<b>Deputy Mayor ( 1 )</b>		
Remuneration Allowances	633	564
Travelling Allowance	251	238
Cellphone Allowance	42	42
Medical Aid	22	35
Pension Fund	95	88
	<b>1,043</b>	<b>967</b>
<b>Speaker ( 1 )</b>		
Remuneration Allowances	591	537
Travelling Allowance	301	297
Cellphone Allowance	42	42
Medical Aid	72	94
Pension Fund	89	84
	<b>1,095</b>	<b>1,054</b>
<b>Mayoral Committee Members ( 9 )</b>		
Remuneration Allowances	5,435	5,097
Travelling Allowance	2,119	2,003
Cellphone Allowance	188	203
Medical Aid	205	159
Pension Fund	709	592
	<b>8,656</b>	<b>8,054</b>
<b>Councillors ( 193 )</b>		
Remuneration Allowances	53,206	50,757
Constituency Allowances	3,996	4,196
Travelling Allowance	21,264	20,206
Cellphone Allowance	3,975	3,996
Medical Aid	4,675	4,090
Pension Fund	5,775	5,624
	<b>92,891</b>	<b>88,869</b>
<b>Traditional Leaders ( 7 )</b>		
Allowances	415	657
<b>32. Finance costs</b>		
Non-current borrowings	932,823	897,439
Consumer Deposits	38,397	47,224
Other interest paid	556	8,770
	<b>971,776</b>	<b>953,433</b>

An amount of R21.1m (2015: R52.9m) relating to borrowing costs was capitalised to work-in-progress with 9% (2015: 9%) being the weighted average cost of funds borrowed generally by the municipality.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>33. Bulk purchases</b>		
Electricity	7,735,741	6,716,137
Water	1,728,995	1,662,481
	<b>9,464,736</b>	<b>8,378,618</b>
<b>34. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grant Paid: Point Precinct Trust	2,276	2,168
Grant Paid: Enhanced Extended Discount Benefit	2,325	1,701
Grant Paid: Sporting Organisations	58,766	54,091
Grant Paid: Twilanga Old Age Home	1,202	1,055
Grant Paid: Durban Marine Theme Park (for SAAMBR subsidy)	62,424	56,595
Grant Paid: Playhouse Company	3,000	3,000
Grant Paid: Durban Arts Association	129	1,150
Grant Paid: Natal Philharmonic Orchestra	6,800	6,800
Grant Paid: Tourism Indaba	13,558	13,495
Grant Paid: Food Aid Program	43,614	27,910
Grant Paid: Other	13,441	11,807
	<b>207,535</b>	<b>179,772</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>35. General expenses</b>		
Advertising	46,556	48,971
Auditors remuneration	17,309	18,626
Bank charges	5,705	6,704
Cleaning	18,576	20,929
Commission paid	30,410	25,670
Consulting and professional fees	50,185	65,263
Delivery expenses	3,729	3,310
Civic Entertainment	2,391	1,245
Hire of facilities, plant and equipment	50,501	64,962
Community development and training	27,134	24,820
Conferences and seminars	8,601	5,411
IT expenses	36,284	43,383
Marketing	47,897	42,934
Levies	5,581	3,760
Magazines, books and periodicals	8,206	8,316
Medical Requisites	21,291	17,026
Fuel and oil	214,971	224,160
Postage and courier	27,496	26,890
Printing and stationery	42,571	37,511
Promotions	77,801	73,123
Project maintenance costs	60,092	53,640
Research costs	12,833	13,946
Secretarial fees	70,497	57,576
Subscriptions and membership fees	19,147	20,657
Telephone and fax	60,105	60,272
Transport and freight	67,120	70,082
Training	108,208	103,868
Travel - local	29,275	25,511
Refuse	26,873	26,874
Title deed search fees	722	593
Stock Adjustments	3,894	13,856
Sewerage and waste disposal	39,461	52,317
Refuse Bags	101,296	101,076
Recycling	11,978	19,938
Tourism development	3,542	3,049
Other Sponsorships and subsidies	8,931	8,422
Stadium Operational Costs	19,679	20,674
Urban Improvement Precincts	9,034	3,799
Safety Equipment	4,634	2,174
Alien vegetation removal	21,085	20,458
Special Events	133,522	119,587
Venue Decorative expenses	2,966	2,760
Other expenses	379,797	366,369
	<b>1,937,886</b>	<b>1,930,512</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>36. Cash generated from operations</b>		
Surplus	4,797,475	3,100,881
<b>Adjustments for:</b>		
Depreciation on PPE	1,806,790	1,724,863
Loss/(gain) on sale of PPE	(10,276)	(49,065)
Heritage asset adjustments	(891)	-
Amortisation of Intangible Assets	72,576	46,540
Depreciation :Investment Property	1,861	1,727
Income from Joint Venture	(7,763)	(4,969)
Reversal of loss on Impairment: PPE	(5,725)	(3,782)
Impairment deficit	12,147	8,664
Debt impairment	1,366,008	2,094,085
Movements in retirement benefit assets and liabilities	529,644	159,137
Movements in provisions	66,431	68,607
Loss on Impairment: Investment properties	-	7,085
Donations:PPE	(1,160)	(2,077)
(Reversal of )Loss on impairment : Municipal Entity	(57,227)	-
<b>Changes in working capital:</b>		
Inventories	7,607	(69,354)
Receivables from exchange transactions	(1,487,735)	(1,998,474)
Consumer debtors	(496,736)	(655,554)
Other receivables from non-exchange transactions	962	(38,543)
Payables from exchange transactions	485,336	(461,924)
VAT	33,724	182,676
Unspent conditional grants and receipts	(376,751)	(202,176)
Consumer deposits	210,575	181,867
	<b>6,946,872</b>	<b>4,090,214</b>
<b>37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term liabilities	9,236,359	10,241,146
Used to finance property, plant and equipment – at cost	(9,236,359)	(10,241,146)
	-	-

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>38. Commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	2,541,597	3,678,138
• Community	57,791	76,448
• Land and Buildings	221,007	246,428
• Other	1,264,875	860,710
	<b>4,085,270</b>	<b>4,861,724</b>
<b>Approved but not yet contracted for</b>		
• Infrastructure	151,619	446,553
• Community	10,863	36,146
• Land and Buildings	38,877	40,793
• Other	-	450
	<b>201,359</b>	<b>523,942</b>
<b>Total capital commitments</b>		
Approved and contracted for	4,085,270	4,861,724
Approved but not yet contracted for	201,359	523,942
	<b>4,286,629</b>	<b>5,385,666</b>

Included in the Other Capital Commitments figure for Housing is Housing Agency commitments amounting to R 1.1 billion (2015: R786million).

### Financial Commitment

Debenture held in Durban Marine Theme Park	-	90,000
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A debenture held in Durban Marine Theme Park by DBSA was convertible at the option of the holder into ordinary shares. Council resolved to settle the liability in exchange of shares in 2 tranches of R45 million each (November 2015 and March 2016). Refer to note 15 for increase in Investments in Municipal Entities.

### Operating leases - as lessee (expenditure)

<b>Minimum lease payments due</b>		
- within one year	50,960	50,040
- in second to fifth year inclusive	87,334	94,950
- later than five years	3,750	4,165
	<b>142,044</b>	<b>149,155</b>

### Operating Commitments

<b>Commitments Payable</b>		
- within one year	1,182,446	1,306,738
- within two to three years	1,220,794	1,145,313
- after three years	28,321	11,185
	<b>2,431,561</b>	<b>2,463,236</b>

Included above is Operating Commitments for Security Management. The Contract has been extended for 6 months and the estimated cost is R311m. The three year budget forecasts for Security Management costs is R622.2m, R621.5m and R673.5m respectively.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand 2016 2015

### 39. Operating leases - as lessor (income)

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

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

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

### 40. Contingencies

Contracted Disputes	793,769	734,915
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Various departments within the municipality have price disputes with certain contractors.

Self Insurance Reserve	295,249	304,540
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Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	235,603	355,464
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	68,469	66,660
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These guarantee's are issued in favour of the following:

- The Member(s), Jeena's Warehouse Close Corporation: R3.6m (Standard Bank) dated 19 May 1999;
- S.A. Post Office: R76 000 (Standard Bank) dated 14 October 1997;
- S.A. Post Office: R1.9m (Standard Bank) dated 6 August 1997;
- ESKOM Holdings: R7 800 (Standard Bank) dated 1 November 2011;
- Compensation Commissioner: R62.9m(NedBank) ;

Legal Claims	218,948	284,404
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Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed.

Legal disputes relate to:

- Rates dispute: R5.2m;
- Value of compensation in respect of expropriation of various properties R91m
- Claims for damages - various: R122.7m



# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>41. Related parties</b>		
Relationships		
Municipality	Municipality	
Municipal entities (refer to note 15)	Durban Marine Theme Park SOC Limited ICC Durban (Pty)Ltd Ethekeeni Transport Authority River Horse Valley Joint Venture Durban Point Development Company	
Joint ventures (refer to note 16)		
<b>Related party balances</b>		
<b>Loan accounts - Owing by related parties</b>		
Durban Infrastructural Development Trust	-	171,671
I.C.C. Durban (Proprietary) Limited	226,590	226,590
Durban Point Development Company Proprietary Limited	175,052	-
	<b>401,642</b>	<b>398,261</b>
<b>Amounts included in Trade Receivable regarding related parties</b>		
I.C.C. Durban (Proprietary) Limited	3,814	1,663
Durban Marine Theme Park SOC Limited	5,639	1,576
	<b>9,453</b>	<b>3,239</b>
<b>Amounts included in Trade Payable regarding related parties</b>		
I.C.C. Durban (Proprietary) Limited	14,476	2,608
Durban Marine Theme Park (Proprietary) Limited	123	-
Ethekeeni Transport Authority	48,417	53,372
	<b>63,016</b>	<b>55,980</b>
<b>Consumer Deposits paid</b>		
I.C.C. Durban (Proprietary) Limited	1,597	1,435
<b>Related party transactions</b>		
<b>Sales to related parties</b>		
I.C.C. Durban (Proprietary) Limited:		
Electricity	10,762	9,704
Water	1,535	1,458
Refuse	940	751
Rates	5,687	5,317
Other	505	-
Durban Marine Theme Park SOC Limited		
Electricity	20,904	18,796
Water	8,193	6,288
Waste	1,082	1,042
Insurance	494	741
Rates	3,851	3,614
Riverhorse Valley Joint Venture		
Electricity and Water	12	69
Income from Joint Venture	7,763	4,969
Rates	999	-
<b>Purchases from related parties</b>		
I.C.C. Durban (Proprietary) Limited:		
General Expenses	45,043	26,587
Durban Marine Theme Park SOC Limited		
General Expenses	5,453	1,601
Riverhorse Valley Joint Venture		

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015
<b>41. Related parties (continued)</b>		
General Expenses	-	102
Ethekekwini Transport Authority		
General Expenses	3,063	3,051
Other	2,759	-
<b>42. Prior year adjustments</b>		
The following adjustments all relate to corrections of prior-year errors.		
<b>Consumer Debtors</b>		
Balance previously reported	-	3,076,438
Rates adjustments (valuation appeals) - prior to 2014/15	-	(60,712)
Rates adjustments (valuation appeals) - 2014/15	-	(75,470)
Re-classification to Long-term receivables of DIDT capitalised rates	-	(15,088)
Rates Provision for Bad debts adjustment	-	23,202
	-	<b>2,948,370</b>
<b>Payables from exchange transactions</b>		
Balance previously reported	-	5,257,542
Accruals adjustments - prior to 2014/15	-	20,392
Accruals adjustments - 2014/15	-	18,630
Trade payables adjustments - prior to 2014/15	-	(10,747)
Trade payables adjustments - 2014/15	-	(149)
Fair value adjustments - prior to 2014/15	-	8,651
Fair value adjustments - 2014/15	-	11,556
Retention adjustment - 2014/15	-	(36)
Other adjustments - prior to 2014/15	-	(7,419)
Other adjustments - 2014/15	-	24,765
	-	<b>5,323,185</b>
<b>Property, Plant and Equipment</b>		
Balance previously reported	-	39,816,121
Depreciation Adjustments - prior to 2014/15	-	16,003
Depreciation Adjustments - 2014/15	-	65,402
	-	<b>39,897,526</b>
<b>Inventories</b>		
Balance previously reported	-	359,415
Stock adjustments	-	(5,977)
	-	<b>353,438</b>
<b>Investment Property</b>		
Balance previously reported	-	249,827
Re-classification from Investments	-	10
Adjustment for non-council properties	-	(4,048)
Impairment reversal	-	2,150
Depreciation adjustment	-	130
	-	<b>248,069</b>
<b>Intangible Assets</b>		
Balance previously reported	-	853,820
Cost adjustment - prior to 2014/15	-	(20)
Amortisation adjustment - 2014/15	-	9,091
	-	<b>862,891</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 42. Prior year adjustments (continued)

#### Accumulated Surplus

Balance previously reported	-	31,912,452
Long-term receivables: Student loan write-offs - prior to 2014/15	-	(1,732)
Investment Property: Adjustment for non-council properties	-	(4,048)
Unspent conditional Grants: Reforestation grant adjustment - 2014/15	-	(287)
Payables from exchange transactions: Accruals adjustments - prior to 2014/15	-	(20,392)
Payables from exchange transactions: Accruals adjustments - 2014/15	-	(18,630)
Payables from exchange transactions: Trade payables adjustments - prior to 2014/15	-	10,747
Payables from exchange transactions: Trade payables adjustments - 2014/15	-	149
Payables from exchange transactions: Fair value adjustments - prior to 2014/15	-	(8,651)
Payables from exchange transactions: Fair value adjustments - 2014/15	-	(11,556)
Payables from exchange transactions: Retention adjustment - 2014/15	-	36
Payables from exchange transactions: Other adjustments - prior to 2014/15	-	7,419
Payables from exchange transactions: Other adjustments - 2014/15	-	(24,765)
Cash and Bank Balances: Petty cash adjustment	-	(34)
Intangible assets: Cost adjustment - prior to 2014/15	-	(20)
Intangible assets: Amortisation adjustment - 2014/15	-	9,091
PPE: Depreciation adjustments - prior to 2014/15	-	16,004
PPE: Depreciation adjustments - 2014/15	-	65,402
Consumer Debtors: Rates adjustments (valuation appeals) - prior to 2014/15	-	(60,712)
Consumer Debtors: Rates adjustments (valuation appeals) - 2014/15	-	(75,470)
Consumer Debtors: Rates bad debts provisions adjustments	-	23,202
VAT payables: VAT adjustments	-	(118,629)
Inventories: Stock adjustments	-	(5,977)
Receivables from exchange transactions: Accruals adjustments	-	269,262
Receivables from exchange transactions: Fair value adjustments	-	871
Receivables from exchange transactions: DOH Debtor adjustments	-	(25)
Receivables from exchange transactions: Other receivables adjustments	-	(40,525)
Receivables from exchange transactions: Other receivables provision for bad debts adjustments	-	(22,036)
Investment Property: Depreciation adjustment	-	129
Investment Property: Reversal of Impairment	-	2,150
Long-term receivables: DIDT - Impairment - 2014/15	-	(15,088)
Heritage Assets: take-on of assets - prior to 2014/15	-	6,245
	-	<b>31,894,582</b>

#### Long-term receivables

Balance previously reported	-	84,497
Re-classification from Consumer Debtors of DIDT capitalised rates	-	15,088
Student loan write-offs - prior to 2014/15	-	(1,733)
DIDT impairment	-	(15,088)
	-	<b>82,764</b>

#### Unspent conditional grants and receipts

Balance previously reported	-	1,125,784
Reforestation Grant adjustment - 2014/15	-	287
	-	<b>1,126,071</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 42. Prior year adjustments (continued)

#### Receivables from exchange transactions

Balance previously reported	-	2,657,177
Accruals adjustments	-	269,263
Fair value adjustments	-	871
DOHS Debtor adjustment	-	(25)
Other Debtors adjustment	-	(40,525)
Other Debtors provision for bad debts adjustment	-	(22,036)
	-	<b>2,864,725</b>

#### VAT payable

Balance previously reported (VAT receivable)	-	(36,313)
VAT adjustments	-	118,629
	-	<b>82,316</b>

#### Investments

Balance previously reported	-	5,000,000
Re-classification to Investment Property	-	(10)
	-	<b>4,999,990</b>

#### Cash and Bank Balances

Balance previously reported	-	821,297
Petty Cash adjustment	-	(34)
	-	<b>821,263</b>

#### Heritage Assets

Balance previously reported	-	13,486
Take-on of Heritage assets - prior to 2014/15	-	6,245
	-	<b>19,731</b>

### 43. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	11,925	10,264
Amount paid - current year	(11,925)	(10,264)
	-	-

#### Audit fees

Previous year fees	11,800	14,158
Current year fees	5,469	5,274
Amount paid - current year	(5,469)	(5,274)
Amount paid - previous years	(11,800)	(14,158)
	-	-

#### PAYE and UIF

Current year payroll deductions	1,049,366	916,668
Amount paid - current year	(1,049,366)	(916,668)
	-	-

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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

#### Pension and Medical Aid Deductions

Current year expenditure	1,854,626	1,713,896
Amount paid - current year : Defined Benefit Pension Fund	(213,394)	(228,180)
Amount paid - current year : Defined Contribution Pension Fund	(969,142)	(873,030)
Amount paid - current year : Medical Aid	(672,090)	(612,686)

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- -

#### VAT

VAT received for the year	373,225	422,656
VAT paid	(51,625)	(33,947)

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**321,600      388,709**

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

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

# eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during the financial year ended June 30, 2016:

June 30, 2016	Amount outstanding (Rands)	Month
Councillor A. Shabalala	566	Oct-15
Councillor B. Fortein	162	Feb-16
Councillor B. Hlongwa	271	Sep-15
Councillor B. Ngwane	15	Aug-15
Councillor B. Dlamini	70	Jun-16
Councillor B. Gumede	903	Jan-16
Councillor B. Mpungose	174	Apr-16
Councillor B. Chili	3,355	Jun-16
Councillor B. Ntshangase	292	Jun-16
Councillor C. Beata	80	Jun-16
Councillor C. Dlamini	726	Mar-16
Councillor D. Shozi	29	Oct-15
Councillor F. Moyo	332	Jun-16
Councillor G. Pullan	934	May-16
Councillor H. Cele	97	Nov-15
Councillor H. Maphumulo	319	Mar-16
Councillor J. Cele	749	Nov-15
Councillor M. Xhakaza	84	Nov-15
Councillor M. Zungu	13	Jan-16
Councillor M. Mabaso	12	May-16
Councillor M. Ntshangase	12	Jun-16
Councillor M. Mnyandu	23	Jun-16
Councillor M. Sibiyi	31	Mar-16
Councillor M. Bayeni	123	Mar-16
Councillor M. Gumede	6	Jun-16
Councillor M. Ngcobo	411	Aug-15
Councillor M. Mthembu	176	Jun-16
Councillor M. Bhengu	40	Jun-16
Councillor M. Munien	226	May-16
Councillor M. Dladla	165	Oct-15
Councillor M. Ndzimbomvu	13	Jun-16
Councillor N. Nyanisa	1,310	Feb-16
Councillor N. Khawulo	4,185	Jun-16
Councillor N. Makhanya-Sibiyi	164	Sep-15
Councillor O. Ngcobo	13	Jun-16
Councillor O. Mthembu	9	Jun-16
Councillor P. Mkeka	11	Sep-15
Councillor P. Naidoo	1,427	Oct-15
Councillor P. Padayachee	53	Aug-15
Councillor P. Hlengwa	283	Nov-15
Councillor P. Sibiyi	13	Jun-16
Councillor S. Naidoo	117	Mar-16
Councillor S. Zenzile	275	Nov-15
Councillor S. Gumede	147	Apr-16
Councillor S. Mcoyi	507	Feb-16
Councillor S. Buthelezi	225	Oct-15
Councillor T. Ncane	13	Oct-15
Councillor T. Nzuza	1,358	Jul-15
Councillor V. Qulo	702	Mar-16
Councillor V. Gebashe	12	Oct-15

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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

Councillor Z. Gumede	1,454	Jun-16
Councillor Z. Ndzoyiya	39	Sep-15
Councillor Z. Ngcece	91	Sep-15
	<b>22,817</b>	

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

	Amount outstanding (Rands)	Month
Councillor A. Shabalala	514	Mar-15
Councillor B. Fortein	59	Mar-15
Councillor B. Hlongwa	403	Jun-15
Councillor B. Ngwane	957	Mar-15
Councillor B. Dlamini	375	Nov-14
Councillor B. Mpungose	28	Jun-15
Councillor B. Chili	933	Feb-15
Councillor B. Singh	781	Aug-14
Councillor B. Ntshangase	50	Mar-15
Councillor C. Dlamini	716	Feb-15
Councillor D. Pillay	502	Nov-14
Councillor D. Shozi	3,812	Jun-15
Councillor H. Cele	9,977	Jun-15
Councillor H. Biyela	36	Apr-15
Councillor H. Maphumulo	64	Feb-15
Councillor J. Cele	501	Jun-15
Councillor L. Mngwengwe	256	Apr-15
Councillor M. Xhakaza	284	Jun-15
Councillor M. Zungu	144	Jul-14
Councillor M. Bayeni	5,304	Nov-14
Councillor M. Gumede	249	Dec-14
Councillor M. Ngcobo	210	Jun-15
Councillor M. Nkosi	2,684	Dec-14
Councillor M. Mthembu	744	Jun-15
Councillor M. Dladla	59	Feb-15
Councillor N. Nyansa	519	Jun-15
Councillor N. Khawula	519	Apr-15
Councillor N. Makhanya-Sibiya	232	Nov-14
Councillor N. Mabaso	3,819	Nov-14
Councillor N. Shabalala	175	Nov-14
Councillor O. Ngcobo	66	Jun-15
Councillor P. Davis	3,886	Aug-14
Councillor P. Naidoo	6,254	Dec-14
Councillor P. Hlengwa	3,289	May-15
Councillor P. Sibiyi	54	Jun-15
Councillor S. Govender	12,452	Aug-14
Councillor S. Mcoyi	278	Mar-15
Councillor S. Buthelezi	765	May-15
Councillor T. Ncane	48	Jun-15
Councillor T. Nzuza	27,235	Jun-15
Councillor V. Gebashe	53	Feb-15
Councillor Z. Ndzoyiya	74	May-15
Councillor Z. Nzama	2,040	Jun-15
	<b>91,400</b>	

### 44. Comparative figures

Certain comparative figures have been restated (refer note 42 for details).

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 45. Deviation from supply chain management regulations

Contract awards made in terms of Section 36(1)(a) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R 937 million (2015: R937 million). Details of the awards are summarised in the tables below:

2016: Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value	
In an emergency	36(1)(a)(i)	257	62.53	38,723	3.98	
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	35	8.52	195,307	20.06	
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	119	28.95	739,613	75.96	
		-	411	-	973,643	-

2015: Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	23	9.27 %	79,634	8.50 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	33	13.31 %	58,831	6.28 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	19	7.66 %	1,614	0.17 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	144	58.06 %	792,560	84.55 %
Minor deviation from the standard process	36(1)(b)	29	11.69 %	4,698	0.50 %
		248		937,337	

During the year there were contracts that were awarded for more than R2000 to persons who is a spouse, child or parent of a person in service of the municipality. Refer to note 56 for further details.



# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 46. FINANCIAL INSTRUMENTS

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

#### Financial risk management

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

- Liquidity risk
- Interest rate risk
- Credit risk

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

Further quantitative disclosures are included throughout these financial statements.

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

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

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

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

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

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 46. FINANCIAL INSTRUMENTS (continued)

#### Fair values versus carrying amounts:

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

#### Carrying amount

Investments	6,620,000	5,499,990
Long-term receivables	84,724	93,730
Consumer Debtors	2,893,526	2,948,370
Receivables from Exchange	3,538,032	2,864,725
Receivables from Non Exchange	237,341	238,303
Long-term Liabilities	9,236,359	10,241,146
Payables from Exchange	5,805,745	5,318,632

#### Fair value

Investments	6,620,000	5,499,990
Long-term receivables	84,724	93,730
Consumer Debtors	2,893,526	2,948,370
Receivables from Exchange	3,538,032	2,864,725
Receivables from Non Exchange	237,341	238,303
Long-term Liabilities	9,236,359	10,241,146
Payables from Exchange	5,805,745	5,318,632

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 46. FINANCIAL INSTRUMENTS (continued)

#### Liquidity risk

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

#### Standard Bank:

EtheKwini Municipality - Trading Pre Settlement:	5,000
EtheKwini Municipality - Letter of Credit:	15,075
EtheKwini Municipality - Performance guarantee:	80,550
EtheKwini Municipality - Working Capital Facilities:	9,985
EtheKwini Municipality - Fleet Management Card:	30
EtheKwini Municipality - Credit Card	228

<b>The total of these facilities amount to</b>	<b>110,868</b>
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At June 30, 2016	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,236,359	9,236,359	1,065,702	8,170,657
Trade and other payables	5,805,745	5,805,745	5,805,745	-

At June 30, 2015	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	10,241,146	10,241,146	991,878	9,249,268
Trade and other payables	5,318,632	5,318,632	5,318,632	-

At June 30, 2016	Less than 1 year	Between 1 and 3 years		
Investments				
• Short term investments	6,620,000	-		
• Long term investments	-	-		
• Call Deposits	195,000	-		

At June 30, 2015	Less than 1 year	Between 1 and 3 years		
Investments				
• Short term investments	4,999,990	-		
• Long term investments	-	500,000		
• Call Deposits	265,000			

#### Market risk

#### Market Risk

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 46. FINANCIAL INSTRUMENTS (continued)

#### Interest rate risk

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

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

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

On the basis of the assumptions in the table below, a 1% increase in the floating interest rate will result in a cash inflow of R578 506 and a decrease of 1% will result in a cash outflow of R548 229.

Fair Value Sensitivity to interest rate movement/shift for floating rate Investments	-1	-0.5	0	0.5	1
	548,229	266,545	(15,138)	(296,822)	(578,506)

#### Cash flow interest rate risk

Counterparty Class	Exposure Limits	Cash Deposits	Medium/Short Term Deposits	Long Term Deposits
Domestic Banks	15,220,000	195,000	6,620,000	-

#### Cash flow Sensitivity

Credit Quality Investments	Long Term Ratings:AA+	Long Term Ratings: AA	Long Term Ratings: AA-	Short Term Ratings A1+	Short Term Ratings A1	Short Term Ratings A1-
Domestic Bank	2	2	3	6	1	-

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 46. FINANCIAL INSTRUMENTS (continued)

#### Valuation of Financial Instruments

Financial instrument	Call Deposits (R'000)		Fixed Deposits (R'000)	
	2016	2015	2016	2015
ABSA BANK	175,000	245,000	550,000	-
GRINDROD BANK	20,000	20,000	-	-
FNB	-	-	1,270,000	1,200,000
NEDBANK	-	-	2,250,000	2,100,000
STANDARD BANK	-	-	1,800,000	800,000
INVESTEC BANK	-	-	650,000	1,300,000
BANK OF CHINA	-	-	100,000	100,000
<b>TOTAL</b>	<b>195,000</b>	<b>265,000</b>	<b>6,620,000</b>	<b>5,500,000</b>

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

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

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

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

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

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

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

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

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

<b>30 June 2016: Financial Assets at Fair Value through profit or loss</b>	Level 1	Level 2	Level 3	Total
Investments	6,620,000	-	-	6,620,000
Cash on hand	11,160	-	-	11,160
Net Bank Balance	89,544	-	-	89,544
Call Investment Deposits	195,000	-	-	195,000
Long-term Receivables	-	84,724	-	84,724
Consumer Debtors	-	2,893,526	-	2,893,526
Receivables from Exchange	-	3,538,032	-	3,538,032
Receivables from Non Exchange	-	237,341	-	237,341

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 46. FINANCIAL INSTRUMENTS (continued)

Long-term Liabilities	-	9,236,359	-	9,236,359
Payables from Exchange	-	5,805,745	-	5,805,745
	<b>6,915,704</b>	<b>21,795,727</b>	-	<b>28,711,431</b>

<b>30 June 2015: Financial Assets at Fair Value through profit or loss</b>	Level 1	Level 2	Level 3	Total
Investments	5,499,990	-	-	5,499,990
Cash on hand	18,330	-	-	18,330
Net Bank Balance	115,437	-	-	115,437
Call Investment Deposits	265,000	-	-	265,000
Long-term Receivables	-	93,730	-	93,730
Consumer Debtors	-	2,948,370	-	2,948,370
Receivables from Exchange	-	2,864,725	-	2,864,725
Receivables from Non Exchange	-	238,303	-	238,303
Long-term Liabilities	-	10,241,146	-	10,241,146
Payables from Exchange	-	5,318,632	-	5,318,632
	<b>5,898,757</b>	<b>21,704,906</b>	-	<b>27,603,663</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 46. FINANCIAL INSTRUMENTS (continued)

#### Credit risk

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

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

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

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

Financial instrument		
Consumer Debtors	2,893,526	2,948,370
Receivables from exchange transactions	3,538,032	2,864,725
Receivables from non-exchange transactions	237,341	238,303

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

#### Consumer Debtors:

##### Gross

0 - 30 days	2,182,516	1,440,732
31 - 120 days	553,509	570,155
More than 120 days	3,139,505	3,426,305
Less: Provision for Bad Debts	(2,982,004)	(2,488,822)

<b>Net Consumer Debtors</b>	<b>2,893,526</b>	<b>2,948,370</b>
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#### Movement in the provision for Bad Debts: Consumers

Balance at beginning of year	2,512,024	2,008,078
Contribution	551,580	615,257
Bad debts written off	(81,600)	(111,311)
<b>Balance at year end</b>	<b>2,982,004</b>	<b>2,512,024</b>

#### Movement in the provision for Bad Debts: Other (Exchange and Non Exchange)

Balance at beginning of year	4,049,142	2,586,854
Contribution	569,749	1,464,044
Bad debts written off	(51,702)	(1,756)
<b>Balance at year end</b>	<b>4,567,189</b>	<b>4,049,142</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 47. Material losses

#### Water:

The Water Design and Non-Revenue Water (NRW) Branch is responsible for monitoring the NRW situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses) by June 2020.

The success of the NRW programme has been hampered by the drought as some areas have been forced to be on daily intermittent supply which damages the infrastructure, and increases the leaks, bursts and meter damage. Consumers have also been instructed to reduce demand between 15% and 50%. Where the water sales decrease as a result of this call, this has the impact of increasing the NRW%.

Due to the implementation of the new Billing System, RMS, the billed metered consumption has not yet been made available. Figures reported below are this based on an extrapolation of 11 months of available performance data to predict the data for June 2016. This estimate will not be significantly out.

The key results for the 2015/16 financial year are:

- Bulk water System Input Volume decreased by 33 MI/day as compared to 2014/15 from an average of 926 MI/day to 893 MI/day;
- Consumer sales decreased by 29 MI/day as compared to 2014/15 from an average of 559 MI/day to 530ML/day;
- NRW by Volume has therefore deteriorated 1% from 39,7% in June 2015 to 40,7%.

Water losses of 132 507 263 kl (2014/2015 : 122 295 884 kl) occurred during the twelve months under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R710.9m (2014/2015: R609m) were due mainly to illegal connections and deteriorating infrastructure. In terms of MFMA circular 71 the norm for water losses is between 15% and 30%.

In line with the current NRW Business Plan, EWS is implementing a number of water loss interventions, the highlights of which for the period under review is as follows:

1. During the period 39 Pressure Reducing Valves were installed and 116 installations were designed.
2. The Leak Detection and Repair Strategy with a total of up to 16 Category B plumbers in formal and informal areas has proved extremely successful and a total of 4785 primarily non-visible leaks were repaired from the 5480 km of reticulation that were surveyed for leaks.
3. 1513 connections were regularized and registered in COINS from the sweeps being conducted Metro-wide in old eThekwini Housing projects.
4. In terms of the programme for meter replacement for domestic consumers which are more than 15 years old a total of 2685 out of a target of 5000 has been achieved.
5. In terms of the programme for meter replacement for Industrial, Commercial and Institutional consumers a total of 1197 out of a target of 1000 has been achieved.

The Unit Head has formed 2 task teams to focus and reduce NRW. The 1st team is comprised of key internal role players whilst the 2nd team is comprised of the Heads of key Units and Departments that influence the NRW reduction programmes (Treasury, Legal, HR, Audit and SCM.) The function of the 2nd task team is to assist with the implementation of all proposed programmes as well as expedite the resolution of any delays. A review of the NRW programme is being conducted and in light of the drought, the 5 year NRW reduction plan is also being revised and updated to provide new informed direction and focus towards achieving the NRW reduction goals.



# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### Electricity:

Estimated Electricity losses 1 197 963 034 kWh (2015: 849 426 488 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated kWh losses amounted to R 910 m (2015: R 566m).

The national norm for electricity losses ranges from 5.6% to 12%. The loss incurred by the municipality is 10.71% (2015: 7.70%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

Note: The losses is incorrectly inflated due to a series of issues affecting the reporting system. The reporting system only considers an electricity sale upon the input of a meter reading. The lack of meter readings entered into the system will have the undue effect of understating sales, leading to the overstatement of the calculated losses.

Meter reads entered into the system was affected by 3 main factors:

- Delays in meter reading contracts
- In order to improve billing accuracy, the upper and lower acceptance limits on the billing system were revised. This had the undue effect of placing greater number of readings in audit.
- Migration to a new billing system (RMS) interrupted the loading and capturing of meter reads. This had the undue effect of meter reads not acknowledged by the system, leading to an understatement of sales.

As meter readings are consistently inputted into the new billing system (RMS), this anomaly is expected to selfheal and regularise leading to a decrease in losses.

### Bad Debts written off:

Debt of R133.3m (2015: R113m) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, services, housing and sundry debts. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on debt that can still be recovered. About 51% of the write-off relates to Water Debt Relief Programme where customers pay for the current consumption and the debt being written off over a period of time. Prescribed Debt relating to acknowledgement of debt agreements for water was written off.

## 48. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

### Cases reported during the 2015/16 year are included below:

Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, 3 quotations not being obtained and adverts not being adequately advertised.	926	-
Non-compliance with MFMA - Section 116(3)	3,471	113,744
Non-compliance with MFMA - Section 116(1)(b)	75,945	3,131
Non-compliance with MFMA - Section 116(2)	46	-
Non-compliance with MFMA - Section 15(b)	4,763	-
Non-compliance with MFMA - Section 112(1)(a)	223	16,663
Non-compliance with MFMA - Section 110	169	78
Non-compliance with MFMA - Section 36	13,353	8,741
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality	-	66
Awards made to entities whose directors / members / principal shareholders / stakeholders were close family members of persons in the service of eThekwini municipality	-	525
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	-	417
Non-compliance with S.C.M - invalid deviations	-	43,237
Non-compliance with S.C.M - contract extended after expiry	-	13,664
Non-compliance with S.C.M - No valid BBBEE certificates - subcontractors	-	10,504
Non-compliance with S.C.M - Less than three quotes obtained - Electricity	-	2,151
Non-compliance with S.C.M - Supplier declarations not received - Electricity	-	2,067
Non-compliance with S.C.M - Splitting of tenders	-	1,894
Non-compliance with S.C.M - No valid tax clearance certificate submitted	-	2,123

### Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	132,791	316,686
Irregular expenditure current year	98,896	219,005
Recoveries / Condonements	(186,235)	(402,900)
<b>Irregular expenditure awaiting condonement</b>	<b>45,452</b>	<b>132,791</b>

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### **48. Unauthorised, irregular, fruitless and wasteful expenditure disallowed (continued)**

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

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2015
050134353 - Standard Bank - Main Expenditure	-	-	14,745	(77,537)
1107821231 Nedbank -Main Expenditure	104,322	(738,818)	-	-
050133535 - Standard Bank - Main Expenditure EFT	-	-	(404)	(863,278)
1107821010 - Nedbank - Main Expenditure EFT	(1,011)	(1,479,871)	-	-
050133969 - Standard Bank - Direct Deposits Account	-	-	15,342	268,417
1107821061 - Nedbank - Direct Deposit Account	7,402	32,847	-	-
050134116 - Standard Bank - Electronic Deposits Account	-	21,507	58,406	1,932,385
1107821126 - Nedbank - Electronic Deposit Account	74,486	136,292	-	-
050134132 - Standard Bank - Cashiers Deposit Account	-	-	(10,438)	181,139
1107821134 - Nedbank - Cashiers Deposit Account	(14,244)	232,432	-	-
050134140 - Standard Bank - Government Deposit Account	-	-	11,109	53,212
1107821002 - Nedbank - Government Deposit Account	26,909	27,017	-	-
050134655 - Standard Bank - Electricity Income Account	-	142	442	11,638
1107821398 - Nedbank - Electricity Income Account	3,018	7,700	-	-
050134671 - Standard Bank - Electricity Prepaid Vendor Deposits	-	-	3,247	103,345
1107821401 - Nedbank - Electricity Prepaid Vendor Deposits	95,191	96,360	-	-
050134469 - Standard Bank - SARS E-Filing Account	-	-	-	354,319
1107821304 - Nedbank - SARS E-Filing Account	14,355	14,354	-	-
050134442 - Standard Bank - Dishonoured Cheques Account	-	-	(3)	(158)
1107821282 - Nedbank - Dishonoured Cheques Account	(86)	(258)	-	-
050073117 - Standard Bank - Main Expenditure Bank	-	(4,193)	-	(4,496)
050133993 - Standard Bank - Direct Debit Collections Account	-	-	-	77,136
1107821088 - Nedbank - Direct Debit Collections Account	7,496	6,906	-	-
050134019 - Standard Bank - Transwitch Account	-	-	-	118,276
1107821096 - Nedbank - Transwitch Deposit Account	-	5,435	-	-
050134094 - Standard Bank - Agents Deposit Account	-	806	23,982	126,825
1107821118 - Nedbank - Agents Deposit Account	23,851	60,343	-	-
050134213 - Standard Bank - Metro Police Deposit Account	-	-	-	5,129
1107821169 - Nedbank - Metro Police Deposit Account	-	5,894	-	-
1107821150 - Nedbank - Metro Police Transwitch Deposit Account	-	564	-	-
050134248 - Standard Bank - Parks, Recreation and Culture Deposit Acc.	-	-	(119)	2,795

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Bank balances (continued)

1107821177 - Nedbank - Parks, Recreation and Culture Deposit Acc.	1,215	2,745	-	-
050134264 - Standard Bank - City Engineers Account	-	-	374	3,135
1107821185 - Nedbank - City Engineers Account	1,357	12,741	-	-
050134272 - Standard Bank - Durban Tourism Deposit Account	-	-	-	564
1107821193 - Nedbank - Durban Tourism Deposit Account	-	78	-	-
050134531 - Standard Bank - Central Foreign Rand Account	-	-	-	(287)
1107821347 - Nedbank - Central Foreign Rand Account	-	(6)	-	-
050134574 - Standard Bank - Water Foreign Rand Account	-	-	-	(1)
050134698 - Standard Bank - Electricity Foreign Rand Account	-	-	223	223
050134299 - Standard Bank - Virginia Airport Account	-	-	-	595
1107821207 - Nedbank - Virginia Airport Account	-	403	-	-
050134329 - Standard Bank - Department of Housing Account	-	-	-	15,238
1107821215 - Nedbank - Department of Housing Account	-	162,726	-	-
050134450 - Standard Bank - Sundry PAYE Account	-	-	439	439
1107821290 - Nedbank - Wages Sundry PAYE Account	376	376	-	-
050134507 - Standard Bank - Cash Payments Account	-	-	610	(795)
1107821312 - Nedbank - Cash Payments Account	1	(887)	-	-
050134426 - Standard Bank - Refunds Expenditure Account	-	-	-	4,043
1107821266 - Nedbank - Refunds Expenditure Account	-	1,805	-	-
050134582 - Standard Bank - Water and Sanitation Services Expenditure Account	-	-	341	(56)
050133616 - Standard Bank - Water and Sanitation Services EFT Account	-	-	60	(412,730)
050134701 - Standard Bank - Electricity Expenditure Account	-	-	(1,479)	1,480
1107821436 - Nedbank - Electricity Expenditure Account	(747)	(747)	-	-
050133608 - Standard Bank - Electricity EFT	-	-	(669,887)	(669,887)
1107821037 - Nedbank - Electricity EFT	(807,737)	(807,740)	-	-
050133586 - Standard Bank - Salaries Account	-	-	69,479	(390,255)
1107821029 - Nedbank - Salaries Account	75,798	(443,966)	-	-
050134590 - Standard Bank - Durban Fresh Produce Market Account	-	-	17,580	17,550
1107821371 - Nedbank - Durban Fresh Produce Market Account	22,397	22,369	-	-
050134515 - Standard Bank - CIFAL Durban Account	-	-	230	230
1107821339 - Nedbank - CIFAL Durban Account	-	239	-	-
050134493 - Standard Bank - General Bank Account	-	-	558,805	(858,028)
1107821320 - Nedbank - General Bank Account	436,556	2,670,970	-	-
050041827 - Standard Bank - E-Ticketing Account	-	-	-	(439)
1107821487 - Nedbank - E- Ticketing Account	911	3,110	-	-

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## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Bank balances (continued)

050134434 - Standard Bank - Bank Charges Account	-	(3)	-	(254)
1107821274 - Nedbank - Bank Charges Account	-	(467)	-	-
050134337 - Standard Bank - Moses Mabhida Stadium Deposit Account	-	-	53	3,732
1107821223 - Nedbank - Moses Mabihda Stadium Deposit Account	61	4,979	-	-
050138987 - Standard Bank - Pay at Deposit Account	-	-	(5,166)	99,333
1107821460 - Nedbank - Pay at Deposit Account	(6,181)	13,198	-	-
050137190 - Standard Bank - Consolidated Investment Account	-	-	-	(3)
1107821444 - Nedbank - Consolidated Investment Fund	9	8	-	-
1107821452 Nedbank - Consolidated Investment Fund (EFT)	-	(1)	-	-
050154540 - Standard Bank - Syntell Deposit Account	-	-	-	(131)
1107821479 - Nedbank - Syntell Deposit Account	(4)	97	-	-
050189816 - Standard Bank - Reforestation Project Account	-	-	21,021	23,593
1107821509 - Nedbank - Reforestation Project Account	23,841	31,799	-	-
050138782-Standard Bank-Moses Mabhida Expenditure Account	-	-	6,445	(8,299)
1107821517 - Nedbank - Moses Mabhida Expenditure Account	2	(9,736)	-	-
<b>Totals: ETHEKWINI MUNICIPALITY</b>				
<b>Bank balances</b>	<b>919,553</b>	<b>3,576,242</b>	<b>802,933</b>	<b>3,403,420</b>
	<b>(830,009)</b>	<b>(3,486,693)</b>	<b>(687,496)</b>	<b>(3,285,283)</b>

The following accounts had nil balances at year end:

1107821053 - Nedbank - Durban Fresh Produce Market EFT; 1107821495 - Nedbank - Auctions Account; 1107821525 - Nedbank - Rates Clearance; 050134493 - Standard Bank - General Bank; 050137190 - Standard Bank - Consolidated Investment Bank.

# eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 50. Budget disclosure

#### Differences between budget and actual amounts basis of preparation and presentation

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

### 51. Events after the reporting date

#### **Incorporation of Vulamehlo Municipality:**

In terms of Department of Co- Operative Governance circular date 06 June 2016, the Municipal Demarcation Board, as permitted under of the Local Government: Municipal Demarcation Act 27 of 1998, has re-determined the municipal boundaries of eThekwini Municipality which will result in the incorporation of Vulamehlo Municipality into eThekwini Municipality. The effective date of incorporation of Vulamehlo Municipality into eThekwini is 10th of August 2016 after the local government elections. Applying the split model developed by Bonakude Consulting (Pty) Ltd, 3 and a half wards that were previously under Vulamehlo Municipality will be incorporated into eThekwini area of jurisdiction.

#### **Moses Mabhida Stadium:**

The Municipality is currently reviewing the institutional arrangements of Moses Mabhida Stadium. As at August 2016 the stadium is still operating on the same basis as the previous year. If the matter is finalised before the audit report date the note will be updated accordingly.

#### **Durban Public Bus service:**

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

#### **Hosting of the 2022 Commonwealth Games:**

On the 2nd of September 2015, in Auckland, New Zealand, the Commonwealth Games Federation announced Durban as the host of the Commonwealth games 2022. The approved financial contribution by the municipality to host the event is R543 million. This financial contribution will take place over multiple years leading to 2022.

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Annual Financial Statements for the period ended 30 June 2016  
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**NOTE 52: EXTERNAL LOANS FOR THE YEAR ENDED 30 June 2016**

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-15 R 000's	REDEEMED DURING THE PERIOD R 000's	BALANCE AT 30-Jun-16 R 000's
FRB PN 15 Years	Variable	1/58	30-06-2016	79 888	49 783	30 105
INCA/IVUZI 15 Years	9.52%	1/66	30-06-2020	247 221	40 654	206 567
Nedbank 15 Years	8.47%	1/67	31-03-2021	500 924	67 081	433 843
DBSA Ph 1 20 Years	13.50%	P1	30-09-2017	217 496	76 354	141 141
DBSA Ph 2 15 Years	Variable	P2	31-03-2016	63 375	31 687	31 687
DBSA Ph 3 15 Years	12.90%	P3	30-09-2017	160 789	47 029	113 761
DBSA Ph 4 15 Years	10.40%	P4	30-06-2019	241 028	51 400	189 628
DBSA Ph 5 15 Years	8.90%	P5	30-06-2020	160 043	23 681	136 363
DBSA Ph 6 15 Years	8.75%	P6	30-06-2022	498 825	54 243	444 582
DBSA Ph 7 20 Years	8.30%	P7	02-01-2028	2 360 540	106 104	2 254 436
DBSA Ph 8 15 Years	9.85%	P8	30-06-2029	1 453 082	51 268	1 401 814
NEDBANK 7 Years	10.09%	1/70	28-02-2017	185 542	88 243	97 299
RMB R 1b 15 Years	10.28%	1/72	30-06-2025	814 003	49 578	764 425
ABSA 7 Years	8.73%	1/73	29-09-2017	436 513	163 454	273 059
ABSA 15 Years	10.19%	1/74	30-06-2026	858 185	45 011	813 174
AFD Calyon 12 Years	9.52%	1/68	31-12-2018	22 843	6 527	16 317
RMB R1B 20 Years	9.53%	1/75	30-06-2032	940 850	23 536	917 314
NEDBANK R1.0bn 15 Years	10.58%	1/76	28-06-2030	1 000 000	29 156	970 844
<b>Total Annuity Loans</b>				<b>10 241 148</b>	<b>1 004 789</b>	<b>9 236 359</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>10 241 148</b>	<b>1 004 789</b>	<b>9 236 359</b>

NOTE 53: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Opening Balance				Cust./ Revaluation				Accumulated				Carrying Value R'000	
	R'000	Opening Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000		Transfers R'000
<b>Land and Buildings</b>														
LAND	526 161	168	9 031	4 163	-	-	4 539 124	911 646	-	52	0	0	0	539 072
BUILDINGS	4 553 047	2 030 259	39 224	-1 487 033	-517	-	4 539 124	-148 848	-148 848	416	-	-	-	4 088 237
	<b>4 553 047</b>	<b>2 030 427</b>	<b>48 254</b>	<b>-1 482 966</b>	<b>-517</b>	<b>-</b>	<b>4 539 124</b>	<b>-311 646</b>	<b>-148 848</b>	<b>416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 088 237</b>
<b>Infrastructure</b>														
ROADS	9 944 589	238 637	521 638	472 594	0	0	11 175 458	-2 479 436	-	0	0	2 969	-	8 295 942
TRAFFIC EQUIPMENT & RANKS	848 551	2 295 319	10 190	308 030	0	0	3 462 090	-244 236	-27 726	0	0	0	0	3 190 068
STORMWATER DRAINAGE	8 472 707	1 838 378	804 177	-252 657	-69	0	10 860 537	-1 509 593	-209 513	15	-4 628	794	0	9 136 810
SEWERAGE PUMPS	644 370	0	5 175	0	0	0	649 545	-228 322	-35 606	0	0	0	0	386 410
SEWERAGE MAINS & RETICULATION	1 028 942	25 689	21 798	2 816	0	0	1 079 204	-86 827	-11 181	0	0	0	0	1 001 395
MUNICIPALITY WATER MAINS & RETICULATION	1 028 942	25 689	21 798	2 816	0	0	1 079 204	-86 827	-11 181	0	0	0	0	1 001 395
WATER MAINS & RETICULATION	656 415	7 541	22 071	36 002	0	0	702 033	-331 387	-12 300	0	-913	0	-2	366 646
WATER RESERVOIRS	1 512 016	0	1 007	63 002	0	0	1 513 083	-2 884	-2 693	0	0	0	0	1 507 526
GENERAL INFRASTRUCTURE	500 734	-2 413 448	56 513	2 422 697	0	0	566 496	-100 593	-10 535	0	0	0	-111 128	455 369
MAJORSUBSTATIONS	321 050	645 252	29 824	373 617	0	0	1 369 742	-16 666	-65 941	0	0	0	0	1 318 462
MAJORSUBSTATIONS	2 546 213	171 808	115 320	18 258	0	0	2 851 600	-886 755	-85 343	0	0	0	0	1 888 903
MAJORSUBSTATIONS	2 809 361	208 965	97 813	139 079	0	0	3 254 818	-793 057	-83 343	0	-65	0	0	2 379 353
PUBLIC LIGHTING	311 156	7 687	4 638	3 523	0	0	327 001	-114 672	-15 298	0	0	0	0	187 034
CONNECTIONS & SWITCHES	370 735	3 345	1 528	3 876 248	-77	0	4 078 248	-57 632	-59 363	21	-5 688	3 793	-2	3 989 038
	<b>31 379 412</b>	<b>3 853 865</b>	<b>19 828</b>	<b>3 895 980</b>	<b>-77</b>	<b>-</b>	<b>40 928 899</b>	<b>-7 170 931</b>	<b>-1 029 707</b>	<b>21</b>	<b>-5 688</b>	<b>3 793</b>	<b>-2</b>	<b>32 187 474</b>
<b>Community Assets</b>														
RECREATION	3 996 597	114 917	23 503	70 477	0	0	4 205 494	-711 480	-109 619	0	-5 836	1 932	0	3 378 558
CLINICS & DEPOTS	207 135	0	21 586	0	0	0	228 721	-39 174	-3 865	0	0	0	0	187 614
CEMETRIES & CREMATORIA	27 304	0	89	0	0	0	27 392	-4 570	-443	0	0	0	0	22 380
COMMUNITY HALLS	109 149	0	1 651	0	0	0	110 800	-31 827	-2 092	0	0	0	0	-5 013
FIRE STATIONS	112 237	16 590	25 377	8 232	0	0	165 395	-19 893	-1 425	0	0	0	0	33 920
LIBRARIES	136 097	731	0	0	0	0	136 828	-38 695	-2 249	0	0	0	0	76 880
POST OFFICES	10 000	0	0	0	0	0	10 000	-10 667	-1 091	0	0	0	0	144 577
POLICE STATIONS	42 211	1 000	2 744	0	0	0	45 955	-10 667	-1 091	0	0	0	0	95 594
	<b>4 697 515</b>	<b>132 484</b>	<b>76 835</b>	<b>78 709</b>	<b>-</b>	<b>-</b>	<b>4 967 543</b>	<b>-882 069</b>	<b>-121 412</b>	<b>0</b>	<b>-5 836</b>	<b>1 932</b>	<b>-</b>	<b>4 000 168</b>
<b>Other Assets</b>														
AIRCONDITIONING	111 550	-2 015	3 336	1 201	-1 119	0	112 953	-42 487	-9 608	2	0	0	-14	60 846
SECURITY SYSTEMS	212 446	-3 213	20 048	1 176	-1 088	0	229 368	-121 180	-18 720	985	0	0	0	138 916
COMPUTER EQUIPMENT	774 241	-830	71 793	3 322	-5 074	-48 893	793 959	-785 735	-76 597	4 146	6	33 292	33 292	90 452
CAR PARKS & FENCING	710 487	448	9 313	1 914	0	0	1 722 163	-409 892	-38 848	0	0	0	0	-824 888
FURNITURE & FITTINGS	689 232	19 163	13 371	8 442	-5 174	1	725 034	-271 025	-18 524	4 619	-511	0	-107	-488 645
MARKETS	3 109 189	-909	7 512	860	-1 240	0	3 055 842	-50 844	-14 524	1 008	-11	0	-2	2 983 954
VEHICLES	317 045	10 869	40 137	-2 457	-20 758	0	3 136 979	-1 581 656	-236 700	20 013	-637	0	-1 057	-95 275
FIRE ENGINES	317 045	0	303 242	14 438	-35 006	-48 892	7 469 823	-4 480 619	-507 822	31 070	-703	0	31 976	1 338 741
	<b>47 842 585</b>	<b>6 020 107</b>	<b>2 250 190</b>	<b>2 506 221</b>	<b>-35 600</b>	<b>-48 892</b>	<b>58 534 610</b>	<b>-15 985 165</b>	<b>-1 905 789</b>	<b>31 507</b>	<b>-15 147</b>	<b>5 725</b>	<b>31 974</b>	<b>-15 714 886</b>
<b>Total</b>	<b>47 842 585</b>	<b>6 020 107</b>	<b>2 250 190</b>	<b>2 506 221</b>	<b>-35 600</b>	<b>-48 892</b>	<b>58 534 610</b>	<b>-15 985 165</b>	<b>-1 905 789</b>	<b>31 507</b>	<b>-15 147</b>	<b>5 725</b>	<b>31 974</b>	<b>-15 714 886</b>



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Note 34: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance Cost R'000	Opening Balance Capital Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000		Transfers R'000	Closing Balance R'000
RMS Services	180 436	470 578	4 515	28 235		679 249	627 657	-42 552	-9 040			-51 592	627 657
Computer Software	50 107	0	67 436	0		54 622	54 622	0	0			0	54 622
	455 738	0		0		572 046	572 046	-251 416	-63 536	0	-31 973	-346 925	225 121
<b>Total</b>	<b>686 281</b>	<b>470 578</b>	<b>71 951</b>	<b>28 235</b>	<b>(20)</b>	<b>48 892</b>	<b>1 305 917</b>	<b>(293 968)</b>	<b>(72 576)</b>	<b>-</b>	<b>(31 973)</b>	<b>(398 517)</b>	<b>907 400</b>

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**Note 55: Awards to close family members of person in service of municipality**

The details of total awards (28) to close family members amounting to R21,062,000.00 that transacted with the municipality are as follows:

No	Supplier Name	Spouse Name	Employee Name	R '000
1	AKS CREATIONS CC	AKESH	SHABNAM KISSOONLALL	5346
2	AMAGABHISA CIVILS & CONSTRUCTI	ABEDNIGO MBONGISENI	XOLISILE HLONGWA	162
3	BA 1712 SE SECURITY TECHNOLOGI	KUBASHEN	KAMLESH RAJOO	277
4	BALLITO PLUMBERS CC	ALISTAIR ARNOLD ROWLAND	RESHMA VANDAYAR	703
	GABHISA SERVICES CC	LUCKY NHLANHLA	BONGEKILE HLONGWA	1969
6	GRAHAMS PLUMBING CC	DIANE	QUENTIN GRAHAM	1166
7	INTERCOL (PTY) LTD	JANE CAROLINE	LAWRENCE PALMER	0
8	IYER URBAN DESIGN STUDIO	KAMALEN	DEVOSHINI KONAR	3477
9	NHLANZI CONSULTANTS CC	PHINDA	PRISCILLA SHEMBE	321
10	NONTUBUYI TRADING ENTERPRISE C	BUYISILE EUNICE	MLOTSHWA SIBISI	131
11	PHISETH CONSTRUCTION CC	PHILILE MINENHLE	JACQUES VAN HEERDEN	254
12	PP FOCUS TRADING PROJECTS CC	PRINCESS NOZIPHO	CLAYTON NGCOBO	8
13	QOQO CONTRACTING SERVICES CC	DUMISILE DOREEN DOLLY	MZOKHONA NGCOBO	395
14	SANDILES PLUMBING SERVICES CC	SANDILE SUDNEY	BUSISIWE NYATHIKAZI	204
15	SINOANELE (PTY) LTD	MFANAFUTHI KENNETH	SINDISIWE KHATHI	51
16	THANDTHANDO PROJECTS (PTY)LTD	NOMUSA	BRIAN CELE	959
17	TMEN DEVELOPMENT SERVICES	MELINDA ZANELE	THOKOZANI SOKO	52
18	UMZACA CONTRACTORS CC	THULANI CLIFTON	SUKEPHI ZONDI	2077
19	VERSFELD & ASSOCIATES CC	SHARLENE	DONALD JOLLEY	198
20	WHIZ CONSTRUCTION AND MAINTENA	KALAVANI	GANESAN PILLAY	2286
21	TROPHIES AND ENGRAVES			6
22	STEELWARE DISTRIBUTORS CC	DHANASEN	MAYASREE MOODLEY	0
23	AUTO SPORT PANELBEATERS CC	MEGANATHAN	JAGATHAMBAL NAIDOO	21
24	IZIMANGALISO BUSINESS SOLUTION	NOKULUNGA	ROBERT MKHIZE	178
25	MABANDLA INVESTMENTS CC	MABANDLA SAVIOUR	BONANGANI MKHIZE	302
26	MJ HLEKWE CONSULTING CC	MVIKELENI JOSEPH	THULISILE HLEKWE	280
27	NDILE MULTIMEDIA CC	MZWANDILE BRING PEACE	GUGULETHU RADEBE	12
28	NYANDAYOMKHONTO TRADING ENTERP	GUGU ANGELINE	ZITHA MCHUNU	228

**Totals**

**21 062**

APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Restated Opening Balance cost	Restated Opening Wip	Additions	Under Construction	Disposals	Transfers	Closing Balance	Restated Opening Balance	Additions	Disposals	Impairments	Impairments Reversal	Transfers	Closing Balance	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
## Miscellaneous	32 464	-	1 138	1 138	(520)	(34 274)	(682)	16 364	1 676	-	-	-	(21 385)	(3 355)	2 673
## Informal Housing	122 360	-	186	186	-	(637)	122 755	63 119	1 586	(416)	-	-	-	64 002	59 774
## Social Services	1 000	-	1 000	1 000	(126)	-	3 161	3 161	2 533	(89)	-	-	-	3 072	3 072
## Health Services	99 392	57	1 000	1 057	(126)	-	99 652	3 233	3 233	-	-	-	-	3 233	71 871
## Health Services	242 292	2 802	28 862	31 664	(1 126)	-	271 394	64 839	5 377	(1 933)	-	(1 933)	-	66 276	133 117
## Social Development	3 733	200	195	309	(91)	-	4 347	2 304	2 304	(81)	-	-	-	2 427	1 875
## Emergency Control Centre - Admin	168 895	2 930	28 132	198 895	(0)	-	197 667	14 413	14 413	(863)	-	-	-	105 556	89 105
## Security	2 523	15 006	20 646	(14 504)	(26)	(10 429)	3 137	3 137	3 137	(291)	-	-	(7 625)	22 019	
## Information Technology	1 695	2 685	1 653	3 348	(32)	-	3 726	3 726	3 726	(291)	-	-	-	3 435	44 993
## Metropolitan Police	4 295	39 844	8 656	47 995	(248)	(2 651)	47 786	222 069	222 069	(145)	6 498	(794)	-	1 444 794	3 333 913
## Sanitation	214 828	-	54 695	169 523	-	-	269 523	111 206	89 988	-	1	-	-	201 195	66 328
## Gas	1 046 193	154 918	8 731	1 209 842	(209)	-	1 462 557	44 222	44 222	(201)	-	-	-	382 703	1 068 851
## Market	93 682	-	8 912	102 594	(12)	(828)	102 562	305 179	4 277	-	-	-	(805)	38 643	101 379
## Municipal Information & Policy	4 733	-	1 269	6 002	-	-	4 733	3 037	3 037	-	-	-	-	3 037	1 636
## Municipal Information & Policy	1 732	-	244	1 976	-	-	1 976	560	560	-	-	-	-	560	1 158
## Office of the O.C.M. - Health, Investigation	1 022	-	244	1 266	-	-	1 266	560	560	-	-	-	-	560	1 158
## Office of the O.C.M. - Health, Investigation	6 757	-	102	6 859	-	-	7 017	5 228	5 228	-	-	-	-	3 950	3 067
## Office of the O.C.M. - Governance	5 000	-	570	5 570	-	-	5 570	2 591	2 591	-	-	-	-	2 591	2 979
## Office of the O.C.M. - Governance	4 295	-	216	4 511	(0)	-	4 511	3 237	3 237	(0)	-	-	-	3 237	4 444
## City Manager's Office	760 731	(0)	1 013	2 605	(30)	(76)	764 319	25 029	25 029	(25)	5 836	-	-	174 008	596 311
## Office of the O.C.M. - Stet. Development	171	-	86	257	(27)	-	103	103	103	(6)	-	-	-	128	85
## Office of the O.C.M. - Stet. Development	5 279	-	156	5 435	-	-	5 435	183	183	-	-	-	-	266	2 818
## Office of the O.C.M. - Health, Safety	125	-	-	125	-	-	125	(10)	115	-	-	-	-	7	118
## Office of the O.C.M. - Health, Safety	689	-	125	814	(54)	-	794	268	268	-	-	-	-	268	650
## Office of the O.C.M. - Health, Safety	136 924	1 398	6 920	144 242	(406)	(76)	149 006	8 519	1 407	(32)	-	-	-	9 534	65 460
## Office of the O.C.M. - Corp & HR	606 991	367 789	107 707	(115 245)	1 398	-	967 241	100 600	22 594	(197)	-	-	-	123 194	844 047
## Economic Development & Facilitation	24 337	927	46	25 310	(230)	-	24 950	2 316	5 273	(197)	-	-	-	2 382	32 169
## City Enterprises	15 813	-	233	16 046	(108)	-	15 735	9 337	9 337	(87)	-	-	-	10 577	16 385
## Procurement	8 325 671	-	82 415	8 408 086	(1 651)	-	8 386 850	1 521 703	212 261	(1 466)	133	-	-	1 732 631	7 419 803
## Water	11 252 944	-	67 211	11 320 155	(4 320)	-	11 275 835	415 588	415 588	(854)	-	-	-	3 827 292	13 623 449
## Solid Waste	3 129 295	3 129 295	322 819	3 452 114	(87)	(76)	3 364 238	138 911	13 553	(82)	-	(2 998)	-	1 332 439	3 232 669
## Emergency Services	1 893 296	82 480	58 328	2 033 904	(956)	-	2 033 904	726 888	61 529	(887)	59	-	-	786 887	1 308 853
## Parks, Recreation, Cemeteries &	207 862	22 919	4 526	234 307	(104)	-	234 203	65 316	9 333	(88)	-	-	-	75 524	150 901
## Governance	133 606	-	1 222	134 828	(115)	-	134 713	9 333	9 333	(80)	-	-	-	9 253	134 828
## Regional Centres	3 907	-	2 440	6 347	(249)	-	6 098	41 972	41 972	-	-	-	-	45 603	89 579
## Management Services & Org Development	21 112	-	1 355	22 467	(70)	-	22 397	1 009	1 009	-	-	-	-	1 009	2 308
## Management Services & Org Development	14 365	-	3 196	17 561	(70)	-	17 491	64	64	(56)	-	-	-	8	1 817
## Management Services & Org Development	943 894	23 949	16 018	963 851	(18 037)	-	945 814	65 956	63 557	(17 390)	-	-	-	48 567	89 579
## City Fleet	5 099	28	149	5 276	(18 037)	-	5 128	1 013 390	63 557	(17 390)	-	-	-	48 567	314 924
## Office of Audit & Performance Management	1 703 924	4 489	39 972	1 748 385	(287)	-	1 747 898	505 079	39 949	-	-	-	-	544 845	288 596
## Information Technology	1 151 516	952 230	3 275	1 506 981	(82)	-	1 506 909	37 481	37 481	(66)	-	-	-	37 415	3 288 596
## Occupational Health & Safety	7 255	-	279	7 534	(40)	-	7 494	4 166	34	-	-	-	-	4 200	3 055
## ABMS	52 715	-	6 711	59 426	(1)	-	59 425	1 893	1 893	(95)	-	-	-	58 530	59 471
## Durban Energy Office	7 356	-	7 356	14 712	(1)	-	14 711	64 989	64 989	(1)	-	-	-	63 332	23 464
## Office of the O.C.M. - Health & Social	38 271	-	2 535	40 806	(787)	-	40 019	24 887	8 904	(687)	0	-	-	32 303	29 216
## Income	1 163	2 540	-	3 703	(80)	-	3 623	676	72	(75)	-	-	-	32 303	29 216
## Finance and Major Projects	11 896	-	229	12 125	(310)	-	11 815	2 169	6 817	(262)	-	-	-	75 673	410
## Control and Business Systems	26 716	-	27	26 743	-	-	26 716	9 744	20	-	-	-	-	2 169	17 577
## IBM INK	5 281	-	-	5 281	-	-	5 281	651	171	-	-	-	-	4 823	16 952
## Performance Management	3 500 002	-	424 457	3 924 459	(1 088)	4	3 923 371	109 049	298 564	-	615	-	15	3 783 015	2 613 779
## Noses Matilda Stadium	7 609 522	502 644 504	167 037	7 281 163	(1 088)	-	7 279 075	629 520	1 808 789	(31 507)	12 148	(6 725)	(31 973)	7 308 015	5 630 265
## Electricity Service	27 842 565	6 020 105	2 506 221	29 368 891	(35 500)	(48 832)	29 323 559	15 965 166	1 808 789	(31 507)	12 148	(6 725)	(31 973)	15 744 886	42 819 774
<b>Total</b>															

**eThekweni Municipality**  
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Figures in Rand thousand

**APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

30-Jun-15 Income R'000	30-Jun-15 Expenditure R'000	30-Jun-15 (Deficit) R'000	30-Jun-16 Income R'000	30-Jun-16 Expenditure R'000	30-Jun-16 (Deficit) R'000
34 211	(396 449)	(362 238)	28 725	(424 168)	(395 444)
9 830 138	(2 567 362)	7 262 776	10 649 908	(2 402 018)	8 247 890
257 445	(794 168)	(536 723)	235 149	(915 302)	(680 154)
112 273	(398 770)	(286 496)	150 973	(424 768)	(273 796)
101 330	(789 946)	(688 615)	130 606	(867 696)	(737 090)
654 048	(1 746 341)	(1 092 293)	332 965	(839 594)	(506 629)
306 742	(1 466 810)	(1 160 067)	620 235	(2 013 352)	(1 393 117)
95 173	(1 232 538)	(1 137 365)	94 968	(1 272 913)	(1 177 945)
5 537	(156 250)	(150 713)	3 110	(130 649)	(127 539)
2 828 997	(2 767 891)	61 106	2 763 584	(3 020 950)	(257 366)
1 649 096	(2 001 916)	(352 820)	2 367 354	(2 008 544)	358 810
4 622 914	(4 313 776)	209 138	4 513 149	(4 656 687)	(143 538)
10 926 683	(9 484 722)	1 441 960	12 472 675	(10 514 024)	1 958 652
361 435	(473 174)	(111 738)	391 902	(474 925)	(83 023)
<b>31 686 024</b>	<b>(28 590 112)</b>	<b>3 095 912</b>	<b>34 755 301</b>	<b>(29 965 589)</b>	<b>4 789 712</b>
4 969		4 969	7 763		7 763
(2 249 487)	2 249 487	0	(2 237 355)	2 237 355	0
<b>29 441 506</b>	<b>(26 340 625)</b>	<b>3 100 881</b>	<b>32 525 709</b>	<b>(27 728 234)</b>	<b>4 797 475</b>

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APPENDIX C: DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2016 IN TERMS OF SECTION 123 MFMA.56 OF 2003

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

GRANT DESCRIPTION	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS				QUARTERLY PAYMENTS				GRANTS AND SUBSIDIES DELAYED/WITHHELD / PAID BACK			REASONS FOR DELAYS OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF THE GRANT	REASON FOR NON COMPLIANCE	
		SEPT R'000	DEC R'000	MAR R'000	JUN R'000	TOTAL R'000	SEPT R'000	DEC R'000	MAR R'000	JUN R'000	TOTAL R'000	Sep R'000				Dec R'000
EQUITABLE SHARE	NATIONAL TREASURY	881 439	685 151	548 863	2 115 453	2 115 453	881 439	705 151	528 863	2 115 453					Yes	N/A
URBAN SETTLEMENT DEVELOPMENT GRANT	HUMAN SETTLEMENTS	459 584	735 334	643 418	1 838 336	1 838 336	217 139	388 506	456 698	776 193		20 000			Yes	N/A
FINANCIAL MANAGEMENT GRANT	NATIONAL TREASURY	1 050	-	-	1 050	1 050	1 050	-	-	1 050					Yes	N/A
INTEGRATED CITIES DEVELOPMENT	NATIONAL TREASURY	23 391	23 390	324	46 781	46 781	324	23 067	10 647	12 743				Yes	N/A	
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	NATIONAL TREASURY	11 133	13 606	8 851	24 739	24 739	8 851	3 324	10 515	2 049				Yes	N/A	
NRF	NATIONAL RESEARCH FOUNDATION		102	70	140	312	25	74	110	40				Yes	N/A	
GOVERNMENT HEALTH SUBSIDY	KZN DEPT OF HEALTH		45 000		90 000	135 000								Yes	N/A	
PTCG	NATIONAL DEPARTMENT OF TRANSPORT	220 542	220 542		791 084	1 232 168	306 548	285 017	262 946	377 657		506 884		Yes	N/A	
VUNA AWARDS	NATIONAL TREASURY													Yes	N/A	
NEIGHBOUR HOOD DEVELOPMENT GRANT	NATIONAL TREASURY	7 932	13 111		32 367 00	53 810	1	6 767	6 194	40 587		18 422		Yes	N/A	
EXPANDED PUBLIC WORKS PROGRAMME	DEPARTMENT OF PUBLIC WORKS	16 247	12 186	12 185	40 618	40 618	11 891	16 220	12 507	40 618				Yes	N/A	
DEPARTMENT OF HUMAN SETTLEMENTS	DEPARTMENT OF HUMAN SETTLEMENTS		4 000	7 000	64 142	75 142	8 734	54 369	18 522	29 148				Yes	N/A	
DEPARTMENT OF ENVIRONMENTAL AFFAIRS	DEPARTMENT OF ENVIRONMENTAL AFFAIRS							123						Yes	N/A	
DEPARTMENT OF MINERALS AND ENERGY	DEPARTMENT OF MINERALS AND ENERGY							13 563						Yes	N/A	
NATIONAL ELECTRIFICATION PROGRAMME	DEPARTMENT OF MINERALS AND ENERGY	30 000			15 756	15 756	10 430	19 570	-	-				Yes	N/A	
DEPARTMENT OF ARTS AND CULTURE	DEPARTMENT OF ARTS AND CULTURE		155 393	4 390	772	160 555	6 656	10 031	9 954	8 369				Yes	N/A	
COGTA	KZN - COGTA			584 597	585	585	79	922	914	114				Yes	N/A	
DISASTER FUND	NATIONAL DISASTER FUND													Yes	N/A	
MUNICIPAL HUMAN SETTLEMENT CAPACITY GANT	NATIONAL DEPARTMENT OF HUMAN SETTLEMENTS		14 342		14 342	14 342	2 884	5 261	3 215	16 513				Yes	N/A	
SPORTS AND RECREATION	KZN SPORTS AND RECREATION	10 000			10 000	10 000								Yes	N/A	
GRAND TOTAL		1 663 318	1 908 951	1 239 117	997 261	5 806 646	1 456 031	1 576 965	1 410 885	1 265 458	5 709 359	0	548 500			

**eThekweni Municipality**

Financial Statements for the period ended 30 June 2016

Figures in Rand thousand

**APPENDIX D: MOSES MABHIDA STADIUM - DETAILED STATEMENT OF FINANCIAL PERFORMANCE**

	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>REVENUE</b>			
<b>Rental of facilities and equipment</b>	<b>43 549</b>	<b>43 386</b>	<b>43 549</b>
Rent Non Bowl Events	6 899	6 426	6 899
Rent Bowl Events	18 051	20 338	18 051
Rent Shops	11 645	11 280	11 645
	6 095	4 434	6 095
Rent Parking Bays	859	908	859
<b>Other income</b>	<b>12 063</b>	<b>13 300</b>	<b>12 063</b>
Adventure Walk	126	92	126
Other Attractions-Income	465	93	465
People's Park	0	7 218	5 950
Skycar	3 760	4 379	3 760
Sponsorships	821	0	821
Stadium Tours	670	827	670
Sundry Income	270	691	271
<b>Total operating revenue</b>	<b>55 612</b>	<b>56 686</b>	<b>55 612</b>
<b>EXPENDITURE</b>			
<b>Bad Debts</b>	<b>515</b>	<b>0</b>	<b>515</b>
Bad Debts Provision	515	0	515
<b>Depreciation - Property, Plant and Equipment</b>	<b>113 913</b>	<b>118 875</b>	<b>107 800</b>
Depreciation	113 913	118 875	107 800
<b>General expenses</b>	<b>58 093</b>	<b>95 047</b>	<b>91 548</b>
Electricity	14 317	14 498	14 317
Fuel & Oil : Vehicles	302	150	302
Refuse Removal	979	881	979
Stadium Operational Costs	195	75 862	72 518
Hire Of City Fleet	0	0	0
Water	3 432	3 656	3 432
<b>Loss on disposal of property, plant and equipment</b>	<b>0</b>	<b>93</b>	<b>0</b>
Loss on Disposal of Assets	0	93	0
<b>Total operating expenditure</b>	<b>205 976</b>	<b>214 015</b>	<b>199 863</b>
<b>DEFICIT FOR THE YEAR</b>	<b>-150 364</b>	<b>-157 329</b>	<b>-144 251</b>