uMGUNGUNDLOVU

UMASIPALA WESIFUNDA

DISTRICT MUNICIPALITY

DISTRIK MUNISIPALITEIT

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2016

General Information

Executive Committee	
Mayor	Y Bhamjee (ANC)
Deputy Mayor	T R Zungu (ANC)
	R P Ashe (DA)
	F N Mbatha (ANC)
	S E Mkhize (ANC)
	B A Mchunu(ANC)
	E Z Ntombela(ANC)
	J S Majola(DA)
	M E Madlala (IFP)
Other councillors	
	M S Bond (DA)
	N V Duze (ANC)
	P W Moon (ANC)
	S M Makhaye (ANC)
	P L Mchunu (ANC)
	N Msimang(ANC)
	S A Mkhize(ANC)
	D A Ndlela (ANC)
	M D Ndlovu (DA)
	P Ngidi (ANC)
	B E Zuma (IFP)
	B I Mncwabe (NFP)
	STJ Ndlovu(ANC)
	K M Ngcobo (ANC)
	M A Tarr(ANC)
	P Jaca (ANC)
	B Shozi(ANC)
	G S Maseko(ANC)
	S M Mbatha-Ntuli(ANC)
	T M Magubane (ANC)
	C D Gwala (ANC)
	P Moonsamy (ANC)
	M Maphumulo (ANC)
	T A Gwala (ANC)
	B C Nhlabathi (DA)
	M J Grueneberg (DA)
	M Maphumulo (NFP)
	C Bradely (DA)
	L Skhakhane (DA)
	D Buthelezi (ANC)
	G M Dladla (ANC)
	NJ Zungu (ANC)
	N C Mabhida (ANC)
	N H Hlophe (IFP)
Grading of local authority	Grade 5
WHIP	S C Gabela (ANC)
SPEAKER	M E Dladla (ANC)

General Information

MANAGEMENT	Municipal Manager- T L S Khuzwayo Executive Manager - Financial Services - S D Ncube Acting Executive Manager - Corporate Services - T L S Khuzwayo (Appointed 16 November 2014) Executive Manager - Technical Services - E B Mbambo Executive Manager - Community Services - RM Baloyi
Registered office	242 Langalibalele Street Pietermartizburg 3201
Postal address	P O Box 3235 Pietermaritzburg 3200
Bankers	First National Bank
Auditors	The Auditor General South Africa Registered Auditors
Website	www.umdm.gov.za
Other Information	Telephone: 033 897 6700 Fax : 033 342 5502

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
UMDM	uMgungundlovu District Municipality

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by Auditor General and this report is presented to the speaker of the council upon completion of the audit.

The annual financial statements set out on pages 5 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Accounting Officer
TLS Khuzwayo

Accounting Officer's Report

1. **Ratio Analysis**
   - **Liquidity Ratio** - 2.02:1 (1.7:1)
     The Municipality has enough short term assets to finance short term liabilities.
   - **Solvency Ratio** - 4.13:1 (5.02:1).
     Assets are over 5 times the liabilities , the Municipality will be able to meet all its short and long term obligations.
   - **Cash Ratio** - 0.65:1 (0.62:1).
     There is sufficient cash to pay short term liabilities.

2. **Going concern**

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	2	1,675,716	1,067,620
Receivables from exchange transactions	3	269,881,479	211,836,536
Consumer receivables	4	92,621,272	75,818,041
Cash and cash equivalents	5	179,319,262	162,493,654
VAT receivable	6	15,288,118	-
		558,785,847	**451,215,851**
Non-Current Assets			
Property, plant and equipment	7	1,117,175,195	882,655,116
Intangible assets	8	677,910	492,390
		1,117,853,105	**883,147,506**
TOTAL ASSETS		**1,676,638,952**	**1,334,363,357**
Liabilities			
Current Liabilities			
Other financial liabilities	9	55,801,644	83,096,995
Payables from exchange transactions	10	165,195,585	86,871,285
Unspent conditional grants and receipts	11	21,251,422	55,288,321
Provisions	12&13	29,207,040	26,945,976
VAT payable	14	-	7,898,763
Consumer deposits	15	5,588,628	5,150,765
		277,044,319	**265,252,105**
Non-Current Liabilities			
Other financial liabilities	9	128,853,780	2,394,499
TOTAL LIABILITIES		**405,898,099**	**267,646,604**
NET ASSETS		**1,270,740,853**	**1,066,716,753**
Reserves			
Revaluation reserve	16	24,064,477	24,064,477
Accumulated surplus		1,246,676,376	1,042,652,276
TOTAL NET ASSETS		**1,270,740,853**	**1,066,716,753**

* See Note 39

Statement of Financial Performance for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	125,438,000	116,303,319
Interest received from customers late payments		18,152,505	17,218,256
Rental income		201,960	296,432
Other income	18	4,833,847	3,911,168
Interest received	29	17,019,400	12,260,127
Total revenue from exchange transactions		**165,645,712**	**149,989,302**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	28	712,610,379	605,143,266
Total revenue	19	**878,256,091**	**755,132,568**
Expenditure			
Administration		(8,605,883)	(1,314,386)
Bulk purchases	25	(105,044,656)	(76,618,960)
Contracted services	26	(156,871,341)	(132,147,821)
Debt impairment	24	(50,253,471)	(65,924,489)
Depreciation and amortisation	22	(55,713,431)	(83,433,277)
General expenses	27	(93,838,139)	(86,500,140)
Finance costs	23	(10,252,994)	(2,433,303)
Impairment loss	31	-	(109,821)
Employee costs	20	(181,062,174)	(176,151,889)
Remuneration of councillors	21	(10,937,383)	(10,835,832)
Repairs and maintenance		(1,592,826)	(1,815,220)
Total expenditure		**(674,172,298)**	**(637,285,138)**
Operating surplus		**204,083,793**	**117,847,430**
Loss on disposal of assets		(59,691)	(190,382)
Fair value adjustments		-	1,461,963
		(59,691)	**1,271,581**
Surplus for the year		**204,024,102**	**119,119,011**

* See Note 39

Statement of Changes in Net Assets for the year ended 30 June 2016

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2014	**24,064,477**	**923,533,265**	**947,597,742**
Changes in net assets			
Surplus for the year	-	119,119,011	119,119,011
Total changes	-	119,119,011	119,119,011
Opening balance as previously reported	24,064,477	1,044,451,125	1,068,515,602
Adjustments			
Correction of errors	-	(1,798,851)	(1,798,851)
Restated* Balance at 01 July 2015 as restated*	**24,064,477**	**1,042,652,274**	**1,066,716,751**
Changes in net assets			
Surplus for the year	-	204,024,102	204,024,102
Total changes	-	204,024,102	204,024,102
Balance at 30 June 2016	**24,064,477**	**1,246,676,376**	**1,270,740,853**

* See Note 39

Cash Flow Statement for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers and other		67,002,561	116,665,634
Grants		678,573,480	605,143,266
Interest income		17,019,400	12,260,127
		762,595,441	734,069,027
Payments			
Employee costs		(189,738,493)	(186,987,721)
Suppliers		(78,324,301)	(52,368,585)
Finance costs		(10,252,994)	(2,433,303)
Other payments		(252,952,373)	(358,937,055)
		(531,268,161)	(600,726,664)
Net cash flows from operating activities	30	**231,327,280**	**133,342,363**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(426,663,752)	(210,442,663)
Proceeds from sale of property, plant and equipment	7	(1)	638,730
Purchase of intangible assets	8	(1,436,907)	(1,099,672)
Other movements in property plant and equipment		137,621,940	39,921,265
Net cash flows from investing activities		**(290,478,720)**	**(170,982,340)**
Cash flows from financing activities			
Proceeds from long - term portion of long term liabilities		180,778,000	79,539,000
Repayment of long - term portion of long term liabilities		(81,614,070)	(73,872,319)
Movement in VAT payable		(23,186,881)	(10,815,988)
Net cash flows from financing activities		**75,977,049**	**(5,149,307)**
Net increase/(decrease) in cash and cash equivalents		**16,825,609**	**(42,789,284)**
Cash and cash equivalents at the beginning of the year		162,493,654	205,282,938
Cash and cash equivalents at the end of the year	5	**179,319,263**	**162,493,654**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	153,031,000	-	**153,031,000**	125,438,000	**(27,593,000)**	Note (A)
Other income - (rollup)	10,872,237	31,192,381	**42,064,618**	23,188,312	**(18,876,306)**	Note 42 (B)
Interest received - investment	9,360,000	-	**9,360,000**	17,019,400	**7,659,400**	Note 42 (C)
Total revenue from exchange transactions	**173,263,237**	**31,192,381**	**204,455,618**	**165,645,712**	**(38,809,906)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	591,869,000	29,750,000	**621,619,000**	712,610,379	**90,991,379**	Note 42(D)
Total revenue	**765,132,237**	**60,942,381**	**826,074,618**	**878,256,091**	**52,181,473**	
Expenditure						
Personnel	(218,052,000)	10,000,000	**(208,052,000)**	(181,062,474)	**26,989,526**	Note 42 (E)
Remuneration of councillors	(12,327,000)	-	**(12,327,000)**	(10,937,383)	**1,389,617**	Note 42 (F)
Depreciation and asset Impairment	(30,000,000)	-	**(30,000,000)**	(55,713,431)	**(25,713,431)**	Note 42 (G)
Finance costs	(13,284,000)	7,500,000	**(5,784,000)**	(10,252,994)	**(4,468,994)**	Note 42 (H)
Bulk purchases	(97,092,800)	-	**(97,092,800)**	(105,044,656)	**(7,951,856)**	Note 42 (I)
Contracted Services	(90,204,000)	(4,800,000)	**(95,004,000)**	(156,871,341)	**(61,867,341)**	Note 42 (J)
Other Expenses	(115,959,200)	(37,950,000)	**(153,909,200)**	(154,290,320)	**(381,120)**	
Total expenditure	**(576,919,000)**	**(25,250,000)**	**(602,169,000)**	**(674,172,599)**	**(72,003,599)**	
Operating surplus	**188,213,237**	**35,692,381**	**223,905,618**	**204,083,492**	**(19,822,126)**	
Loss on disposal of assets and liabilities	-	-	**-**	(59,691)	**(59,691)**	
Surplus before taxation	**188,213,237**	**35,692,381**	**223,905,618**	**204,023,801**	**(19,881,817)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**188,213,237**	**35,692,381**	**223,905,618**	**204,023,801**	**(19,881,817)**	

Appropriation Statement

Figures in Rand

	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
2016											
Financial Performance											
Service charges	153,031,000	-	153,031,000	-		153,031,000	125,438,000		(27,593,000)	82 %	82 %
Investment revenue	9,360,000	-	9,360,000	-		9,360,000	17,019,400		7,659,400	182 %	182 %
Transfers recognised	591,869,000	29,750,000	621,619,000	-		621,619,000	712,610,379		90,991,379	115 %	120 %
Other own revenue	10,873,000	31,192,381	42,065,381	-		42,065,381	23,188,312		(18,877,069)	55 %	213 %
Total revenue	**765,133,000**	**60,942,381**	**826,075,381**	**-**		**826,075,381**	**878,256,091**		**52,180,710**	**106 %**	**115 %**
Employee costs	(218,052,000)	10,000,000	(208,052,000)	-	-	(208,052,000)	(181,062,174)	-	26,989,826	87 %	83 %
Remuneration of councillors	(12,327,000)	-	(12,327,000)	-	-	(12,327,000)	(10,937,383)	-	1,389,617	89 %	89 %
Depreciation and asset impairment	(30,000,000)	-	(30,000,000)			(30,000,000)	(55,713,431)	-	(25,713,431)	186 %	186 %
Finance charges	(13,284,000)	7,500,000	(5,784,000)	-	-	(5,784,000)	(10,252,994)	-	(4,468,994)	177 %	77 %
Materials and bulk purchases	(95,593,000)	-	(95,593,000)	-	-	(95,593,000)	(105,044,656)	-	(9,451,656)	110 %	110 %
Contracted services	(90,204,000)	(4,800,000)	(95,004,000)	-	-	(95,004,000)	(156,871,341)	-	(61,867,341)	165 %	174 %
Other expenditure	(117,459,000)	(37,950,000)	(155,409,000)	-	-	(155,409,000)	(154,350,011)	-	1,058,989	99 %	131 %
Total expenditure	**(576,919,000)**	**(25,250,000)**	**(602,169,000)**	**-**	**-**	**(602,169,000)**	**(674,231,990)**	**-**	**(72,062,990)**	**112 %**	**117 %**
Surplus/(Deficit)	**188,214,000**	**35,692,381**	**223,906,381**	**-**		**223,906,381**	**204,024,101**		**(19,882,280)**	**91 %**	**108 %**
Surplus/(Deficit) for the year	**188,214,000**	**35,692,381**	**223,906,381**	**-**		**223,906,381**	**204,024,101**		**(19,882,280)**	**91 %**	**108 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

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.

1.1 Presentation currency

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Item	**Average useful life**
Buildings	Fair Value (30 years)
Plant and machinery	10 to 20 Years
Furniture and fixtures	10 to 15 Years
Motor vehicles	10 to 15 years
IT equipment	10 to 15 Years
Computer software	5 to 15 years
Infrastructure	
• Water	10 to 100 Years
• Sewarage	10 to 100 Years
Capital work in progress	Not depreciated (until completed)
Fire Engines	15 to 20 years
Mobile offices	15 to 20 Years

1.3 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

Accounting Policies

1.3 Intangible assets (continued)

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

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

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

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

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

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

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

Item	**Useful life**
Websites	3 - 5 years
Licenses	3 - 5 years
Computer software, other	3 - 5 years

Accounting Policies

1.4 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.

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Trade and other Receivables	at amortised cost
Consumer Debtors	at amortised cost
Bank and Cash	at amortised cost

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

Class	Category
Trade and other payables	at amortised cost

Accounting Policies

1.4 Financial instruments (continued)

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The minicipality measures a financial asset and financial liability initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.4 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade receivables

Trade receivables are measured at fair value.

Trade payables

Trade payables are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured amortised cost.

1.5 Leases

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 Inventories

Inventories are initially measured at cost except where municipality are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently municipality are measured at the lower of cost and net realisable value.

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

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

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

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

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

Accounting Policies

1.6 Inventories (continued)

The cost of water municipality is assigned using the weighted average cost formula. The same cost formula is used for all municipality having a similar nature and use to the municipality.

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

1.7 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

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

Recognition and measurement (individual asset)

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

1.7 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

1.8 Impairment of non-cash-generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

1.9 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

1.9 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

1.10 Provisions and contingencies

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.commitments represents goods/services that have been ordered at the reporting date.Approved and contracted comitments represent expenditure that has been approved and contact awarded at the reporting date. Approved but not yet contracted

1.11 Commitments (continued)

Approved and not yet contracted repesent expenditure that has been approved and the contract is yet to be awarded or is awaiting finanlisation at the reporting date

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 Revenue from exchange transactions

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

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

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets.

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

1.13 Revenue from non-exchange transactions (continued)

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.14 Revenue

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

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

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 01/01/2014. The effective date of the amendments were 01/02/2014.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

Accounting Policies

1.17 Comparative figures

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

When the presentation or classification of items in the annual financial statements is ammended, prior period comparative amounts are reclassified.

1.18 Unauthorised expenditure

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.21 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised when municipal valuation is more than carrying amount of the buildings.On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.23 Conditional Grants and receipts

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

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 07/01/2015 to 06/30/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

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

Accounting Policies

1.25 Related parties

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

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.26 Adoption of New and Revised Standards

In the current year, the Entity has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies. The Entity has not adopted any GRAP standard that is not yet effective. At the reporting date of the Entity, the following standards had been issued but were not yet effective:

Annual periods commencing on or after 1 July 2015

GRAP 32 - Service Concession Arrangements - Grantor
GRAP 108 - Statutory Receivables
GRAP 17 - Property Plant and Equipment

No effective provide yet

GRAP 18 - Segment reporting
GRAP 20 (Revised) - Related Party Transactions
GRAP 109 - Accounting by principals and agents
GRAP 21 - Impairments of non cash generating assets

All the above-mentioned standards, where applicable, will be complied with in the financial statements once the standard takes effect. Preliminary investigations indicated that, other than additional disclosure, the impact of the standards on the financial statements will be minimal.

1.27 General Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.

Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

2. Inventories

Consumable stores	1,425,749	874,019
Water	249,967	193,601
	1,675,716	**1,067,620**
Inventories recognised as an expense during the year	2,415,227	6,550,237

Inventory is measured at the lower of cost and net realisable value. Inventory recognised as an expense excludes material purchased for direct use.

3. Receivables from exchange transactions

Deposits	1,093,641	966,030
Agency Agreements	1,764,977	1,806,884
Other debtors	42,835,436	39,982,917
Prepaid expenses	426,221	886,943
Interest Accrued	1,585,550	1,697,308
MIG	220,401,928	165,403,555
Clearing account	1,773,726	1,092,899
	269,881,479	**211,836,536**

4. Consumer receivables

Gross balances		
Water	327,013,619	262,019,184
Less: Allowance for impairment		
Water	(234,392,347)	(186,201,143)
Net balance		
Water	92,621,272	75,818,041
Water		
Current (0 -30 days)	12,969,557	13,114,913
31 - 60 days	9,201,903	8,730,314
61 - 90 days	7,694,544	8,130,798
91 - 120 days	7,343,725	5,805,525
121 - 365 days	5,646,970	12,561,865
> 365 days	284,156,920	213,675,769
	(234,392,347)	(186,201,143)
	92,621,272	**75,818,041**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(186,201,143)	(254,175,445)
Contributions to allowance	(50,253,480)	(65,924,489)
Debt impairment written off against allowance	2,062,276	133,898,791
	(234,392,347)	**(186,201,143)**

The provision for bad debts has been calculated based on the individual risk profile of customers, i.e. customers have been categorised as high risk, medium risk, and deceased customers. All government customers have been excluded from bad debts provision.

Summary of debtors by customer classification

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. Consumer receivables (continued)

Households		
Current (0 -30 days)	10,996,773	11,229,443
31 - 60 days	7,798,313	7,690,365
61 - 90 days	7,056,612	7,157,484
91 - 120 days	6,828,609	5,002,219
121 - 180 days	5,396,378	11,344,217
> 180 days	270,150,670	202,708,393
Less : Allowance for impairment	(234,392,347)	(186,201,143)
	73,835,008	**58,930,978**

Industrial/Commercial		
Current (0 -30 days)	1,091,748	995,286
31 - 60 days	573,438	599,273
61 - 90 days	296,250	551,274
91 - 120 days	334,206	740,087
121 - 180 days	278,801	931,451
> 180 days	10,378,280	8,523,603
	12,952,723	**12,340,974**

Government		
Current (0 -30 days)	881,036	890,183
31 - 60 days	830,152	440,677
61 - 90 days	341,681	422,039
91 - 120 days	180,912	63,218
121 - 180 days	231,545	286,197
> 180 days	3,368,215	2,443,772
	5,833,541	**4,546,086**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,153	4,080
Bank balances	50,560,109	33,739,574
Short-term deposits	120,000,000	120,000,000
Investments	8,750,000	8,750,000
	179,319,262	**162,493,654**

The municipality had the following bank accounts

Figures in Rand	2016	2015

5. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK -Salaries Account - 50940092196	50	1,646	2,092,252	82	1,677	2,092,252
FNB BANK -Projects Account - 62023616462	6,617,461	229,399	10,834,502	6,617,461	229,399	10,834,502
FNB BANK - Money Market Account - 62215748289	797,943	25,286,211	55,705,004	797,943	25,286,211	55,705,004
FNB BANK - Mandela Race Account - 62411577193	86,972	690,687	305,045	86,972	690,687	305,045
FNB BANK - Main Account - 50940026773	42,982,165	7,698,093	7,588,245	42,982,165	7,459,857	7,587,435
FNB BANK - UMDM MIG Account - 62400041985	75,486	72,027	64	75,486	72,027	64
ABSA BANK - Fixed Deposit - 2072673843	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
NEDBANK - 3 Months deposit - 03/7165014047/00023	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
STATE BANK OF INDIA- Term Deposit - 32620073030107	-	-	5,000,000	-	-	5,000,000
INVESTEC BANK-Fixed Deposit-455213	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
FNB BANK-Fixed Deposit-71101199555	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000
STANDARD BANK-Fixed Deposit-358610095-004	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Ithala Bank -63647675	5,000,000	5,000,000	-	5,000,000	5,000,000	-
Total	**179,310,077**	**162,728,063**	**205,275,112**	**179,310,109**	**162,489,858**	**205,274,302**

The FNB Investment to the value of R3 750 000 is held as security for the long term loans held with DBSA. Refer to note 5 or 9 (as applicable)

6. VAT receivable

	2016	2015
VAT	15,288,118	-

7. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,905,000	-	1,905,000	1,905,000	-	1,905,000
Buildings	30,229,377	(1,970,109)	28,259,268	30,130,252	(996,691)	29,133,561
Plant and machinery	6,180,866	(3,024,262)	3,156,604	6,180,866	(2,837,744)	3,343,122
Furniture and fixtures	4,758,673	(2,638,396)	2,120,277	4,155,815	(2,494,796)	1,661,019
Motor vehicles	520,201	(471,376)	48,825	520,201	(453,622)	66,579
IT equipment	5,647,124	(3,843,517)	1,803,607	5,379,015	(3,726,908)	1,652,107
Infrastructure	1,891,137,979	(1,322,358,970)	568,779,009	1,737,669,090	(1,269,881,406)	467,787,684
Other property, plant and equipment	6,191,068	(1,518,082)	4,672,986	6,191,068	(1,179,270)	5,011,798
Mobile offices	452,500	(125,594)	326,906	452,500	(102,521)	349,979
Work in Progress	506,102,713	-	506,102,713	371,744,267	-	371,744,267
Total	**2,453,125,501**	**(1,335,950,306)**	**1,117,175,195**	**2,164,328,074**	**(1,281,672,958)**	**882,655,116**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1,905,000	-	-	-	-	1,905,000
Buildings	29,133,561	99,125	-	-	(973,418)	28,259,268
Plant and machinery	3,343,122	-	-	-	(186,518)	3,156,604
Furniture and fixtures	1,661,019	673,869	(23,614)	-	(190,997)	2,120,277
Motor vehicles	66,579	-	-	-	(17,754)	48,825
IT equipment	1,652,107	441,482	(36,076)	-	(253,906)	1,803,607
Infrastructure	467,787,684	153,468,890	-	-	(52,477,565)	568,779,009
Other property, plant and equipment	5,011,798	-	-	-	(338,812)	4,672,986
Mobile offices	349,979	-	-	-	(23,073)	326,906
Work in Progress	371,744,267	271,980,386	-	(137,621,940)	-	506,102,713
	882,655,116	**426,663,752**	**(59,690)**	**(137,621,940)**	**(54,462,043)**	**1,117,175,195**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Depreciation	Impairment loss	Total
Land	1,905,000	-	-	-	-	-	-	1,905,000
Buildings	30,200,059	425,279	-	(478,583)	-	(1,013,194)	-	29,133,561
Plant and machinery	3,404,160	140,365	(5,711)	-	-	(195,692)	-	3,343,122
Furniture and fixtures	1,780,010	242,436	(84,695)	-	-	(196,417)	(80,315)	1,661,019
Motor vehicles	777,704	50,000	(641,599)	-	-	(119,526)	-	66,579
IT equipment	1,691,945	411,384	(97,107)	-	-	(324,608)	(29,507)	1,652,107
Infrastructure	506,244,271	39,764,328	-	478,585	1,305,000	(80,004,500)	-	467,787,684
Other property, plant and equipment	5,377,093	4,000	-	-	-	(369,295)	-	5,011,798
Mobile offices	311,880	60,060	-	-	-	(21,961)	-	349,979
Work in Progress	242,163,784	169,344,811	-	(39,764,328)	-	-	-	371,744,267
	793,855,906	**210,442,663**	**(829,112)**	**(39,764,326)**	**1,305,000**	**(82,245,193)**	**(109,822)**	**882,655,116**

Revaluations

The revaluation of the buildings was performed by the Msunduzi Municipality (independent valuers) in respect of the Municipal Rates Act of 2004. The effective date of the revaluation was 01 July 2013

The revaluation of Infrustructure assets was perfomed by Sibusiso Mjwara in his capacity as a Professional Engineering Technologist on behalf of the Municipality. The effective date of this revaluation is 30 April 2015.

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other	3,791,518	(3,113,608)	677,910	2,354,610	(1,862,220)	492,390

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software and other	492,390	1,436,907	(1,251,387)	677,910

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software and other	580,801	1,099,672	(1,188,083)	492,390

9. Other financial liabilities

	2016	2015
At amortised cost		
DBSA Loan	184,655,424	85,491,494

The Loans from Development Bank Southern Africa are subject to interest at an average rate of 10% and are repayable over an average period of 20 years

A FNB Investment to the value of R3 750 000 is held as security for the long term loans held with DBSA. Refer to note 5 or 9 (as applicable)

	2016	2015
Non-current liabilities		
At amortised cost	128,853,780	2,394,499
Current liabilities		
At amortised cost	55,801,644	83,096,995

10. Payables from exchange transactions

	2016	2015
Trade payables	124,644,583	50,847,679
Retention	16,455,800	14,197,717
Other payables	2,558,060	2,922,376
Accrued leave pay	10,658,382	11,630,288
Accrued bonus	3,854,901	4,106,064
Accrued workmans compensation	-	1,355,732
Other accrued expenses	7,023,859	1,811,429
	165,195,585	**86,871,285**

Trade Payable Ageing		
0 - 30 Days	105,303,867	27,438,001
31 - 60 Days	10,761,054	11,992,436
61 - 90 Days	1,360,081	889,329
91- 180	4,380,019	7,610,809

Figures in Rand	2016	2015

10. Payables from exchange transactions (continued)

	121,805,021	**47,930,575**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Camperdown Waste Water works	4,000,095	4,000,095
Corridor Development Bulk Sewer Line	-	4,000,000
Corridor Development Grant	-	550,000
Disaster Management Grant	1,249,528	4,750,000
Energy Sector Grant	-	150,440
Expanded Public Works Grant	-	3,879,108
DPSS GIS Grant	-	320,549
IRO Municipal Excellence	-	262,678
KZN Sports	-	633,776
Municipal Water Infrastructure Grant	-	24,849,191
PTP Grant	308,817	308,817
Rural Roads Asset Management Systems Grant	-	764,730
Shared Deployment Grant	-	20,000
Water Purification Grant	-	2,244,800
Massification Grant	1,650,712	6,343,190
Department of water and sanitation Grant	3,464,411	-
ORIO Grant	10,577,859	2,210,947
	21,251,422	**55,288,321**

Movement during the year

Balance at the beginning of the year	55,288,322	56,118,629
Additions during the year	120,273,912	59,733,947
Income recognition during the year	(149,666,975)	(60,564,254)
Roll overs not approved/Grants recalled	(4,643,837)	-
	21,251,422	**55,288,322**

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

12. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Reversed during the year	Total
Post employee benefits	16,668,544	2,670,828	-	19,339,372
Long service awards	10,277,432	-	(409,764)	9,867,668
	26,945,976	**2,670,828**	**(409,764)**	**29,207,040**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Post employee benefits	11,344,000	5,324,544	-	16,668,544
Long service award	13,688,000	-	(3,410,568)	10,277,432
	25,032,000	**5,324,544**	**(3,410,568)**	**26,945,976**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pension benefits

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, i3 Actuaries and Consultants, carry out a statutory valuation on an annual basis.

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

	2016	2015
Post-employment medical aid subsidy		
Opening balance	15,975,825	10,691,000
Net expense recognised in the statement of financial performance	2,655,175	5,284,825
	18,631,000	**15,975,825**

	2016	2015
Ex-gratia Pension Benefits Liability		
Opening balance	692,544	653,000
Net expense recognised in the statement of performance	15,828	39,544
	708,372	**692,544**

Net expense recognised in the statement of financial performance

	2016	2015
Post-employment medical aid subsidy		
Current service cost	742,000	538,000
Past service cost	-	965,000
Interest cost	1,355,000	(340,000)
Actuarial (gains) losses	1,034,000	4,121,825
Expected Benefit payment	(476,000)	-
	2,655,000	**5,284,825**

	2016	2015
Ex-gratia Pension Benefits Liability		
Interest cost	51,896	55,000
Benefits paid	(88,999)	(78,000)
Actuarial loss/ (gain)	52,930	62,544
	15,827	**39,544**

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

Post -employment medical aid subsidy		
Opening balance	15,975,825	10,691,000
Expected return	-	538,000
Actuarial gains (losses)	-	4,121,825
Assets distributed on settlements	1,034,175	965,000
Current service costs	742,000	-
Interest cost	1,355,000	-
Benefits paid	(476,000)	(340,000)
	18,631,000	**15,975,825**

Ex-gratia Pension Benefits Liability		
Opening balance	692,544	653,000
Acturial gains/(losses)	52,930	62,544
Interest cost	51,896	55,000
Benefits paid	(88,999)	(78,000)
	708,371	**692,544**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.83 %	8.57 %
Expected rate of return on assets	7.80 %	7.80 %
Expected rate of return on reimbursement rights	0.82 %	0.82 %
Actual return on reimbursement rights	63.00 %	63.00 %
Medical cost trend rates	90.00 %	90.00 %
Expected increase in salaries	90.00 %	90.00 %
Proportion of employees opting for early retirement	0.71 %	0.71 %

No explicit assumption was made about additional mortality or health care costs due to AIDS

Percentage of inservice members withdrawing before retirement	Females	Males
Age 20 - 29	24%	16%
Age 30 - 39	15%	10%
Age 40 - 49	6%	6%
Age 50 - 54	4%	2%
Age 55+	0%	0%

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Sensitivity analysis

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

The assumption which tends to have the greatest impact on the results is the level of mortality and medical aid inflation

Sensitivity results

The liability at the Valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed rate of health care cost inflation:

(iv) A 20% increase and decrease in the assumed rates of post retirement mortality": and

Long service award and retirement gifts

The independent valuers, I3 Actuaries and Consultants, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Discount rate per Annum	8.36%	8.06%
General salary inflation	6.98%	7.08%
Net effective discount rate	1.29%	0.92%
Average retirement age	63 years	63 years
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services	Females	Males
Age 20 - 29	24%	16%
Age 30 -39	15%	10%
Age 40 - 49	6%	6%
Age 50 - 54	2%	2%
	-	-

Movement in defined benefit obligation

Balance at begining of the year	10,277,432	13,688,000
current service costs	959,589	1,072,000
Interest cost	767,520	1,117,000
Acturial losses/ (gain)	(599,848)	(5,185,568)
Benefit payment	(1,546,175)	(414,000)
New Employees	9,150	-
	9,867,668	**10,277,432**

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

Current service costs	959,589	1,072,000
Interest Cost	767,520	1,117,000
Acturial gain/ (losses)	(599,848)	(5,185,568)
Benefit payment	(1,546,175)	(414,000)
New Employees	9,150	-
	(409,764)	**(3,410,568)**

In Conclusion: Statement of financial position obligated for:

Post-employment medical benefit	18,631,000	15,975,825
Post employment pension benefit	708,372	692,544
Long service award	9,867,668	10,277,432
	29,207,040	**26,945,801**

Statement of Financial Performance obligation for:

Post-employment medical benefit.	2,655,175	5,284,825
Post -employment pension benefit	15,828	39,544
Long-service award	(409,764)	(3,410,568)
	2,261,239	**1,913,801**

14. VAT payable

Vat payables	-	7,898,763

Vat output is paid to SARS once payment has been received from third parties.

15. Consumer deposits

Water	5,588,628	5,150,765

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Revaluation reserve

The revaluation reserve arose due to the Land and Buildings recorded at market values. The valuation was performed by a professional valuer by Local Municipalities where valued properties are situated. The municipality used valuation roll values to revalue its land and buildings. The valuation roll was implemented on 01 July 2009.

Opening balance	24,064,477	24,064,477

17. Service charges

Service charges	805,863	1,258,018
Sale of water	112,932,961	104,493,638
Sewerage and sanitation charges	11,699,176	10,551,663
	125,438,000	**116,303,319**

18. Other income

Project income	780,039	536,045
Sundry income	4,053,808	3,375,123
	4,833,847	**3,911,168**

19. Revenue

Service charges	125,438,000	116,303,319
Interest received- late payments	18,152,505	17,218,256
Rental income	201,960	296,432
Sundry income	4,833,847	3,911,168
Interest received - investment	17,019,400	12,260,127
Government grants & subsidies	712,610,379	605,143,266
	878,256,091	**755,132,568**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	125,438,000	116,303,319
Interest received	18,152,505	17,218,256
Rental income	201,960	296,432
Other income	4,833,847	3,911,168
Interest received - investment	17,019,400	12,260,127
	165,645,712	**149,989,302**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	712,610,379	605,143,266

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Employee related costs

Basic	102,453,394	98,581,508
Medical aid - company contributions	11,144,114	13,116,369
UIF	724,385	775,327
WCA	1,253,945	1,355,732
SDL	1,494,216	1,450,543
Other payroll levies	36,156	35,946
Leave pay provision charge	(644,699)	1,468,256
Group Life Insurance	2,758,335	2,921,307
Defined contribution plans	22,755,415	23,118,922
Travel, motor car, accommodation, subsistence and other allowances	16,276,960	14,052,424
Overtime payments	8,014,722	8,044,778
Long-service awards	1,099,186	(1,424,840)
Acting allowances	290,670	187,683
Housing benefits and allowances	963,290	793,600
Annual Bonus	8,472,840	8,352,893
Standby Allowance	3,513,594	3,228,087
Telephone Allowance	397,281	34,984
Clothing Allowance	58,370	58,370
	181,062,174	**176,151,889**

Remuneration of Municipal Manager

Annual Remuneration	1,259,993	1,181,136
Car Allowance	144,000	144,000
Performance Bonuses	81,511	71,347
Other	4,500	-
	1,490,004	**1,396,483**

Remuneration of SEM: Financial Services

Annual Remuneration	1,160,175	818,613
Car Allowance	180,000	134,400
Other	18,000	13,384
	1,358,175	**966,397**

Remuneration of SEM: Corporate Services

Annual Remuneration	-	278,056
Car Allowance	-	70,152
Other	-	120,318
	-	**468,526**

Mr TLS Khuzwayo (Municipal Manager) has been appointed as Acting SEM Corporate Services from 15/11/2014 and does not recieve an acting allowance.

Remuneration of SEM: Technical Services

Annual Remuneration	789,607	551,684
Car Allowance	270,395	270,395
Performance Bonuses	75,689	55,464
Contributions to UIF, Medical and Pension Funds	221,320	220,308
Other	27,274	199,250
	1,384,285	**1,297,101**

Remuneration of SEM: Community Services

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Employee related costs (continued)

Annual Remuneration	958,796	905,386
Car Allowance	163,850	163,850
Contributions to UIF, Medical and Pension Funds	102,657	97,718
	1,225,303	**1,166,954**

21. Remuneration of councillors

Mayor	946,380	901,594
Deputy Mayor	296,465	282,982
Speaker	761,997	726,824
Other Councillors	8,216,641	8,241,301
Whip	715,900	683,131
	10,937,383	**10,835,832**

The salaries, allowances and benefits paid to councillors in the 2015/2016 financial year were within the upper limits as determined by the National Minister of Co-operative Government And Traditional affairs

In-kind benefits

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

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

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

22. Depreciation and amortisation

Property, plant and equipment	54,462,044	82,245,194
Intangible assets	1,251,387	1,188,083
	55,713,431	**83,433,277**

23. Finance costs

Interest paid	10,252,994	2,433,303

24. Debt impairment

Contributions/ (revesal) to debt impairment provision	50,253,471	65,924,489

25. Bulk purchases

Water	105,044,656	76,601,009
Sewer purification	-	17,951
	105,044,656	**76,618,960**

26. Contracted services

Fleet Services	60,325,989	52,087,101
Operating Leases	52,628,395	47,989,608
Other Contractors	43,916,957	32,071,112
	156,871,341	**132,147,821**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. General expenses

Advertising	692,762	577,761
Auditors remuneration	2,312,567	1,956,029
Bank charges	855,592	393,118
Conferences and seminars	536,542	552,347
Consulting and professional fees	21,160,717	16,304,988
Consumables	3,468,720	204,054
Electricity	6,532,589	5,462,862
Entertainment	3,901,533	3,846,979
Hiring charges	2,985,527	963,721
Insurance	539,860	521,465
Levies	1,645,156	764,900
Magazines, books and periodicals	334,152	220,360
Medical expenses	-	108,962
Motor vehicle expenses	14,411,990	18,915,537
Postage and courier	815,761	672,875
Printing and stationery	1,488,493	1,357,345
Promotions	8,323,453	6,054,311
Protective clothing	42,863	2,971,870
Research and development costs	-	7,019
Royalties and license fees	142,350	1,419,855
Security (Guarding of municipal property)	5,024,419	8,007,609
Staff welfare	541,025	-
Subscriptions and membership fees	2,792,081	2,272,091
Telephone and fax	4,569,663	5,558,095
Training	3,493,810	2,485,270
Travel - local	4,730,754	2,976,674
Lease rentals on operating leases	1,430,189	947,590
Disaster awareness	780,893	678,375
External bursaries	284,678	298,078
	93,838,139	**86,500,140**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Government grants and subsidies

Operating grants		
Department of water and sanitation grant	21,344,591	-
ACTP programme	-	23,020
Energy sector	150,440	-
Water demand management	-	969,333
Equitable share	398,468,847	366,806,000
Expanded public works	2,499,000	847,763
FMG	1,250,000	1,250,000
DPSS GIS Grant	320,549	930,468
Corridor development grant	550,000	-
Materials recovery grant	-	852,453
Water purification grant	2,244,800	-
MSIG	940,000	934,000
Rural roads asset management system	2,329,000	2,490,451
Corridor development bulk sewer line	4,000,000	-
Disaster management grant	3,500,473	-
SETA Grant	3,424,183	397,927
Shared development grant	20,000	780,000
IRO municipal excellence grant	262,678	-
KZN Sports	633,776	-
	441,938,337	376,281,415
Capital grants		
Massification	4,692,478	24,996,101
MIG	161,050,373	196,076,604
Municipal water infrustructure grant	104,929,191	7,789,146
	270,672,042	228,861,851
	712,610,379	**605,143,266**

Conditional and Unconditional

Included in above are the following grants and subsidies realised as income:

Conditional grants received	314,141,532	238,337,266
Unconditional grants received	398,468,847	366,806,000
	712,610,379	**605,143,266**

Materials Recovery Grant

Balance unspent at beginning of year	-	19,553,972
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(852,453)
Grant recalled	-	(18,701,519)
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Water Purification Grant

Balance unspent at beginning of year	2,244,800	2,244,800
Current-year receipts	-	-
Conditions met - transferred to revenue	(2,244,800)	-
	-	**2,244,800**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Government grants and subsidies (continued)

Municipal Excellence Awards Grant

Balance unspent at beginning of year	262,678	262,678
Current-year receipts	-	-
Conditions met - transferred to revenue	(262,678)	-
	-	**262,678**

Conditions still to be met - remain liabilities (see note 11)

FMG

Balance unspent at beginning of year	-	-
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Disaster Management Grant

Balance unspent at beginning of year	4,750,000	-
Current-year receipts	-	4,750,000
Conditions met - transferred to revenue	(3,500,472)	-
	1,249,528	**4,750,000**

Conditions still to be met - remain liabilities (see note 11)

DPSS GIS Grant

Balance unspent at beginning of year	320,549	1,001,017
Current-year receipts	-	250,000
Conditions met - transferred to revenue	(320,549)	(930,468)
	-	**320,549**

Conditions still to be met - remain liabilities (see note 11)

Corridor Development Grant

Balance unspent at beginning of year	550,000	550,000
Current-year receipts	-	-
Conditions met - transferred to revenue	(550,000)	-
	-	**550,000**

Conditions still to be met - remain liabilities (see note 11)

KZN Sports

Balance unspent at beginning of year	633,776	633,776
Current-year receipts	-	-
Conditions met - transferred to revenue	(633,776)	-
	-	**633,776**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Government grants and subsidies (continued)

MSIG

Balance unspent at beginning of year	-	-
Current-year receipts	940,000	934,000
Conditions met - transferred to revenue	(940,000)	(934,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Shared Deployment Grant

Balance unspent at beginning of year	20,000	20,000
Current-year receipts	-	-
Conditions met - transferred to revenue	(20,000)	-
	-	**20,000**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Government grants and subsidies (continued)

EPWP Grant

Balance unspent at beginning of year	3,879,108	1,405,871
Current-year receipts	2,499,000	3,321,000
Conditions met - transferred to revenue	(2,499,000)	(847,763)
Roll over not approved/ Grants recalled	(3,879,108)	-
	-	**3,879,108**

Conditions still to be met - remain liabilities (see note 11)

ACTP Grant

Balance unspent at beginning of year	-	23,020
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(23,020)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Rural Roads Assets Management Systems Grant

Balance unspent at beginning of year	764,730	952,181
Current-year receipts	2,329,000	2,303,000
Conditions met - transferred to revenue	(2,329,000)	(2,490,451)
Roll over not approved/ Grants recalled	(764,730)	-
	-	**764,730**

Conditions still to be met - remain liabilities (see note 11).

Massification Grant

Balance unspent at beginning of year	6,343,190	15,235,291
Current-year receipts	-	16,104,000
Conditions met - transferred to revenue	(4,692,478)	(24,996,101)
	1,650,712	**6,343,190**

Conditions still to be met - remain liabilities (see note 11).

MIG

Balance unspent at beginning of year	(165,403,555)	(66,590,951)
Current-year receipts	106,052,000	97,264,000
Conditions met - transferred to revenue	(161,050,373)	(196,076,604)
	(220,401,928)	**(165,403,555)**

Conditions still to be met - remain liabilities (see note 3)

Water Demand Management Grant

Balance unspent at beginning of year	-	969,333
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(969,333)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

PTP Grant

Balance unspent at beginning of year	308,817	308,817
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	308,817	**308,817**

Conditions still to be met - remain liabilities (see note 11).

MWIG

Balance unspent at beginning of year	24,849,191	4,027,337
Current-year receipts	80,080,000	28,611,000
Conditions met - transferred to revenue	(104,929,191)	(7,789,146)
	-	**24,849,191**

Conditions still to be met - remain liabilities (see note 11).

Department of Water and Sanitation Grant

Balance unspent at beginning of year	-	-
Current-year receipts	24,809,002	-
Conditions met - transferred to revenue	(21,344,591)	-
	3,464,411	**-**

Conditions still to be met - remain liabilities (see note 11).

Energy Sector

Balance unspent at beginning of year	150,440	150,440
Current-year receipts	-	-
Conditions met - transferred to revenue	(150,440)	-
	-	**150,440**

Conditions still to be met - remain liabilities (see note 11).

Corridor Development Bulk Sewer Line

Balance unspent at beginning of year	4,000,000	4,000,000
Current-year receipts	-	-
Conditions met - transferred to revenue	(4,000,000)	-
	-	**4,000,000**

Conditions still to be met - remain liabilities (see note 11).

Camperdown Water Works

Balance unspent at beginning of year	4,000,095	4,000,095
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	4,000,095	**4,000,095**

Figures in Rand	2016	2015

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

ORIO Grant

Balance unspent at beginning of year	2,210,947	-
Current-year receipts	8,366,912	2,210,947
Conditions met - transferred to revenue	-	-
	10,577,859	**2,210,947**

Conditions still to be met - remain liabilities (see note 11).

SETA Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3,424,183	397,927
Conditions met - transferred to revenue	(3,424,183)	(397,927)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

29. Investment revenue

Interest revenue		
Bank	17,019,400	12,260,127

30. Cash generated from operations

Surplus	204,024,102	119,119,011
Adjustments for:		
Depreciation and amortisation	55,713,431	83,433,277
Loss on sale of assets and liabilities	59,691	190,382
Fair value adjustments	-	(1,461,963)
Impairment loss	-	109,821
Debt impairment	50,253,471	65,924,489
Movements in provisions	2,261,064	1,913,976
Changes in working capital:		
Inventories	(608,096)	1,971,228
Receivables from exchange transactions	(58,044,943)	(101,656,285)
Consumer debtors	(67,056,702)	(52,155,042)
Payables from exchange transactions	78,324,298	18,181,602
Unspent conditional grants and receipts	(34,036,899)	(830,308)
Consumer deposits	437,863	401,025
	231,327,280	**135,141,213**

31. Impairment of assets

Impairments		
Property, plant and equipment	-	109,821

32. Auditors' remuneration

Fees	2,312,567	1,956,029

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

33. Water losses

Water losses incurred	36,660,328	32,867,232

The municipality averages water losses to approximately 39% for (2015/2016) and 46% for (2014/2015).The loss is calculated by comparing water sales (including free basic water) to water purchases.

The water losses volumes have reduced from 8 115 366KL (2014/2015) to 7 397 293 KL (2015/2016)

34. Commitments

Authorised capital expenditure

Already contracted for		
• Property, plant and equipment	259,526,352	355,131,380

Contracted for operating commitments		
• Office Rental	1,815,685	1,973,337
• Maintenance	12,614,060	76,410,692
• Water Tankering	4,135,068	53,755,884
	18,564,813	**132,139,913**

Total commitments		
Capital commitments	259,526,352	355,131,380
Operating commitments	18,564,813	132,139,913
	278,091,165	**487,271,293**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	12,467,736	112,315,133
- in second to fifth year inclusive	6,097,077	19,712,268
- later than five years	-	112,512
	18,564,813	**132,139,913**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and. No contingent rent is payable.

35. Fruitless and wasteful expenditure

Opening Balance	2,006,022	180,034
Interest and penalties	115,197	1,202,362
Fringe benefits tax implication	-	630,386
Less: amount recovered	-	(6,760)
Less: Amounts written off by council	-	(1,780,317)
Amounts still awaiting condonation by national treasury	-	1,780,317
	2,121,219	**2,006,022**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

36. Irregular expenditure

Opening balance	1,017,354	26,632,770
Add: Irregular Expenditure - current year	-	1,017,354
Less: Evidence supported by management	-	(26,632,770)
Amounts written off by council	-	1,017,354
Amounts still awaiting condonation by National Treasury	-	(1,017,354)
	1,017,354	**1,017,354**

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The municipality recorded deviations totalling to R 15 222 972 , in the last financial year and R 22 924 540 during the current financial year, that was ratified by Full Council at the respective meetings held during the financial year ended 30 June 2016.

38. Contigent Liabilities

Mbulelo Sibiya vs uMDM &Thamsanqa Gwala

This matter is in relation to a motor vehicle accident involving an employee driving a council vehicle and another employee driving his personal vehicle whilst both were on council duty. The plaintiff has put a claim against council for costs of repairs for his personal vehicle. The matter is currently in court and it is probable that council may have to pay damages to an estimated amount of R152 000.

Media Works vs uMDM

The matter is in relation to a supplier claiming costs for services rendered to uMDM which invoice was disputed by uMDM.The plaintiff referred the matter to court for a claim amounting to R 195 000.

39. Prior period errors and change

1.Correction of Other payables(fringe benefits expense) not raised in the previous year to the amount R674 567.

2.Correction of Incorrect cash book processing in the Prior year to the amount of R 279.

3.Correction of bursaries that should have been expensed in the prior year to the amount of R 1 124 005

Correction of Errors Movements - Statement of financial position		
Movement in Other Payables	-	674,567
Movements in cash and cash equivalents	-	279
Movement in receivables from exchange transactions	-	1,124,005
Movements in Retained Earnings	-	(1,798,851)
	-	-

40. Events after reporting date

No events after the reporting date were identified by management that would affect the operations of the municipality or the results of those operations significantly.

Figures in Rand	2016	2015

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	2,767,337	2,002,315
Amount paid - current year	(2,767,337)	(2,002,315)
	-	**-**

VAT

Opening balance	5,403,351	8,948,260
Output Vat -Submitted to SARS	(12,429,729)	(11,298,468)
Input Vat -Submitted to SARS	73,742,184	57,160,165
Amounts paid by SARS	(42,453,173)	(48,815,820)
Other amounts incurred	-	(1,027,438)
Other amounts paid to SARS	-	436,652
Balance unpaid(included in debtors)	**24,262,633**	**5,403,351**

Audit fees

Opening balance	-	-
Current year Invoices / fee	2,632,114	1,956,029
Amount paid - current year	(2,500,210)	(1,956,029)
Balance unpaid(included in creditors)	**131,904**	**-**

PAYE ,SDL and UIF

Opening balance	-	-
Current year subscription / fee	30,985,592	32,505,379
Amount paid - current year	(30,985,592)	(32,505,379)
Balance unpaid(included in creditors)	**-**	**-**

Pension and Medical Aid

Opening balance	-	-
Current year subscription / fee	47,326,501	38,786,093
Amount paid - current year	(47,326,501)	(38,786,093)
Balance unpaid(included in creditors)	**-**	**-**

41. 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 at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Nomusa Mabhida	334	1,817	2,151
Nomusa Maphumulo	459	3,218	3,677
	793	**5,035**	**5,828**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Nomsa Maphumulo	215	4,269	4,484
Nomusa Mabhida	314	3,328	3,642
	529	**7,597**	**8,126**

During the year the Councillors’ Nomusa Mabhida and Nomusa Maphumulo had arrear accounts outstanding for more than 90 days.

42. Budget differences

Material differences between budget and actual amounts

A. variance is due to change in faulty meters in Howick and Umgeni

B. variance is due to expenditure reclassified as capital expenditure due to expenditure from roll overs

C.variance due to interest earned on the excess drawdowns on the loan

D.variance due to utilisation of internal funds to front load MIG expenditure after the DBSA front loading was fully utilised and reclassification of income realised as expenditure yet budgeted as other income

E. variance due to budgeted positions not filled and standby allowances incurred higher than originally estimated

F. variance due to actual meeting allowances incurred being lesser than the estimated meeting allowance as a result of lesser meetings being held or non attendance at meetings

G.variance due to under estimation of depreciation

H. variance due to increase in loans

I. variance due to increase in bulk water tariff from umgeni water

J. variance due to contractual escalations and new contracts