

eThekwini Municipality and its Municipal Entities
Annual Financial statements
for the year ended June 30, 2017

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Metropolitan Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	High Capacity, Category A, Local Authority
ACCOUNTING OFFICER	Mr. S. Nzuzi
REGISTERED OFFICE	City Hall Dr. Pixle Kaseme Street Durban 4000
POSTAL ADDRESS	P O Box 1014 Durban 4000
MUNICIPALITY	Municipality incorporated in South Africa
BANKERS	Nedbank P O Box 5662, Durban, 4000
AUDITORS	The Auditor-General, South Africa

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

INDEX

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

INDEX	PAGE
Municipal Manager	4
Statement of Financial Position	5
Statement of Changes in Net Assets	8
Statement of Financial Performance	6 - 7
Cash Flow Statement	9
Appropriation Statement	11 - 16
Accounting Policies	17 - 37
Notes to the Annual Financial Statements	38 - 124
Appendixes: (unaudited)	
Appendix A: Segmental analysis of Property, Plant and Equipment (unaudited)	125
Appendix B: Segmental Statement of Financial Performance (unaudited)	127
Appendix C: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA (unaudited)	129
Appendix D: Moses Mabhida Stadium - Statement of Financial Performance (unaudited)	130

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

INDEX

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
VAT	Value added tax
DBSA	Development Bank of South Africa
MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practice
PPE	Property, Plant and Equipment
HDF	Housing Development Fund
SALA	South African Local Authority Pension Fund
MSCOA	Municipal Standard Chart of Accounts
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMPF	Natal Joint Municipal Pension Fund
DOHS	Department of Human Settlements
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee

Designation

eThekwini Municipality and its Municipal Entities

Consolidated Annual Financial Statements for the year ended 30 June 2017

Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 122, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

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

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

Municipal Manager

Durban

30 September 2017

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Position as at June 30, 2017

Figures in Rand thousand	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Inventories	2	598,623	504,682	452,837	345,831
Investments	3	5,750,000	6,620,000	5,750,000	6,620,000
Receivables from exchange transactions	4	2,453,950	3,493,548	2,412,549	3,469,108
Receivables from non-exchange transactions	5	254,584	254,929	254,584	254,929
VAT receivable	6	211,855	-	204,242	-
Consumer debtors	7	3,854,669	2,853,459	3,866,463	2,858,277
Current portion of Long term receivables	8	42,844	41,595	42,844	41,595
Call Investment Deposits	9	662,543	406,220	480,000	195,000
Cash and Bank Balances	10	554,363	1,020,118	455,014	930,713
		14,383,431	15,194,551	13,918,533	14,715,453
Non-Current Assets					
Investment property	11	292,120	301,950	231,867	239,292
Property, plant and equipment	12	46,902,013	43,659,695	45,985,993	42,706,918
Intangible assets	13	990,617	1,025,839	987,854	1,023,394
Heritage assets	14	24,039	24,396	24,039	24,396
Investments in Municipal Entities	15	-	-	908,779	908,779
Interest in Joint Ventures	16	-	-	72,993	74,309
Deferred Income		376	5,382	-	-
Long term Receivables	8	84,749	41,817	84,749	41,817
		48,293,914	45,059,079	48,296,274	45,018,905
Total Assets		62,677,345	60,253,630	62,214,807	59,734,358
Liabilities					
Current Liabilities					
External Borrowings	17	793,528	1,065,702	793,528	1,065,702
Payables from exchange transactions	18	5,990,317	5,674,152	5,933,313	5,618,223
VAT payable	6	-	59,604	-	68,383
Consumer deposits	19	2,173,402	1,949,890	2,148,852	1,908,181
Employee benefit obligation	20	501,958	554,040	501,958	554,040
Unspent conditional grants and receipts	21	867,988	723,277	867,988	723,277
Provisions	22	600,308	563,954	593,745	557,211
Bank overdraft	10	369,556	830,009	369,556	830,009
		11,297,057	11,420,628	11,208,940	11,325,026
Non-Current Liabilities					
External Borrowings	17	8,042,457	8,170,657	8,042,457	8,170,657
Employee benefit obligation	20	3,269,679	2,949,887	3,269,679	2,949,887
Provisions	22	885,613	870,029	885,613	870,029
		12,197,749	11,990,573	12,197,749	11,990,573
Total Liabilities		23,494,806	23,411,201	23,406,689	23,315,599
Net Assets		39,182,539	36,842,429	38,808,118	36,418,759
Housing Development Fund	23	123,512	123,512	123,512	123,512
Accumulated Surplus		39,059,027	36,718,917	38,684,606	36,295,247
Total Net Assets		39,182,539	36,842,429	38,808,118	36,418,759

* See Note 41

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	24	16,570,652	15,597,272	16,616,915	15,640,700
Rental of facilities and equipment		577,706	538,047	484,556	447,586
Other income	25	583,244	542,533	258,221	312,765
Interest received	26	799,791	787,285	772,013	764,893
Gain on disposal of assets and liabilities		-	18,370	-	19,505
Share of income from Joint Venture		-	-	24,767	5,013
Total revenue from exchange transactions		18,531,393	17,483,507	18,156,472	17,190,462
Revenue from non-exchange transactions					
Taxation revenue					
Fines		389,454	615,862	389,454	615,862
Property rates	27	6,570,118	6,243,707	6,583,982	6,254,244
Property rates - penalties imposed		141,525	112,883	141,525	112,883
Donations - Property, Plant and Equipment		9,362	1,160	9,362	1,160
Licences and permits		47,340	40,912	47,340	40,912
Transfer revenue					
Government grants & subsidies	28	5,684,499	5,770,287	5,684,499	5,770,287
Levies	29	2,185,002	2,103,316	2,185,002	2,103,316
Public contributions and donations		35,898	72,723	28,792	68,821
Reversal of loss on impairment: Investment Properties		5,318	-	5,318	-
Reversal of loss on impairment - Property, Plant and Equipment	12	3,733	5,725	3,733	5,725
Reversal of impairment: Municipal Entities and Joint Venture	15	-	-	-	2,750
Total revenue from non-exchange transactions		15,072,249	14,966,575	15,079,007	14,975,960
Total revenue		33,603,642	32,450,082	33,235,479	32,166,422
Expenditure					
Employee related costs	30	(8,858,082)	(8,251,752)	(8,702,159)	(8,114,523)
Remuneration of councillors	31	(110,943)	(105,334)	(110,943)	(105,334)
Amortisation - Intangible assets	13	(197,003)	(73,953)	(196,589)	(72,576)
Impairment Loss - Investment Properties	11	(7,855)	(3,570)	(7,855)	(3,570)
Depreciation - Property, Plant and Equipment	12	(1,968,978)	(1,881,855)	(1,900,746)	(1,810,178)
Impairment Loss - Property, Plant and Equipment	12	(9,261)	(16,038)	(9,261)	(16,038)
Finance costs	32	(897,959)	(968,805)	(897,959)	(971,776)
Lease rentals on operating lease		(121,573)	(74,706)	(121,420)	(71,854)
Debt Impairment		(2,059,099)	(1,329,580)	(2,058,859)	(1,329,846)
Depreciation - Investment Properties	11	(3,840)	(4,277)	(1,432)	(1,861)
Repairs and maintenance		(2,501,053)	(2,279,868)	(2,486,191)	(2,263,772)
Bulk purchases	33	(10,099,008)	(9,464,736)	(10,099,008)	(9,464,736)
Contracted services		(1,608,500)	(1,392,072)	(1,604,508)	(1,376,588)
Grants and subsidies paid	34	(282,815)	(208,921)	(285,815)	(212,081)
Loss on disposal of assets and liabilities		(285)	-	(133)	-
Impairment Loss - Investment in Municipal Entities		-	-	-	(75,876)
Impairment Loss - Intangible Assets		(576)	-	(576)	-
General Expenses	35	(2,613,859)	(2,026,835)	(2,443,039)	(1,943,160)
Total expenditure		(31,340,689)	(28,082,302)	(30,926,493)	(27,833,769)
Surplus before taxation		2,262,953	4,367,780	2,308,986	4,332,653

* See Note 41

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

Figures in Rand thousand	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Taxation	48	3,216	3,830	-	-
Surplus for the year		2,259,737	4,363,950	2,308,986	4,332,653

* See Note 41

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated Surplus	Total net assets
Group			
Opening balance as previously reported	152,924	32,230,491	32,383,415
Adjustments			
Prior year adjustments (prior to 2015/16)	-	34,422	34,422
Balance at July 01, 2015 as restated*	152,924	32,264,913	32,417,837
Changes in net assets			
Surplus for the year as previously reported	-	4,256,391	4,256,391
Transfer of Investment in DPDC (Pty) Ltd.	-	57,893	57,893
Reversal of prior year impairment: DPDC	-	2,750	2,750
Transfer: Housing Development Fund	(29,412)	29,412	-
Total changes	(29,412)	4,346,446	4,317,034
Opening balance as previously reported	123,512	36,611,359	36,734,871
Adjustments			
Prior year adjustments (2015/16)	-	107,558	107,558
Balance at July 01, 2016 as restated*	123,512	36,718,917	36,842,429
Changes in net assets			
Surplus for the year	-	2,259,737	2,259,737
Gain on Umgungundlovu take-on	-	16,226	16,226
Gain on Ugu take-on	-	30,513	30,513
Gain on Vulamehlo take-on	-	32,467	32,467
Change in estimates - Landfill sites	-	1,167	1,167
Total changes	-	2,340,110	2,340,110
Balance at June 30, 2017	123,512	39,059,027	39,182,539
Note(s)			
Municipality			
Opening balance as previously reported	152,924	31,898,761	32,051,685
Adjustments			
Prior year adjustments (prior to 2015/16)	-	34,422	34,422
Balance at July 01, 2015 as restated*	152,924	31,933,183	32,086,107
Changes in net assets			
Surplus for the year as previously reported	-	4,225,094	4,225,094
Transfer: Housing Development Fund	(29,412)	29,412	-
Total changes	(29,412)	4,254,506	4,225,094
Opening balance	123,512	36,187,689	36,311,201
Adjustments			
Prior year adjustments (2015/16)	-	107,558	107,558
Balance at July 01, 2016 as restated*	123,512	36,295,247	36,418,759
Changes in net assets			
Surplus for the year	-	2,308,986	2,308,986
Gain on Umgungundlovu take-on	-	16,226	16,226
Gain on Ugu take-on	-	30,513	30,513
Gain on Vulamehlo take-on	-	32,467	32,467
Change in estimates - Landfill sites	-	1,167	1,167
Total changes	-	2,389,359	2,389,359
Balance at June 30, 2017	123,512	38,684,606	38,808,118
Note(s)			

* See Note 41

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Cash Flow Statement

Figures in Rand thousand	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Ratepayers, Government and other		30,878,859	29,632,509	30,534,919	29,334,601
Interest income		799,791	787,285	772,013	764,893
		31,678,650	30,419,794	31,306,932	30,099,494
Payments					
Employee costs and suppliers		(25,665,787)	(22,423,084)	(25,336,841)	(22,176,712)
Finance costs		(897,959)	(968,805)	(897,959)	(971,776)
Taxes on surpluses	53	(3,216)	(3,830)	-	-
		(26,566,962)	(23,395,719)	(26,234,800)	(23,148,488)
Net cash flows from operating activities	36	5,111,688	7,024,075	5,072,132	6,951,006
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(5,134,969)	(4,778,207)	(5,078,019)	(4,739,895)
Proceeds from sale of property, plant and equipment	12	11,960	27,118	11,799	26,995
Purchase of other intangible assets	13	(162,668)	(134,317)	(161,168)	(132,148)
Purchases of heritage assets	14	(435)	(4,542)	(435)	(4,542)
Movement in investment in Municipal Entity		-	-	-	(90,000)
(Increase) / decrease in non-current receivables		(44,181)	10,318	(44,181)	10,318
Net cash flows from investing activities		(5,330,293)	(4,879,630)	(5,272,004)	(4,929,272)
Cash flows from financing activities					
Proceeds from external borrowings		700,000	-	700,000	-
Repayment of external borrowings		(1,100,374)	(1,096,160)	(1,100,374)	(1,004,787)
Net cash flows from financing activities		(400,374)	(1,096,160)	(400,374)	(1,004,787)
Net increase/(decrease) in cash and cash equivalents		(618,979)	1,048,285	(600,246)	1,016,947
Cash and cash equivalents at the beginning of the year		7,216,329	6,168,044	6,915,704	5,898,757
Cash and cash equivalents at the end of the year	10	6,597,350	7,216,329	6,315,458	6,915,704

* See Note 41

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

eThekwi Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Group - 2017											
Financial Performance											
Property rates	6,460,572	-	6,460,572	-	-	6,460,572	6,570,118	-	109,546	102 %	102 %
Service charges	17,370,469	3,491	17,373,960	-	-	17,373,960	16,570,652	-	(803,308)	95 %	95 %
Investment revenue	855,369	7,397	862,766	-	-	862,766	799,791	-	(62,975)	93 %	94 %
Transfers recognised - operational	3,063,682	173,658	3,237,340	-	-	3,237,340	2,716,460	-	(520,880)	84 %	89 %
Other own revenue	3,517,469	75,596	3,593,065	-	-	3,593,065	3,978,582	-	385,517	111 %	113 %
Total revenue (excluding capital transfers and contributions)	31,267,561	260,142	31,527,703	-	-	31,527,703	30,635,603	-	(892,100)	97 %	98 %
Employee costs	(8,755,110)	71,212	(8,683,898)	-	-	(8,683,898)	(8,858,082)	-	(174,184)	102 %	101 %
Remuneration of councillors	(105,953)	(5,457)	(111,410)	-	-	(111,410)	(110,943)	-	467	100 %	105 %
Debt impairment	(648,458)	20,690	(627,768)	-	-	(627,768)	(2,059,099)	-	(1,431,331)	328 %	318 %
Depreciation and asset impairment	(1,976,669)	5,791	(1,970,878)	-	-	(1,970,878)	(2,187,513)	-	(216,635)	111 %	111 %
Finance charges	(1,424,373)	(20,123)	(1,444,496)	-	-	(1,444,496)	(897,959)	-	546,537	62 %	63 %
Materials and bulk purchases	(10,563,501)	101,680	(10,461,821)	-	-	(10,461,821)	(10,099,008)	-	362,813	97 %	96 %
Transfers and grants	(216,940)	(135,547)	(352,487)	-	-	(352,487)	(282,815)	-	69,672	80 %	130 %
Other expenditure	(6,955,270)	(583,335)	(7,538,605)	-	-	(7,538,605)	(6,845,270)	-	693,335	91 %	98 %
Total expenditure	(30,646,274)	(545,089)	(31,191,363)	-	-	(31,191,363)	(31,340,689)	-	(149,326)	100 %	102 %
Surplus/(Deficit)	621,287	(284,947)	336,340	-	-	336,340	(705,086)	-	(1,041,426)	(210)%	(210)%

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,689,848	(794,649)	2,895,199	-	-	2,895,199	2,968,039	-	72,840	103 %	80 %
Surplus (Deficit) after capital transfers and contributions	4,311,135	(1,079,596)	3,231,539	-	-	3,231,539	2,262,953	-	(968,586)	70 %	52 %
Taxation	-	-	-	-	-	-	3,216	-	3,216	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	4,311,135	(1,079,596)	3,231,539	-	-	3,231,539	2,259,737	-	(971,802)	70 %	52 %
Capital expenditure and funds sources											
Total capital expenditure	6,725,067	(678,835)	6,046,232	-	-	6,046,232	5,466,428	-	(579,804)	90 %	81 %
Sources of capital funds											
Transfers recognised - capital	3,689,848	(794,649)	2,895,199	-	-	2,895,199	2,968,039	-	72,840	103 %	80 %
Borrowing	1,000,000	(300,000)	700,000	-	-	700,000	171,914	-	(528,086)	25 %	17 %
Internally generated funds	2,035,219	415,814	2,451,033	-	-	2,451,033	2,326,475	-	(124,558)	95 %	114 %
Total sources of capital funds	6,725,067	(678,835)	6,046,232	-	-	6,046,232	5,466,428	-	(579,804)	90 %	81 %

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	5,912,104	(496,839)	5,415,265	-	-	5,415,265	5,111,688		(303,577)	94 %	86 %
Net cash from (used) investing	(6,694,753)	679,060	(6,015,693)	-	-	(6,015,693)	(5,330,293)		685,400	89 %	80 %
Net cash from (used) financing	(21,573)	(279,034)	(300,607)	-	-	(300,607)	(400,374)		(99,767)	133 %	1,856 %
Net increase/(decrease) in cash and cash equivalents	(804,222)	(96,813)	(901,035)	-	-	(901,035)	(618,979)		282,056	69 %	77 %
Cash and cash equivalents at the beginning of the year	6,243,060	973,269	7,216,329	-	-	7,216,329	7,216,329		-	100 %	116 %
Cash and cash equivalents at year end	5,438,838	876,456	6,315,294	-	-	6,315,294	6,597,350		282,056	104 %	121 %

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Municipality - 2017											
Financial Performance											
Property rates	6,460,572	-	6,460,572	-	-	6,460,572	6,583,982		123,410	102 %	102 %
Service charges	17,370,469	3,491	17,373,960	-	-	17,373,960	16,616,915		(757,045)	96 %	96 %
Investment revenue	843,528	-	843,528	-	-	843,528	772,013		(71,515)	92 %	92 %
Transfers recognised - operational	3,063,682	173,657	3,237,339	-	-	3,237,339	2,716,460		(520,879)	84 %	89 %
Other own revenue	3,108,185	3,025	3,111,210	-	-	3,111,210	3,553,303		442,093	114 %	114 %
Total revenue (excluding capital transfers and contributions)	30,846,436	180,173	31,026,609	-	-	31,026,609	30,242,673		(783,936)	97 %	98 %
Employee costs	(8,600,006)	76,130	(8,523,876)	-	-	(8,523,876)	(8,702,159)		(178,283)	102 %	101 %
Remuneration of councillors	(105,953)	(5,457)	(111,410)	-	-	(111,410)	(110,943)		467	100 %	105 %
Debt impairment	(648,458)	20,690	(627,768)	-	-	(627,768)	(2,058,859)		(1,431,091)	328 %	318 %
Depreciation and asset impairment	(1,906,519)	(6,646)	(1,913,165)	-	-	(1,913,165)	(2,116,459)		(203,294)	111 %	111 %
Finance charges	(1,424,294)	(20,203)	(1,444,497)	-	-	(1,444,497)	(897,959)		546,538	62 %	63 %
Materials and bulk purchases	(10,563,501)	101,680	(10,461,821)	-	-	(10,461,821)	(10,099,008)		362,813	97 %	96 %
Transfers and grants	(216,940)	(135,547)	(352,487)	-	-	(352,487)	(285,815)		66,672	81 %	132 %
Other expenditure	(6,746,184)	(505,523)	(7,251,707)	-	-	(7,251,707)	(6,655,291)		596,416	92 %	99 %
Total expenditure	(30,211,855)	(474,876)	(30,686,731)	-	-	(30,686,731)	(30,926,493)		(239,762)	101 %	102 %
Surplus/(Deficit)	634,581	(294,703)	339,878	-	-	339,878	(683,820)		(1,023,698)	(201)%	(108)%

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,689,848	(794,649)	2,895,199	-	-	2,895,199	2,968,039	-	72,840	103 %	80 %
Surplus (Deficit) after capital transfers and contributions	4,324,429	(1,089,352)	3,235,077	-	-	3,235,077	2,284,219	-	(950,858)	71 %	53 %
Share of surplus (deficit) of associate	-	-	-	-	-	-	(24,767)	-	(24,767)	- %	DIV/0 %
Surplus/(Deficit) for the year	4,324,429	(1,089,352)	3,235,077	-	-	3,235,077	2,308,986	-	(926,091)	71 %	53 %
Capital expenditure and funds sources											
Total capital expenditure	6,626,139	(647,500)	5,978,639	-	-	5,978,639	5,434,061	-	(544,578)	91 %	82 %
Sources of capital funds											
Transfers recognised - capital	3,689,848	(794,649)	2,895,199	-	-	2,895,199	2,968,039	-	72,840	103 %	80 %
Borrowing	1,000,000	(300,000)	700,000	-	-	700,000	171,914	-	(528,086)	25 %	17 %
Internally generated funds	1,936,291	447,149	2,383,440	-	-	2,383,440	2,294,108	-	(89,332)	96 %	118 %
Total sources of capital funds	6,626,139	(647,500)	5,978,639	-	-	5,978,639	5,434,061	-	(544,578)	91 %	82 %

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	5,865,819	(42,309)	5,823,510	-	-	5,823,510	5,072,132		(751,378)	87 %	86 %
Net cash from (used) investing	(6,598,825)	-	(6,598,825)	-	-	(6,598,825)	(5,272,004)		1,326,821	80 %	80 %
Net cash from (used) financing	(21,115)	-	(21,115)	-	-	(21,115)	(400,374)		(379,259)	1,896 %	1,896 %
Net increase/(decrease) in cash and cash equivalents	(754,121)	(42,309)	(796,430)	-	-	(796,430)	(600,246)		196,184	75 %	80 %
Cash and cash equivalents at the beginning of the year	6,243,061	672,643	6,915,704	-	-	6,915,704	6,915,704		-	100 %	111 %
Cash and cash equivalents at year end	5,488,940	630,334	6,119,274	-	-	6,119,274	6,315,458		(196,184)	103 %	115 %

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1. Basis of preparation

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

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

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

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

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

Directives issued and effective:

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

Interpretations of the Standards of GRAP

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

Approved guidelines of Standards of GRAP:

- Guide 1: Guideline on Accounting for Public Private Partnerships

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

- IFRS 4 (AC 141) Insurance Contracts
- IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
- IAS 12 (AC 102) Income Taxes
- SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
- SIC - 29 (AC 429) Service Concession Arrangements - Disclosures
- IFRIC 12 (AC 445) Service Concession Arrangements
- IFRIC - 20 Stripping costs in the production phase of a surface mine
- IFRIC 21 - Levies

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

- GRAP 20 Related Party Disclosures

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

GRAP 20: Related Party Disclosures-issued June 2011:

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

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

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

GRAP 108: Statutory Receivables - issued September 2013:

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

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

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

A summary of the significant accounting policies are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the group presented as those of a single entity.

The consolidated annual financial statements incorporate the statements of the municipality and municipal entities controlled by the municipality, joint venture and the transport authority.

On acquisition, the assets and liabilities of any entity are measured at their fair values at the date of acquisition. The interests of outstanding shareholders are stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of entities acquired or disposed during the year are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustment are made to the annual financial statements of municipal entities to bring the accounting policies used into those used by the municipality and other entities included in the group.

All significant transactions and balances between members of the group are eliminated on consolidation.

1.4 Housing development fund

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.5 Retirement Benefits

1.4.1 Short-term employee benefits

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

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

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

1.4.2 Defined contribution plans

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

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

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

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.5 Retirement Benefits (continued)

1.4.3 Pension obligations

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

The Municipality has both defined benefit and defined contribution plans.

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

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

The following are defined benefit funds:

Durban Pension Fund

Government Employee's Pension Fund

SALA

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - Retirement Durban Pension Fund

The following are defined contribution funds:

KZN Pension Fund

Multi Linked

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

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

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

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

The Municipality has both defined benefit and defined contribution plans

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

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

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

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

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.5 Retirement Benefits (continued)

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

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

1.4.4 Other post-employment benefit obligations

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

Multi-Employer Retirement Benefit Plans

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

1.6 Significant Judgements

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

Significant judgements include:

Post Retirement Benefits and Multi-Employer Retirement Benefit Plans

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

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

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

Provision for impairment of trade receivables

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.6 Significant Judgements (continued)

Non-cash generating and cash generating Impairment testing

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

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

Provisions

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

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

A provision is recognised when:

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

Fine revenue

Fine revenue is recognised after taking into account the probability of future withdrawals and reductions. The probability of withdrawals and reductions is based on a 5 year past trend of gross charges issued which are likely to be disputed. The success rate of the disputed fines is taken into account in calculating the probability of withdrawals and reductions

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.7 Investment property

Initial Recognition

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

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. The cost of an item of investment property is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, Investment properties is carried at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from Investment properties are made when the particular asset no longer meets the definition of Investment properties.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are revised using the indicator based approach, compared to the annual assessment in the prior years. This is due to the GRAP amendments effective in the current financial year. Any changes in the depreciation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

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

Derecognition and Impairment

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

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

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

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.8 Property, plant and equipment

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

Initial Recognition

Property, plant and equipment are stated at cost. The cost of an item of property, plant and equipment is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

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

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from Property, plant and equipment are made when the particular asset no longer meets the definition of Property, plant and equipment.

Depreciation and Impairment:-

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. In accordance with GRAP 17, Property, Plant and Equipment, the useful life of an asset must be reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change must be treated as a change in an accounting estimate.

This change would be applied prospectively and only impact the income statement during the year the estimate was revised.

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

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.8 Property, plant and equipment (continued)

• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 30 years
• Car Parks	15 years
• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicle	3 - 11 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Other items of Plant and Equipment	3 - 5 years
• Biological Assets	5 - 10 years

The estimated useful lives of the assets are revised using the indicator based approach, compared to the annual assessment in the prior years. This is due to the GRAP amendments effective in the current financial year. Any changes in the depreciation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

Where the carrying amount of an item of Property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

All assets are considered to have a nil residual value.

Derecognition:

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

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.9 Intangible assets

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

Initial Recognition

Intangible assets are initially measured at cost and comprise of software and servitudes. The cost of an item of intangible assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

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

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

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

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

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

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil. Transfers from Intangible assets are made when the particular asset no longer meets the definition of an Intangible asset.

Amortisation and Impairment

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

Details	Years
Computer Software	5 - 20 years

The estimated useful lives of the assets are revised using the indicator based approach, compared to the annual assessment in the prior years. This is due to the GRAP amendments effective in the current financial year. Any changes in the amortisation method and useful lives for intangible assets with finite useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition:

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.10 Heritage assets

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

Initial Recognition

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

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

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

Subsequent measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses i.e. cost model. Transfers from heritage assets are made when the particular asset no longer meets the definition of a heritage asset.

Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired. Where the carrying amount of an item of heritage assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

1.11 Investments in Municipal Entities

Group annual financial statements

Investments in controlled entity are consolidated in the group annual financial statements. Refer to the accounting policy on Consolidations (Note 1.3).

Municipality annual financial statements

Investments in municipal entities are initially recognised at cost.

Subsequently they are accounted for at cost less any accumulated impairment.

The municipality assesses at each reporting date whether there is any indication that an investment in municipal entities may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the investment in municipal entities. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.12 Interest in Joint Ventures

Group annual financial statements

An interest in a joint venture is accounted for using the proportionate consolidation method. Under the proportionate consolidation method the group's share of each of the assets, liabilities, revenue and expenses of the investment is combined line by line with similar items in the group annual financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity.

Municipality annual financial statements

An investment in a joint venture is initially recognised at cost.

Subsequently the investment is carried at cost less any accumulated impairment taking into account the Municipality's share of profits or losses, resulting from operations of the joint venture, on the accrual basis. The share of losses are limited to the carrying amount of the joint venture and as a result if the interest in the joint venture is considered to be fully impaired or if the accumulated losses are equal to the cost of the interest in the joint venture, there will be no further losses recognised from the joint venture.

The municipality assesses at each reporting date whether there is any indication that an investment in a joint venture may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the investment in a joint venture. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

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

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

1.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Initial recognition

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.13 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Loans to municipal entities

Loans to municipal entities are initially recognised at fair value plus any transaction costs. Subsequently the loans are measured at cost.

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

Debtors

Debtors are initially recognised at fair value plus any transaction costs. Subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An allowance for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision for impairment is measured as the difference between the assets' carrying amount and the estimated recoverable amount based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Impairment losses are recognised in the Statement of Financial Performance.

Bad debts are written off during the year in which they are identified in the statement of financial performance.

Creditors

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

Cash and cash equivalents

These are initially and subsequently recorded at fair value.

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

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

Borrowings and other financial liabilities

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

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

Other financial liabilities are initially recognised at fair value plus any transaction costs. Subsequently they are measured at amortised cost.

Loans and receivables

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.13 Financial instruments (continued)

Loans and receivables are initially measured at fair value plus any transaction costs.

Subsequently they are measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms. The provision for impairment is measured as the difference between the assets' carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

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

Fixed and Negotiable Deposits

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

Fixed and negotiable deposits are initially measured at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The provision for impairment is measured as the difference between the assets' carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

1.14 Taxation

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

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

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

1.15 Long Service Awards

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

1.16 Leases

Operating leases - The Municipality as lessor

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

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

Operating leases - The Municipality as lessee

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.17 Inventories

Initial Recognition

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

Subsequent Measurement

Inventories are subsequently measured at the lower of cost and net realisable value using the weighted average method as the basis to determine cost. Net realisable value is the estimated selling price in the ordinary course of operations.

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

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

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

1.18 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the municipality determines the recoverable amount of the asset.

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

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

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.19 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held by the municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The municipality will apply its judgment and disclose the criteria used in making such judgment in cases where it's not clear whether the primary objective is to generate a commercial return.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

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

1.20 Grants, Transfers and Donations

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

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

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

1.21 Budget Information

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

Comparative information is not required.

1.22 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality / entity. Refer to note 41 - Related Parties.

1.23 Commitments

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.24 Post-reporting date events

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

Two types of events can be identified:

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

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

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

1.25 Provisions and contingencies

Provisions are recognised when:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.26 Revenue

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

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

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

Revenue is recognised as follows:

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.26 Revenue (continued)

1.26.1 Revenue from exchange transactions

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

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

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

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

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

Interest and rentals are recognised on a time proportion basis.

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

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

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

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

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

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

All other revenue is recognised as it accrues.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.26 Revenue (continued)

1.26.2 Revenue from non-exchange transactions

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

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

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

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

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

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

Durban Marine Theme Park recognises revenue from entrance parking fees and sales immediately upon receipt. All other revenue is recognised as it accrues.

1.27 Borrowing costs

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

1.28 Translation of foreign currencies

Foreign currency transactions

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

1.29 Comparatives information

1.27.1 Current year comparatives

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

1.27.2 Prior year comparatives

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

1.30 Unauthorised expenditure

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

ACCOUNTING POLICIES

1.31 Fruitless and wasteful expenditure

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

1.32 Irregular expenditure

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

1.33 Principal- agent arrangements

Management assesses whether the Municipality is party to any principle-agent arrangements. Should the municipality be party to such an arrangement, management will assess whether it is a principal or an agent in the arrangement. The municipality is an agent if the following criterion are met:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

If this criteria is not met, then the municipality is considered to be a principal in the arrangement.

A principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement using management's best estimates.

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal.

An entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

Changes in the liability are added to, or deducted from, the cost of the related asset in the current financial year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit and if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
2. Inventories				
Unsold Properties held for re-sale	138,195	152,129	-	-
Food and beverages	3,562	3,193	-	-
Consumable stores	438,015	333,305	437,066	332,112
Maintenance materials	57	89	57	89
Water	15,714	13,630	15,714	13,630
Merchandise	3,080	2,336	-	-
	598,623	504,682	452,837	345,831

The cost of inventories recognised as an expense during the period in respect of water sales was R1 799m (2016: R1 729m).

3. Investments

At amortised cost

Fixed deposit	5,750,000	6,620,000	5,750,000	6,620,000
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Current assets

Fixed Deposit	5,750,000	6,620,000	5,750,000	6,620,000
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Investments are non-derivative financial assets and are subsequently measured at amortised cost and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are classified as current assets. Investments with maturities greater than twelve months are classified as non-current assets.

4. Receivables from exchange transactions

Provision for Bad debts - Other (mainly in respect of Sundry services and interest on outstanding debt)	(1,367,458)	(1,105,719)	(1,370,661)	(1,105,719)
Prepayments	171,085	40,965	163,278	36,902
Provision for Bad Debts - DOHS	(2,502,019)	(2,213,844)	(2,502,019)	(2,213,844)
Other Debtors (mainly in respect of sundry services and interest on outstanding debt)	1,945,192	3,022,746	1,914,801	3,002,369
Debtor - DOHS	3,826,121	3,547,635	3,826,121	3,547,635
Accruals	381,029	201,765	381,029	201,765
	2,453,950	3,493,548	2,412,549	3,469,108

5. Receivables from non-exchange transactions

Fines	1,683,226	1,361,701	1,683,226	1,361,701
Provision for Bad Debts - Traffic Fines	(1,428,642)	(1,106,772)	(1,428,642)	(1,106,772)
	254,584	254,929	254,584	254,929

6. VAT

VAT payable	-	(59,604)	-	(68,383)
VAT receivable	211,855	-	204,242	-
Net Vat	211,855	(59,604)	204,242	(68,383)

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
6. VAT (continued)				
Municipality:				
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.				
7. Consumer debtors				
Gross balances				
Rates	2,622,534	2,476,072	2,622,534	2,476,072
Electricity	1,831,115	1,136,978	1,831,115	1,136,978
Water	1,959,074	1,728,057	1,979,081	1,737,510
Refuse	151,622	147,485	151,622	147,485
Housing rental	84,206	78,996	84,206	78,996
Waste water	507,216	288,762	507,216	288,762
ICC Debtors	8,259	4,635	-	-
	7,164,026	5,860,985	7,175,774	5,865,803
Less: Allowance for impairment				
Rates	(1,118,063)	(960,090)	(1,118,063)	(960,090)
Electricity	(358,724)	(249,531)	(358,724)	(249,531)
Water	(1,476,849)	(1,507,658)	(1,476,849)	(1,507,658)
Refuse	(83,629)	(51,964)	(83,629)	(51,964)
Housing rental	(66,685)	(72,369)	(66,685)	(72,369)
Waste water	(205,361)	(165,914)	(205,361)	(165,914)
ICC Debtors	(46)	-	-	-
	(3,309,357)	(3,007,526)	(3,309,311)	(3,007,526)
Net balance				
Rates	1,504,471	1,515,982	1,504,471	1,515,982
Electricity	1,472,391	887,447	1,472,391	887,447
Water	482,225	220,399	502,232	229,852
Refuse	67,993	95,521	67,993	95,521
Housing rental	17,521	6,627	17,521	6,627
Waste water	301,855	122,848	301,855	122,848
ICC Debtors	8,213	4,635	-	-
	3,854,669	2,853,459	3,866,463	2,858,277
Included in above is receivables from exchange transactions				
Electricity	1,472,391	887,447	1,472,391	887,447
Water	482,225	220,399	502,232	229,852
Waste water	301,855	122,848	301,855	122,848
Refuse	67,993	95,521	67,993	95,521
Housing rental	17,521	6,627	17,521	6,627
ICC Debtors	8,213	4,635	-	-
	2,350,198	1,337,477	2,361,992	1,342,295
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	1,504,471	1,515,982	1,504,471	1,515,982
Net balance	3,854,669	2,853,459	3,866,463	2,858,277

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
7. Consumer debtors (continued)				
Rates				
Current (0 -30 days)	731,886	973,640	731,886	973,640
31 - 60 days	117,771	186,372	117,771	186,372
61 - 90 days	102,838	38,693	102,838	38,693
91 - 120 days	61,698	29,861	61,698	29,861
> 120 days	1,608,341	1,247,506	1,608,341	1,247,506
	2,622,534	2,476,072	2,622,534	2,476,072
Electricity, Water, Solid Waste and Waste				
Water				
Current (0 -30 days)	1,849,589	1,097,279	1,849,589	1,106,552
31 - 60 days	220,054	212,240	220,054	212,240
61 - 90 days	118,601	90,253	118,601	90,253
91 - 120 days	101,368	77,241	101,368	77,421
> 120 days	2,159,415	1,824,269	2,179,422	1,824,269
	4,449,027	3,301,282	4,469,034	3,310,735
Housing rental				
Current (0 -30 days)	5,410	6,833	5,410	6,833
31 - 60 days	2,496	1,743	2,496	1,743
61 - 90 days	2,177	1,275	2,177	1,275
91 - 120 days	2,114	1,415	2,114	1,415
> 120 days	72,009	67,730	72,009	67,730
	84,206	78,996	84,206	78,996
I.C.C. Debtors				
Current (0 -30 days)	8,152	4,535	-	-
31 - 60 days	41	29	-	-
61 - 90 days	15	12	-	-
> 90 days	51	59	-	-
	8,259	4,635	-	-
Reconciliation of allowance for impairment				
Balance at beginning of the year	(3,007,526)	(2,512,681)	(3,007,526)	(2,512,024)
Contributions to allowance	(995,733)	(576,626)	(995,687)	(577,102)
Debt impairment written off against allowance	693,902	81,781	693,902	81,600
	(3,309,357)	(3,007,526)	(3,309,311)	(3,007,526)
8. Long-term receivables				
Loan: DPDC	85,790	80,412	85,790	80,412
Housing Selling scheme loans	141,113	124,153	141,113	124,153
First Metro Housing Loans	11,194	11,929	11,194	11,929
Land sales	-	1,010	-	1,010
Education Loans	11,480	10,682	11,480	10,682
Debt Impairment: DPDC	(85,790)	(80,412)	(85,790)	(80,412)
Debt Impairment:Housing Selling scheme loans	(36,194)	(64,362)	(36,194)	(64,362)
	127,593	83,412	127,593	83,412

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
8. Long-term receivables (continued)				
Less: Current portion transferred to current receivables				
Housing Selling scheme loans	39,737	37,873	39,737	37,873
First Metro Housing Loans	777	828	777	828
Land sales	-	1,010	-	1,010
Education Loans	2,330	1,884	2,330	1,884
	42,844	41,595	42,844	41,595
Long-term receivables - Non-current portion	84,749	41,817	84,749	41,817
Long-term receivables - Current portion	42,844	41,595	42,844	41,595

Study assistance schemes

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

Housing selling scheme loans

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

Housing First Metro loan

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

9. Call investment deposits

30 Day deposits	662,543	406,220	480,000	195,000
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eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
10. Cash and Bank Balances				
Refer to note 47 for details on Bank accounts and balances.				
Cash and cash equivalents consist of:				
Cash on hand	18,548	11,754	17,998	11,160
Bank balances	535,815	1,008,364	437,016	919,553
Bank balances and cash	554,363	1,020,118	455,014	930,713
Bank overdraft	(369,556)	(830,009)	(369,556)	(830,009)
Call Investment Deposits	184,807	190,109	85,458	100,704
Investments	662,543	406,220	480,000	195,000
	5,750,000	6,620,000	5,750,000	6,620,000
Cash and Cash Equivalents	6,597,350	7,216,329	6,315,458	6,915,704

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Investment property

Group	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	191,620	(78,924)	112,696	191,620	(75,087)	116,533
Non-revenue Generating	189,795	(10,371)	179,424	193,251	(7,834)	185,417
Total	381,415	(89,295)	292,120	384,871	(82,921)	301,950

Municipality	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	102,359	(49,916)	52,443	102,359	(48,484)	53,875
Non-revenue Generating	189,795	(10,371)	179,424	193,251	(7,834)	185,417
Total	292,154	(60,287)	231,867	295,610	(56,318)	239,292

Reconciliation of investment property - Group - 2017

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	116,533	-	-	(3,837)	112,696
Non-revenue Generating	185,417	(3,456)	(2,537)	-	179,424
	301,950	(3,456)	(2,537)	(3,837)	292,120

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Investment property (continued)

Reconciliation of investment property - Group - 2016

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	123,631	-	(2,821)	(4,277)	116,533
Non-revenue Generating	189,512	(3,346)	(749)	-	185,417
	313,143	(3,346)	(3,570)	(4,277)	301,950

Reconciliation of investment property - Municipality - 2017

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	53,875	-	-	(1,432)	52,443
Non-revenue Generating	185,417	(3,456)	(2,537)	-	179,424
	239,292	(3,456)	(2,537)	(1,432)	231,867

Reconciliation of investment property - Municipality - 2016

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	58,557	-	(2,821)	(1,861)	53,875
Non-revenue Generating	189,512	(3,346)	(749)	-	185,417
	248,069	(3,346)	(3,570)	(1,861)	239,292

Municipality

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

11. Investment property (continued)

The fair value of the above properties was R3.4 billion in 2016. Investment properties were valued in accordance with current market conditions. The valuation of Investment properties is no longer a requirement due to an amendment of GRAP 16. The Municipality lets properties under operating leases. Property rental income earned during the year was R72.8million (2016: R70.2million). The operating costs related to the rental of these properties amounted to R12.7million (2016: R17.1million). The net impairment Loss of R3 686 is made up of reversal of impairment of R5 268 and the impairment loss of R8 954. The impairment reversal relates to assets that were initially impaired, but are now fully operational. Included in Investment properties above are items that are still in use and that have a historical cost of R1.39million but are fully depreciated/impaired. This amount is made up as follows: Investment property fully depreciated - R0.63million; Investment property fully impaired R0.76million. The repairs and maintenance cost for investment properties was R4.9million in the current financial year. This cost consists of only payments made to contractors for repairing and maintaining assets. No staff are engaged in any labour to the repairs and maintenance of investment property as contractors are sourced.

Group

Durban Marine Theme Park (Pty) Ltd: Investment property comprises the Village Walk retail shopping mall from which rental income is derived. The original cost of this property including land was approximately R69 million. The directors fair value thereof is R141 million (2016: R141 million) based on a valuation method of net rental return, capitalised at a fair value market rate of return of 12% (2016: 12%).

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Property, plant and equipment

Group	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	5,652,837	(1,143,570)	4,509,267	6,068,595	(1,108,115)	4,960,480
Plant and machinery	1,816,439	(1,188,821)	627,618	-	-	-
Furniture and fixtures	321,875	(228,604)	93,271	-	-	-
Motor vehicles	3,022,312	(2,287,940)	734,372	-	-	-
IT equipment	959,823	(756,943)	202,880	-	-	-
Infrastructure	41,896,307	(9,602,344)	32,293,963	40,811,642	(8,742,233)	32,069,409
Community	10,704,289	(2,289,047)	8,415,242	4,987,545	(996,876)	3,990,669
Other property, plant and equipment	-	-	-	7,444,169	(4,870,666)	2,573,503
Biological Assets	1,684	(536)	1,148	-	-	-
Housing Development Fund	130,873	(106,621)	24,252	129,808	(64,174)	65,634
Total	64,506,439	(17,604,426)	46,902,013	59,441,759	(15,782,064)	43,659,695

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Property, plant and equipment (continued)

Municipality	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	4,767,032	(1,096,616)	3,670,416	5,148,551	(1,062,269)	4,086,282
Plant and machinery	1,753,516	(1,175,632)	577,884	-	-	-
Furniture and fixtures	294,241	(222,364)	71,877	-	-	-
Motor vehicles	3,020,533	(2,287,650)	732,883	-	-	-
IT equipment	955,016	(756,002)	199,014	-	-	-
Infrastructure	41,896,307	(9,602,344)	32,293,963	40,810,740	(8,741,332)	32,069,408
Community	10,703,636	(2,289,047)	8,414,589	4,987,545	(996,876)	3,990,669
Other property, plant and equipment	-	-	-	7,339,760	(4,844,835)	2,494,925
Biological Assets	1,650	(535)	1,115	-	-	-
Housing Development Fund	130,873	(106,621)	24,252	129,808	(64,174)	65,634
Total	63,522,804	(17,536,811)	45,985,993	58,416,404	(15,709,486)	42,706,918

Reconciliation of property, plant and equipment - Group - 2017

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and Buildings	4,490,177	11,607	-	-	153,799	(146,316)	-	4,509,267
Plant and machinery	627,222	103,972	(58)	6,726	37,247	(147,227)	(264)	627,618
Furniture and fixtures	96,804	33,385	(152)	(7,054)	-	(29,623)	(89)	93,271
Motor vehicles	849,223	118,875	(548)	2,324	6,364	(241,840)	(26)	734,372
IT equipment	235,845	42,330	(285)	(481)	-	(74,506)	(23)	202,880
Infrastructure	28,998,124	1,028,418	(7,247)	(73,200)	3,397,984	(1,044,990)	(5,126)	32,293,963
Community	8,296,583	90,590	-	72,019	196,999	(240,949)	-	8,415,242
Biological Assets	83	1,095	-	-	-	(30)	-	1,148
Housing Development Fund	65,634	116	(61)	-	1,443	(42,880)	-	24,252
	43,659,695	1,430,388	(8,351)	334	3,793,836	(1,968,361)	(5,528)	46,902,013

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and Buildings	6,580,366	58,307	(817)	-	(1,484,090)	(193,286)	-	4,960,480
Infrastructure	27,400,077	2,045,623	(56)	-	3,654,287	(1,028,707)	(1,815)	32,069,409
Community	3,962,328	78,839	-	-	78,709	(121,412)	(7,795)	3,990,669
Other property, plant and equipment	2,770,734	331,899	(4,403)	(1,594)	14,438	(536,868)	(703)	2,573,503
Housing Development Fund	65,969	168	(104)	-	1,184	(1,583)	-	65,634
	40,779,474	2,514,836	(5,380)	(1,594)	2,264,528	(1,881,856)	(10,313)	43,659,695

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2017

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and Buildings	3,615,979	-	-	-	153,799	(99,362)	-	3,670,416
Plant and machinery	574,730	93,539	(57)	6,726	37,247	(134,037)	(264)	577,884
Furniture and fixtures	75,612	26,935	(144)	(7,054)	-	(23,383)	(89)	71,877
Motor vehicles	847,633	118,686	(548)	2,324	6,364	(241,550)	(26)	732,883
IT equipment	232,686	40,682	(285)	(481)	-	(73,565)	(23)	199,014
Infrastructure	28,998,124	1,028,418	(7,247)	(73,200)	3,397,984	(1,044,990)	(5,126)	32,293,963
Community	8,296,470	90,590	-	72,019	196,459	(240,949)	-	8,414,589
Biological Assets	50	1,095	-	-	-	(30)	-	1,115
Housing Development Fund	65,634	116	(61)	-	1,443	(42,880)	-	24,252
	42,706,918	1,400,061	(8,342)	334	3,793,296	(1,900,746)	(5,528)	45,985,993

Reconciliation of property, plant and equipment - Municipality - 2016

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and Buildings	5,669,452	48,364	(4)	-	(1,484,090)	(147,440)	-	4,086,282
Infrastructure	27,400,077	2,045,622	(56)	-	3,654,287	(1,028,707)	(1,815)	32,069,408
Community	3,962,328	78,839	-	-	78,709	(121,412)	(7,795)	3,990,669
Other property, plant and equipment	2,694,250	303,530	(3,960)	(1,594)	14,438	(511,036)	(703)	2,494,925
Housing Development Fund	65,969	168	(104)	-	1,184	(1,583)	-	65,634
	39,792,076	2,476,523	(4,124)	(1,594)	2,264,528	(1,810,178)	(10,313)	42,706,918

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

12. Property, plant and equipment (continued)

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R1,074million (2016: R442million) but are fully depreciated/impaired. This amount is made up as follows: PPE fully depreciated - R1,007million; PPE fully impaired R67million. The Net Impairment Loss of R5 528m is made up of reversal of impairment of R3 733 and the impairment loss of R9 261. The impairment reversal relates to assets that were initially impaired, but are now fully operational.

The repairs and maintenance cost for property, plant and equipment was R2.48 billion in the current financial year. This cost consists of payments made to contractors, material issues and consumables for repairing and maintaining assets. This cost excludes internal labour costs which form part of internal charges (internal charges are eliminated on consolidation).

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Intangible assets

Group	2017			2016				
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value		
Servitudes	132,789	-	132,789	105,940	-	105,940		
Computer software	1,481,896	(624,068)	857,828	1,349,328	(429,429)	919,899		
Total	1,614,685	(624,068)	990,617	1,455,268	(429,429)	1,025,839		
Municipality								
	2017			2016				
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value		
Servitudes	132,789	-	132,789	105,940	-	105,940		
Computer software	1,475,518	(620,453)	855,065	1,341,433	(423,979)	917,454		
Total	1,608,307	(620,453)	987,854	1,447,373	(423,979)	1,023,394		
Reconciliation of intangible assets - Group - 2017								
	Opening balance	Additions	Disposals	Transfers	Work-in- progress	Amortisation	Impairment loss	Total
Servitudes	105,940	2,336	-	-	24,513	-	-	132,789
Computer software	919,899	545,421	(153)	458	(409,602)	(197,619)	(576)	857,828
	1,025,839	547,757	(153)	458	(385,089)	(197,619)	(576)	990,617

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Total
Servitudes	109,117	4,515	-	-	(7,692)	-	105,940
Computer software	854,785	69,605	(22)	1,595	67,889	(73,953)	919,899
	963,902	74,120	(22)	1,595	60,197	(73,953)	1,025,839

Reconciliation of intangible assets - Municipality - 2017

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Impairment loss	Total
Servitudes	105,940	2,335	-	-	24,514	-	-	132,789
Computer software	917,454	543,920	(1)	458	(409,601)	(196,589)	(576)	855,065
	1,023,394	546,255	(1)	458	(385,087)	(196,589)	(576)	987,854

Reconciliation of intangible assets - Municipality - 2016

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Total
Servitudes	109,117	4,515	-	-	(7,692)	-	105,940
Computer software	853,130	67,436	(20)	1,595	67,889	(72,576)	917,454
	962,247	71,951	(20)	1,595	60,197	(72,576)	1,023,394

Other information

Included in Intangible assets above are items that are still in use and that have a historical cost of R85million, but are fully amortised.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

14. Heritage assets

Group	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	24,039	-	24,039	24,396	-	24,396

Municipality	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	24,039	-	24,039	24,396	-	24,396

Reconciliation of heritage assets Group - 2017

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	24,396	435	(792)	24,039

Reconciliation of heritage assets Group - 2016

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	19,725	3,651	1,020	24,396

Reconciliation of heritage assets Municipality - 2017

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	24,396	435	(792)	24,039

Reconciliation of heritage assets Municipality - 2016

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	19,725	3,651	1,020	24,396

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

14. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

The following items of heritage assets cannot be reliably valued due to the nature of the items. These are categories of Heritage assets which reflect the number of assets for each category:

Ornithology	82,260
Mammalogy	14,722
Entomology	140,217
Arachnology	619
Echinodermata	36
Palaeontology	33,302
Ethnographic	11,759
Library collection	4,794
Conchology	5,202
Audio Visual collection	3,668
Numismatic	2,464
Textile & Costume	14,442
Glass & Ceramics	7,863
Other Historical	1,105
Don Africana Books & Periodicals	4,556
Exhibitions	894
Ichthyology	351
Herpetology	2,757
Biographical	1,191
Toys	4,415
Philately	2,247
War memorials	113
Firearms	168
Paintings	7,365
Photographic	3,846,903
Furniture	674
Documents / Cartoons / Plans	633,597
Pinetown Library Collection	228

Heritage assets which fair values cannot be reliably measured

The Municipality has undertaken valuations to determine fair values of its Heritage Assets. The Municipality did apply a valuation methodology and completed the exercise on certain classes of Heritage Assets after extensive research, reviewing benchmarks, both nationally and internationally, including consulting research papers that have been compiled on this subject matter. Where there is no active market for the items of Heritage Assets, the municipality is currently testing various valuation methodologies in order to determine the fair value of these Heritage Assets. GRAP 103 does allow the entity to determine fair value by using a replacement cost approach in cases where there is no active market and the Municipality has followed this approach, where applicable. No Heritage Assets were pledged as security for liabilities during the financial year end.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
15. Investments in Municipal Entities				
Name of company	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Durban Marine Theme Park (State Owned Company) Limited	100.00 %	100.00 %	962,996	962,996
ICC Durban (Proprietary) Limited - Shareholders Loan converted to Equity			226,590	226,590
ICC Durban (Proprietary) Limited - Share capital	100.00 %	100.00 %	1	1
			1,189,587	1,189,587
Impairment of investment in controlled entities			(280,808)	(280,808)
			908,779	908,779

The Shareholders loan was re-classified from "Loan to Municipal Entities" in the prior year. At its meeting on 28 June 2017, and taking cognizance of the International Convention Centre and Durban Marine Theme Park, Council confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern". There was no impairment in the current year (2016: R75 876m).

On 28 June 2017 Council authorised the conversion of the Shareholders loan to equity to enable the ICC Durban (Pty) Ltd to fund its planned infrastructural projects. The legal processes are still underway.

As at June 30, 2017

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	1	10
Percentage owned by Council (%)	100	100
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing (converted to equity)	226,590	-
Electricity Income Received (R'000)	11,287	22,118
Water Income Received (R'000)	1,567	9,214
Rates Income Received (R'000)	6,064	4,160
Refuse Removal (R'000)	900	1,153
Insurance (R'000)	39	772

As at June 30, 2016

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	1	10
Percentage owned by Council (%)	100	100
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing (converted to equity)	226,590	-
Electricity Income Received (R'000)	10,685	20,904
Water Income Received (R'000)	1,535	8,193
Rates Income Received (R'000)	5,687	3,851
Refuse Removal (R'000)	940	1,082
Insurance (R'000)	1	494

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

16. Interest in Joint Ventures

Name of company	Listed / Unlisted	Carrying amount 2017	Carrying amount 2016
Effingham Development	66.74%	72,993	74,309
Durban Point Development Company (Pty) Ltd	50.00%	75,716	75,716
		148,709	150,025
Impairment of Durban Point Development Company (Pty) Ltd		(75,716)	(75,716)
		72,993	74,309

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

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

Durban Point Development Company is a joint venture entered into with Rocpoint Company, a Malaysian Company. This company has been formed with the objective of driving the development of the Point Precinct area.

Based on the annual impairment test performed, the interest in Durban Point Development Company remains impaired.

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

Non-current assets

Township Property	44,849	58,779
Current assets - Debtors	27,006	16,062
Current assets - Bank Balances and Cash on hand	39,252	20,665

Total Assets	111,107	95,506
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Equity and Liabilities

Members Loan Accounts	72,993	74,309
Current liabilities - Creditors	38,114	21,197

Total Equity and Liabilities	111,107	95,506
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Reconciliation of Investment in Joint Venture

Balance at beginning of year	74,309	66,546
Share of Income for the year	24,767	7,763
Purchase of development rights (adjusted against profits)	(26,083)	-
Balance at end of year	72,993	74,309

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

Non-current assets - Property	2,675	2,675
Current assets - Debtors	4,105	1,639
Current assets - Inventory	93,345	93,350
Current assets - Bank Balances / Cash on hand	593	1,279
TOTAL ASSETS	100,718	98,943
Equity - Accumulated Loss	(24,189)	(20,573)
Equity - Loans from shareholders	78,466	78,466
Non-current liability - Rates Liability	42,895	39,558
Current Liabilities - Creditors	3,546	1,492
TOTAL EQUITY AND LIABILITIES	100,718	98,943
Reconciliation of Investment in Joint Venture - Durban Point Development Company (Cost):		
Balance at beginning of year	75,716	

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
16. Interest in Joint Ventures (continued)				
Increase in Investment for the year				78,466
Share of losses for the year				(2,750)
Balance at end of year			75,716	75,716

The cost of the investment in the Durban Point Development Company (DPDC) is R75.72 million compared to the cost of R78.47 million as reflected in the financial statements of DPDC. The difference is due to eThekweni Municipality having recognised the share of the losses of R2.75 million from the Joint Venture in the 15/16 financial year.

17. External Borrowings

At amortised cost

Annuity loans	8,835,985	9,236,359	8,835,985	9,236,359
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The fair value of all long term loans approximates their book values.

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

DBSA Phase 3 loans of R400million is separately secured by a cession of an acceptable revenue stream of R20 million p.a. as security.

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

AFD Calyon of R58.7m is separately secured by a cession of carbon credit income in the event of default or nonpayment. The income is estimated to be R17.2m for the year 2017/18 (excluding VAT).

All other loans are unsecured.

The Municipality applied for the Western and Northern Aqueduct Projects to be funded under the Infrastructure Investment Programme of South Africa (IIPSA). The funding included grant funding of R93 million and debt funding of R700 million provided by two IIPSA's participating Development Finance Institutions (DFI's) being Agence Francaise de Development (AFD) and the Development Bank of South Africa (DBSA). Each of the two DFI's provided debt of R350 million, resulting in a total new loan of R700 million taken in October and November 2016.

The Municipality has budgeted to borrow R1billion per annum for the next 3 financial years (commencing in 2017/18) in order to finance capital expenditure. This practice is consistent with prior years.

Non-current liabilities

At amortised cost	8,042,457	8,170,657	8,042,457	8,170,657
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Current liabilities

At amortised cost	793,528	1,065,702	793,528	1,065,702
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18. Payables from exchange transactions

Trade payables	1,302,269	492,676	1,300,630	470,342
Payments received in advance	151,008	92,820	150,830	92,753
Income received in advance - D.O.H.S	701,681	822,203	701,681	822,203
Accruals	2,153,803	2,731,280	2,157,199	2,731,280
Other payables	813,194	734,060	754,611	700,532
Retentions	496,917	340,815	496,917	340,815
Bank deposits not receipted	340,645	429,167	340,645	429,167
Deferred Expenditure (Straight-lining of Leases)	30,800	31,131	30,800	31,131
	5,990,317	5,674,152	5,933,313	5,618,223

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
19. Consumer deposits				
I.C.C.: Clients deposits	23,690	40,872	-	-
Consolidated Deposits	2,147,255	1,906,584	2,148,852	1,908,181
Ushaka: Rental deposits	2,457	2,434	-	-
	2,173,402	1,949,890	2,148,852	1,908,181

As of 1 July 2016 (effective date) interest no longer accrues on consumer deposits (previously accrued at 3% p.a.). All interest that has accrued up to the effective date will be added to the deposit held. This change is due to the amendments to the Municipality's Credit Control and Debt Collection Policy adopted by the Municipal Council on 31 March 2016. The change seeks to align the treatment of consumer deposits to the rationale for deposits, which is to serve as security, mitigate credit risk and cash flow management.

20. Employee benefit obligations

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

Carrying value

Post-employment medical benefits	(3,934,770)	(3,881,543)	(3,934,770)	(3,881,543)
Post-employment pension benefits	163,133	377,616	163,133	377,616
	(3,771,637)	(3,503,927)	(3,771,637)	(3,503,927)
Non-current liabilities	(3,269,679)	(2,949,887)	(3,269,679)	(2,949,887)
Current liabilities	(501,958)	(554,040)	(501,958)	(554,040)
	(3,771,637)	(3,503,927)	(3,771,637)	(3,503,927)

Actuarial Valuations:

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

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

Actuarial gains and (losses) arising from changes in financial assumptions	376,440	(9,767)	376,440	(9,767)
Actuarial gains and (losses) arising from experience adjustments	3,274	(21,796)	3,274	(21,796)
	379,714	(31,563)	379,714	(31,563)

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

Change in Actuarial Assumptions (Experience Adjustments)	734,358	48,054	734,358	48,054
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Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	53,227	383,829	53,227	383,829
Pension Benefits: Contribution to Funds	214,483	145,815	214,483	145,815
Total, included in employee benefits expense	267,710	529,644	267,710	529,644

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

20. Employee benefit obligations (continued)

Post-Retirement Medical Aid Plan

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

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3,881,543	3,497,714	3,881,543	3,497,714
Current service cost	182,543	157,146	182,543	157,146
Interest cost	369,232	313,379	369,232	313,379
Actuarial (gains) losses	(379,714)	31,563	(379,714)	31,563
Benefit payments	(118,834)	(118,259)	(118,834)	(118,259)
Balance at end of year	3,934,770	3,881,543	3,934,770	3,881,543

Net expense recognised in the Statement of financial performance

Current service cost	182,543	157,146	182,543	157,146
Interest cost	369,232	313,379	369,232	313,379
Actuarial (gains) losses	(379,714)	31,563	(379,714)	31,563
Total, included in employee benefits expense	172,061	502,088	172,061	502,088

Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Present Value of Obligations	(2,867,471)	(3,132,817)	(3,497,714)	(3,881,543)	(3,934,770)
Fair Value of Plan Assets	2,867,471	3,132,817	3,497,714	3,881,543	3,934,770

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

In respect of Present Value of Obligations	(179,531)	(120,563)	183,275	(21,796)	3,274
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eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

20. Employee benefit obligations (continued)

Disclosure Requirement in terms of GRAP 25

	Health Care cost Inflation		
	Central Assumption 8.05%	-1%	+1%
Accrued Liability June 30, 2017	3,934,770	3,415,022	4,581,410
Current Service Cost + Interest Cost 2016/17	516,461	436,775	618,121

Sensitivity Results from Previous Valuation

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

Disclosure Requirement in terms of GRAP 25:

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

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.66 %	9.74 %	9.66 %	9.74 %
General increases to medical aid contributions	8.05 %	8.76 %	8.05 %	8.76 %
Salary Inflation	7.86 %	8.76 %	7.86 %	8.76 %
Expected retirement age	63	63	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	80.00 %	80.00 %	80.00 %
Real rate (Gap)	1.49 %	0.90 %	1.49 %	0.90 %
General Inflation	6.55 %	7.26 %	6.55 %	7.26 %

Other assumptions:

Age of spouse - Husbands 5 years older than wives

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

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

Percentage of in-service members withdrawing before retirement:

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
20. Employee benefit obligations (continued)				
Pension benefits				
The amounts recognised in the Statement of Financial Position were determined as follows:				
Present value of funded obligations	11,151,296	11,257,690	11,151,296	11,257,690
Fair value of plan assets	(11,314,429)	(11,635,306)	(11,314,429)	(11,635,306)
Liability (Surplus) in the Statement of Financial Position	(163,133)	(377,616)	(163,133)	(377,616)
Net expense recognised in the statement of financial performance				
Service cost	(87,382)	(143,224)	(87,382)	(143,224)
Interest cost	(1,075,224)	(938,359)	(1,075,224)	(938,359)
Expected return on assets	1,108,450	980,823	1,108,450	980,823
Net actuarial gains / (losses) recognised in the year	(203,994)	(94,608)	(203,994)	(94,608)
	(258,150)	(195,368)	(258,150)	(195,368)
Movement in the defined benefit obligation is as follows:				
Balance at beginning of the year	(11,257,690)	(10,695,658)	(11,257,690)	(10,695,658)
Current service cost	(125,110)	(143,224)	(125,110)	(143,224)
Contributions by plan participants	18,864	(18,885)	18,864	(18,885)
Actuarial losses	715,494	48,054	715,494	48,054
Interest cost	(1,075,224)	(938,359)	(1,075,224)	(938,359)
Benefit payments	572,370	490,382	572,370	490,382
Balance at end of year	(11,151,296)	(11,257,690)	(11,151,296)	(11,257,690)
Movement in the fair value of plan assets is as follows:				
Balance at beginning of the year	11,635,306	11,219,089	11,635,306	11,219,089
Actuarial gains (losses)	(919,488)	(142,662)	(919,488)	(142,662)
Employer contributions	81,395	49,553	81,395	49,553
Employee contributions	(18,864)	18,885	(18,864)	18,885
Benefit payments	(572,370)	(490,382)	(572,370)	(490,382)
Expected return on assets	1,108,450	980,823	1,108,450	980,823
Balance at end of year	11,314,429	11,635,306	11,314,429	11,635,306
Disclosure in terms GRAP 25				
Defined benefit obligation	(11,151,296)	(11,257,690)	(11,151,296)	(11,257,690)
Plan assets	11,314,429	11,635,306	11,314,429	11,635,306
Funded status (before applying the net asset limit)	163,133	377,616	163,133	377,616
Experience adjustments on plan liabilities	(392,763)	(295,875)	(392,763)	(295,875)
Experience adjustments on plan assets	919,488	142,662	919,488	142,662

The expected return on plan assets was determined with reference to the average nominal yield for government bonds with duration of between 15 and 20 years as at 30 June 2017. The resulting expected return on plan assets was 9.66%p.a.

The actual return on plan assets (in accordance with paragraph 116 of GRAP 25) for the year ending 30 June 2017 was 0.27%p.a.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

20. Employee benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	9.66 %	9.70 %	9.66 %	9.70 %
Expected return on plan assets	9.66 %	9.70 %	9.66 %	9.70 %
Future salary increases	7.55 %	8.30 %	7.55 %	8.30 %
Future pension increases	6.55 %	7.30 %	6.55 %	7.30 %

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

20. Employee benefit obligations (continued)

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

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

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

20. Employee benefit obligations (continued)

The KZN Municipal Pension Fund has a membership of over 22,000 with R12 billion investments as at the 30 June 2017. eThekwini Municipality is the only Employer. Over the last year the Fund's in-house living annuity membership increased from 92 to 116 members, and the investments held for these annuitants increased from R142,6m to R177,4m.

Investments:

Performance Yields of Investment Portfolios from amongst which the members choose to invest has been modest for the last two years but has been picking up in recent times. With 25% of the investments being held offshore and significant offshore trading expansion of JSE listed companies, the Fund investments continue to hold their own on a foreign currency measure which is something that should please members. The default investment portfolio is known as the Managed Fund, where almost R10billion is held. The Asset Managers amongst whom this investment is divided were traditionally the best performing three large firms, Coronation, Prudential, and Foord. This was expanded the year before last, to include Investec, largely due to their strength in balancing good offshore investments to complementary local investment holdings, but also because the investment returns of these four managers correlated; meaning that the combined performance of these four managers over a period of time showed that when the one performed poorly the other did well, within appropriate volatility parameters. In the last year the Fund has rebalanced with a new allocation of R2billion into the 'New Ideas Fund'. This Fund includes three emerging asset managers in the local equity space, being Mazi, Mergence, and Argon, with an allocation of R1billion. Thus far the returns on this New Ideas Fund are very encouraging. At July 2017 month end the 1year, 3 year, and 5 year returns on the Managed Fund were 8,19% 7,60% and 13,24% per annum.

Insurance

The mortality rate of Fund members has been improving over the past three years. This good news also translates to lower insurance premiums and hence more pension savings for the members. Only some 10 deaths per month are expected of the membership of 22,000. The Fund continues to save member costs significantly through its program of building up reserves towards sustainable self-insurance. The disability insurance continues to be fully self-insured by the Fund and the very low numbers of members who are on temporary disability and then who get admitted to permanent disability indicates that many disabled members are driven to rehabilitate and return to work. The Front Office staff continue to improve the service offered to the disabled members.

Communications

The Fund has a strong communication drive that features grand scale seminars attended by 2,200 staff this last year. In addition, a new web site www.kznmpf.org is a source of the newsletters, forms, monthly updates of investment returns, and investment portfolio fact sheets. The Fund also has developed an advice model and gives information to retiring members in the form of seminars and one on one advice sessions. The In-house living annuity is an excellent option to these members and all effort is made to encourage members to take up this default on retirement.

Trustees

A rule change allowed 3 Employer Trustees to be nominated and the Fund was able to welcome three Exco serving Councillors: Barbara Fortein, William Mapena, along with the long serving trustee Siphon Kaunda. The six elected Trustees: Thomas Mketelwa, Vis Moodley, Paul Babudayal, Dean Ashe, Khanyi Gama, and Sthembile Dlamini, then joined the three Employer Trustees and nominated: Ricky Naidoo and Xolani Gabele, both former trustees, along with Pretty De Bruin Shabane. The Fund said farewell to long serving trustees Councillor Fawzia Peer who became the Deputy Mayor, retired member Hugh Crichton, and Rocky Naidoo who ended his term as a Councillor.

The Durban Pension Fund is a closed defined benefit fund. With effect from the 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The statutory valuation as at 2016-01-01 revealed that the Fund was 106.5% funded. The value of assets amounted to R11.27billion whilst the value of liabilities was determined to be R10,59 billion. The active member pool solvency reserve is 64.5% funded and the pensioner pool solvency reserve is 100% funded. Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 9.30% being required to be funded by the employer surplus account and 1.38% from the contribution stabilization reserve account wef 1 August 2016.

An interim valuation as at 1 January 2017 revealed that the Fund was 107.9% Funded. The value of the assets amounted to R 11.285billion compared to liabilities of R10.45 billion. As at 1 January 2017, the active solvency

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

20. Employee benefit obligations (continued)

reserve was 64.8% funded and the pensioner solvency reserve was 100% funded.

In compliance with the Fund's rules the Council contributed an amount of R49.8 million for the year ended 31 December 2016 and an amount of R23.9 million was funded from the Employer Surplus Account.

Multi-Employer Retirement Benefit Plans:

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

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

The last actuarial valuations of the two Defined Benefit Funds (March 2016) showed both funds to be fully funded as regards pensions in payment. For the Retirement Fund the fund is underfunded as regards contributing members - thus the employers are paying a surcharge. For the Superannuation Fund the fund has sufficient assets to cover the basic liability as regards contributing members, but not any solvency reserves for the contributing members. A primary reason for the surcharge is that salaries have been increased at rates well in excess of inflation over the past number of years, which has increased the liabilities of the two Defined Benefit Funds. (From 2016: Surcharge updated to 21.65% for Retirement Fund and 9.5% for Superannuation Fund - please refer to valuation reports available from Fund's website or the Director.

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

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

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

SA Equities	31.99 %	33.33 %	31.99 %	33.33 %
SA Bonds	43.64 %	44.61 %	43.64 %	44.61 %
SA Cash	1.45 %	3.73 %	1.45 %	3.73 %
SA Other	0.63 %	0.68 %	0.63 %	0.68 %
SA Property	4.81 %	0.75 %	4.81 %	0.75 %
Foreign	17.48 %	16.90 %	17.48 %	16.90 %
	100.00 %	100.00 %	100.00	100.00 %

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
21. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Electricity Demand Side Management Grant	960	8,636	960	8,636
Department of Co-Operative Governance and Traditional Affairs	5,000	5,000	5,000	5,000
Department of Environmental Affairs	8,338	7,838	8,338	7,838
DPSA - Aquaponics Projects	1,461	-	1,461	-
Neighbourhood Development Partnership	28,154	261	28,154	261
Department of Arts and Culture	505,250	443,082	505,250	443,082
Grant Accreditation	11,929	19,077	11,929	19,077
DBSA	98,984	19,686	98,984	19,686
Department of Human Settlements	83,735	141,047	83,735	141,047
European Union	2,077	5,433	2,077	5,433
Donations and Public Contributions	30,794	11,501	30,794	11,501
D Moss Interest and Land Sales	8,073	8,073	8,073	8,073
Infrastructure Skills grant	5,321	-	5,321	-
Department of Health	51,689	-	51,689	-
Municipal Human Settlement Capacity Grant	-	26,450	-	26,450
Sports and Recreation Grant	10,525	10,525	10,525	10,525
Other Grants and Subsidies	15,698	16,668	15,698	16,668
	867,988	723,277	867,988	723,277

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

22. Provisions

Reconciliation of provisions - Group - 2017

	Opening Balance	Additions / (reductions)	Utilised during the year	Interest charged	Total
Current					
Staff Leave	466,703	138,162	(102,642)	-	502,223
Clearance of Alien Vegetation	19,820	17,784	(17,489)	-	20,115
Performance bonus	15,145	9,377	(9,857)	-	14,665
Long service awards	62,286	54,426	(53,407)	-	63,305
Non-current					
Environmental rehabilitation: Landfill sites	101,386	(409)	(5,553)	10,646	106,070
Clearance of Alien Vegetation	41,887	8,185	-	-	50,072
Long service awards	726,756	2,715	-	-	729,471
	1,433,983	230,240	(188,948)	10,646	1,485,921

Reconciliation of provisions - Group - 2016

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Staff Leave	440,804	113,107	(87,208)	-	466,703
Clearance of Alien Vegetation	19,419	16,405	(16,004)	-	19,820
Performance bonus	25,162	7,515	(17,532)	-	15,145
Long service awards	55,788	55,144	(48,646)	-	62,286
Non-current					
Environmental rehabilitation: Landfill sites	91,669	1,238	-	8,479	101,386
Clearance of Alien Vegetation	39,523	2,364	-	-	41,887
Long service awards	669,542	57,214	-	-	726,756
	1,341,907	252,987	(169,390)	8,479	1,433,983

Reconciliation of provisions - Municipality - 2017

	Opening Balance	Additions / (reductions)	Utilised during the year	Interest charged	Total
Current					
Staff Leave	461,580	138,162	(102,205)	-	497,537
Clearance of Alien Vegetation	19,820	17,784	(17,489)	-	20,115
Performance bonus	13,525	9,120	(9,857)	-	12,788
Long service awards	62,286	54,426	(53,407)	-	63,305
Non-current					
Environmental rehabilitation: Landfill sites	101,386	(409)	(5,553)	10,646	106,070
Clearance of Alien Vegetation	41,887	8,185	-	-	50,072
Long service awards	726,756	2,715	-	-	729,471
	1,427,240	229,983	(188,511)	10,646	1,479,358

Reconciliation of provisions - Municipality - 2016

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Staff Leave	436,246	112,542	(87,208)	-	461,580
Clearance of Alien Vegetation	19,419	16,405	(16,004)	-	19,820
Performance bonus	23,235	7,515	(17,225)	-	13,525
Long service awards	55,788	55,144	(48,646)	-	62,286
Non-current					

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
22. Provisions (continued)				
Environmental rehabilitation: Landfill sites	91,669	1,238	-	8,479
Clearance of Alien Vegetation	39,523	2,364	-	-
Long service awards	669,542	57,214	-	-
	1,335,422	252,422	(169,083)	8,479
				1,427,240
Non-current liabilities	885,613	870,029	885,613	870,029
Current liabilities	600,308	563,954	593,745	557,211
	1,485,921	1,433,983	1,479,358	1,427,240

Environmental rehabilitation: Landfill sites

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

The asset is measured using the cost model:

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

The following assumptions were used to calculate the provision:

- Discount rate of 10.50% (2016: 10.50%);
- Inflation rate 5.10%(2016: 6.30%);
- Total area expected to be rehabilitated: 964 151 square metres (2016: 913 151 square meters);
- Rate per square metre: R162.30 (2016: R154.54) escalating every year by inflation rate;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

Bisasar	360,326	360,326
Marianhill	239,725	239,725
Wyebank	25,000	25,000
Shallcross	29,800	29,800
Buffelsdraai	259,300	228,300
Lovu	50,000	30,000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 3 months to 69 years and are best estimates provided for by the respective landfill site engineers.

The total rehabilitation can be reconciled as follows:

Name	Opening Balance	Expenditure	Interest	Change in Estimate	Closing Balance
Bisasar	55,000	(5,553)	5,775	2,386	57,608
Marianhill	34,928	-	3,668	(1,590)	37,006
Wyebank	3,845	-	404	(192)	4,057

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality		
	2017	2016	2017	2016	
22. Provisions (continued)					
Shallcross	3,298	-	346	(405)	3,239
Buffelsdraai	2,340	-	246	(1,259)	1,327
Lovu	1,975	-	207	651	2,833
Totals	101,386	(5,553)	10,646	(409)	106,070

Clearance of Alien Vegetation

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

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

Data used for calculations:

Municipal owned land within the municipal area: 18 000 Ha
Municipal owned open space currently managed (prioritised): 2 200 Ha
Current approximate cost of clearing very high infestations of IAP's: R9 153.00 / Ha
(2016: R9 153.00 / Ha).

Performance Bonus

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

Long service awards

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

Long Service Leave will accrue as follows:

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

22. Provisions (continued)

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

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

-2% of monthly salary at 15-19 years

-3% of monthly salary at 20-24 years

-4% of monthly salary at 25-29 years

-5% of monthly salary at 30-34 years

-6% of monthly salary at 35 years or more

The abovementioned is limited to a maximum of R1 406.76 (2016: R1 310.32).

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2017 (2016: 30 June 2016). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 8.92% (2016: 8.83%) was used based on internal rate of return.

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

Figures in Rand thousand	Municipality	
	2017	2016
Gross discount rate	8.92 %	8.83 %
Salary inflation	6.72 %	7.45 %
Net discount rate	2.05 %	1.38 %
Number of trading days per year	252	252
Assumed retirement age	63 years for males and females	63 years for males and females

Summary of membership data used in the valuation

	30 June 2017	30 June 2016
Current employees		
Number of current employees	22,925	22,706
Average age of employees	42.3	41.8
Average years of past service	11.4	11
Average annual salary (R)	200,820	188,580

Reconciliation of Defined Benefit Obligation

Opening Balance	789,042	725,330
Current Service cost	56,220	52,532
Interest cost	67,051	62,445
Actuarial losses (gains) - change in financial assumptions	(54,673)	(6,006)
Actuarial losses (gains) - experience variance	(4,205)	14,781

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
22. Provisions (continued)				
Cash movements - Benefit payments			(60,659)	(60,040)
			792,776	789,042

Pre-retirement mortality

Age	30 June 2017	30 June 2016
20	0.13%	0.13%
25	0.18%	0.18%
30	0.25%	0.25%
35	0.37%	0.37%
40	0.52%	0.52%
45	0.72%	0.72%
50	0.99%	0.99%
55	1.37%	1.37%
60	1.89%	1.89%

Withdrawal assumption

Age	30 June 2017	30 June 2016
20	7.85%	7.85%
25	5.67%	5.67%
30	4.20%	4.20%
35	3.31%	3.31%
40	2.23%	2.23%
45	1.21%	1.21%
50	0.55%	0.55%
55	0.00%	0.00%
60+	0.00%	0.00%

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
23. Housing development fund				
Accumulated Surplus	(143,467)	(143,467)	(143,467)	(143,467)
Loans extinguished by Government on 1 April 1998	266,979	266,979	266,979	266,979
	-	-		
	123,512	123,512	123,512	123,512

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

Property, plant and equipment	65,568	65,628	65,568	65,628
Housing selling scheme loans	87,408	59,791	87,408	59,791
Housing rental Debtors	17,521	6,627	17,521	6,627
Housing other Debtors	31,659	29,975	31,659	29,975
Housing inventory	57	89	57	89
Investments	7,489	7,489	7,489	7,489
Investment properties	8,000	15,713	8,000	15,713
Grant Accrual	276,420	275,257	276,420	275,257
Bank and cash	-	4	-	4
Assets	494,122	460,573	494,122	460,573
Long-term liabilities	-	62	-	62
Unspent Conditional Grants	32,199	18,335	32,199	18,335
Creditors	7,279	17,001	7,279	17,001
Bank Overdraft	319,335	301,663	319,335	301,663
Consumer Deposits	344	-	344	-
VAT Payable	11,453	-	11,453	-
Liabilities	370,610	337,061	370,610	337,061
Total Housing Development Fund Assets and Liabilities	123,512	123,512	123,512	123,512

24. Service charges

Sale of electricity	12,108,286	11,295,514	12,141,715	11,327,192
Sale of water	3,129,939	2,759,678	3,140,720	2,769,406
Solid waste	559,413	556,239	561,466	558,261
Sewerage and sanitation charges	736,116	805,590	736,116	805,590
Other service charges	36,898	180,251	36,898	180,251
Total service charges	16,570,652	15,597,272	16,616,915	15,640,700

25. Other income

Sundry Income	576,027	529,233	251,004	299,465
Moses Mabhida	7,217	13,300	7,217	13,300
	583,244	542,533	258,221	312,765

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

26. Interest revenue

Interest revenue				
Interest earned - External Investments	664,334	540,599	636,556	518,207
Interest earned - Outstanding Debtors	135,457	246,686	135,457	246,686
	799,791	787,285	772,013	764,893

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
27. Property rates				
Rates received				
Residential	2,207,225	2,234,480	2,207,225	2,234,480
Business / Commercial	2,178,475	2,050,684	2,192,339	2,061,221
Unauthorised / Illegal development	17,127	27,776	17,127	27,776
Development Phasing	1,751	1,656	1,751	1,656
Agricultural	48,731	7,252	48,731	7,252
Vacant land	466,600	396,661	466,600	396,661
Industrial	1,619,362	1,514,407	1,619,362	1,514,407
Public Service Infrastructure	30,847	10,791	30,847	10,791
Total Assessment Rates	6,570,118	6,243,707	6,583,982	6,254,244

Valuations

Residential	274,919,592	272,054,810	274,919,592	272,054,810
Business / Commercial	99,794,403	92,766,118	99,794,403	92,766,118
Unauthorised / Illegal development	374,027	290,196	374,027	290,196
Agricultural	3,051,865	2,869,523	3,051,865	2,869,523
Vacant land	14,511,117	12,923,845	14,511,117	12,923,845
Industrial	51,327,269	46,801,061	51,327,269	46,801,061
Public Service Infrastructure	13,673,752	15,528,926	13,673,752	15,528,926
Development Phasing Line	138,499	153,353	138,499	153,353
Total Property Valuations	457,790,524	443,387,832	457,790,524	443,387,832

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.01190 (2016: R0.01115); Agriculture - R0.00300 (2016: R0.00279); Vacant Land - R0.05340 (2016: R0.04998); Industrial - R0.03490 (2016: R0.03262); Business and Commercial - R0.02700 (2016: R0.02528); Public Service Infrastructure - R 0.00300 (2016: R0.00279); Unauthorised/Illegal Development - R0.06000 (2016:R0.05574); Development Phasing line - R0.01760 (2016: R0.01649); Rural Residential R0.01190 (2016: R0.01043). In addition to the statutory reduction of R150 000, a further reduction of R105 000 was approved for property values exceeding R185 000. In addition to the R150 000, pensioners, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R4 035 (2016: R3 623). The Senior Citizens rebate is limited to a maximum limit of R3 million on the value of the property.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
28. Government grants and subsidies				
Equitable Share	2,319,380	2,115,453	2,319,380	2,115,453
Expanded Public Works Programme Incentive	49,478	40,618	49,478	40,618
European Union	3,355	1,000	3,355	1,000
Primary Health Care Provincial Subsidy	111,836	135,000	111,836	135,000
Department of Transport and Public Transport infrastructure	950,078	1,232,168	950,078	1,232,168
Department of Environmental Affairs	6,140	123	6,140	123
Vuna Awards	-	875	-	875
Municipal Human Settlements Capacity Grant	14,342	27,872	14,342	27,872
Demand Side Management	3,357	364	3,357	364
Urban Settlement Development Grant	1,885,685	1,838,336	1,885,685	1,838,336
Other Grants	26,460	49,501	26,460	49,501
Public Contributions	8,457	295	8,457	295
Neighbourhood Development Partnership	31,799	53,549	31,799	53,549
Department of Human Settlements	75,779	110,770	75,779	110,770
Grant Accreditation	35,417	13,563	35,417	13,563
Department of Co-Operative Government and Traditional Affairs	-	2,029	-	2,029
Department of Arts and Culture	40,248	35,010	40,248	35,010
Intergrated City Development Grant	50,256	46,781	50,256	46,781
Electricity Capital Grant	31,000	30,000	31,000	30,000
DBSA Grant	15,398	12,241	15,398	12,241
Infrastructure Skills Grant	26,034	24,739	26,034	24,739
	5,684,499	5,770,287	5,684,499	5,770,287

Equitable Share

Current-year receipts	2,319,380	2,115,453	2,319,380	2,115,453
Conditions met - transferred to revenue	(2,319,380)	(2,115,453)	(2,319,380)	(2,115,453)
	-	-	-	-

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

D Moss Interest and Land Sales

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

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

Department of Environmental Affairs

Balance unspent at beginning of year	7,838	7,962	7,838	7,962
Current-year receipts	6,640	-	6,640	-
Conditions met - transferred to revenue	(6,140)	(124)	(6,140)	(124)
	8,338	7,838	8,338	7,838

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

28. Government grants and subsidies (continued)

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

Department of Transport and Public Transport infrastructure

Balance unspent at beginning of year	-	422,175	-	422,175
Current-year receipts	950,078	1,232,168	950,078	1,232,168
Conditions met - transferred to revenue	(950,078)	(1,232,168)	(950,078)	(1,232,168)
Paid back	-	(422,175)	-	(422,175)
	-	-	-	-

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

Neighbourhood Partnership Development

Balance unspent at beginning of year	261	18,422	261	18,422
Current-year receipts	59,953	53,810	59,953	53,810
Conditions met - transferred to revenue	(31,799)	(53,549)	(31,799)	(53,549)
Paid back	(261)	(18,422)	(261)	(18,422)
	28,154	261	28,154	261

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

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

European Union

Balance unspent at beginning of year	5,433	6,433	5,433	6,433
Conditions met - transferred to revenue	(3,356)	(1,000)	(3,356)	(1,000)
	2,077	5,433	2,077	5,433

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

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

Other Grants and Subsidies

Balance unspent at beginning of year	16,668	40,230	16,668	40,230
Current-year receipts	25,490	25,938	25,490	25,938
Conditions met - transferred to revenue	(26,460)	(49,500)	(26,460)	(49,500)
	15,698	16,668	15,698	16,668

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

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
28. Government grants and subsidies (continued)				
Department of Human Settlements				
Balance unspent at beginning of year	141,047	116,482	141,047	116,482
Current-year receipts	1,000	75,142	1,000	75,142
Conditions met - transferred to revenue	(75,779)	(110,771)	(75,779)	(110,771)
Accrued receipts	17,467	58,638	17,467	58,638
Transferred from Lamontville R293	-	1,556	-	1,556
	83,735	141,047	83,735	141,047

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

Funding for the administration of Hostels in KwaZulu Natal.

The reasons for the underspending of funds are :

- * Delays in construction of Cornumbia Access Road
- * Funding for CRU upgrade project received late in the year.
- * Delays in Donnelly Road CRU upgrade.

Lamontville R293 Trf Deeds/ Administration

Balance unspent at beginning of year	-	1,556	-	1,556
Transferred to Human Settlements	-	(1,556)	-	(1,556)
	-	-	-	-

This grant was used to fund the maintenance of the Lamontville houses as well as the transfer of the R293 township houses to the beneficiaries.

Grant Accreditation

Balance unspent at beginning of year	19,077	13,884	19,077	13,884
Current-year receipts	28,269	18,756	28,269	18,756
Conditions met - transferred to revenue	(35,417)	(13,563)	(35,417)	(13,563)
	11,929	19,077	11,929	19,077

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

These funds are for the administrative support provided for RDP houses.

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	5,000	6,445	5,000	6,445
Current-year receipts	-	585	-	585
Conditions met - transferred to revenue	-	(2,030)	-	(2,030)
	5,000	5,000	5,000	5,000

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

Funds used for the construction of a Factory for Hazelmere Lungisa Indlela Village and to draft a land use management scheme for Shongweni Local Area Plan.

Donations and Public Contributions

Balance unspent at beginning of year	11,501	11,546	11,501	11,546
Current-year receipts	27,750	250	27,750	250

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
28. Government grants and subsidies (continued)				
Conditions met - transferred to revenue	(8,457)	(295)	(8,457)	(295)
	30,794	11,501	30,794	11,501

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

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

Department of Arts & Culture

Balance unspent at beginning of year	443,082	317,537	443,082	317,537
Current-year receipts	102,416	160,555	102,416	160,555
Conditions met - transferred to revenue	(40,248)	(35,010)	(40,248)	(35,010)
	505,250	443,082	505,250	443,082

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

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

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

Electricity Demand Side Management Grant

Balance unspent at beginning of year	8,636	3,194	8,636	3,194
Current-year receipts	-	9,000	-	9,000
Conditions met - transferred to revenue	(3,357)	(364)	(3,357)	(364)
Paid back	(4,319)	(3,194)	(4,319)	(3,194)
	960	8,636	960	8,636

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

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

Infrastructure Skills Grants

Current-year receipts	31,355	24,739	31,355	24,739
Conditions met - transferred to revenue	(26,034)	(24,739)	(26,034)	(24,739)
	5,321	-	5,321	-

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

28. Government grants and subsidies (continued)

Urban Settlements Development Grant

Current-year receipts	1,885,685	1,838,336	1,885,685	1,838,336
Conditions met - transferred to revenue	(1,885,685)	(1,838,336)	(1,885,685)	(1,838,336)
	-	-	-	-

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

Expanded Public Works Incentive Grant

Current-year receipts	49,478	40,618	49,478	40,618
Conditions met - transferred to revenue	(49,478)	(40,618)	(49,478)	(40,618)
	-	-	-	-

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

Vuna Awards

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

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

Primary Health Care Provincial Subsidy

Current-year receipts	111,836	135,000	111,836	135,000
Stock Medicine	51,689	-	51,689	-
Conditions met - transferred to revenue	(111,836)	(135,000)	(111,836)	(135,000)
	51,689	-	51,689	-

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

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

28. Government grants and subsidies (continued)

Public Transport Network Operations

Balance unspent at beginning of year	-	84,709	-	84,709
Paid back	-	(84,709)	-	(84,709)
	-	-	-	-

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

Intergrated City Development

Current-year receipts	50,256	46,781	50,256	46,781
Conditions met - transferred to revenue	(50,256)	(46,781)	(50,256)	(46,781)
	-	-	-	-

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

Municipal Human Settlements Capacity Grant

Balance unspent at beginning of year	26,450	39,980	26,450	39,980
Current-year receipts	-	14,342	-	14,342
Conditions met - transferred to revenue	(14,342)	(27,872)	(14,342)	(27,872)
Paid Back	(12,108)	-	(12,108)	-
	-	26,450	-	26,450

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

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

Department of Sports & Recreation

Balance unspent at beginning of year	10,525	525	10,525	525
Current-year receipts	-	10,000	-	10,000
	10,525	10,525	10,525	10,525

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

This grant is used for Durban Soccer Academy.

DPSSA - Aquaponics Projects

Current-year receipts	1,461	-	1,461	-
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Conditions still to be met - remain liabilities (see note 21).

To be used for Aquaponics projects by the Department of Public Service and Administration.

National Electrification Programme

Current-year receipts	31,000	30,000	31,000	30,000
Conditions met - transferred to revenue	(31,000)	(30,000)	(31,000)	(30,000)

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
28. Government grants and subsidies (continued)	-	-	-	-
<hr/>				
This grant is used for electrification programme of indigents.				
DBSA				
Balance unspent at beginning of year	19,686	20,852	19,686	20,852
Current-year receipts	94,696	11,075	94,696	11,075
Conditions met - transferred to revenue	(15,398)	(12,241)	(15,398)	(12,241)
	98,984	19,686	98,984	19,686

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

To be used for the various community reforestation projects and rehabilitation of the Palmiet River projects.

29. Levies

Fuel levy	2,185,002	2,103,316	2,185,002	2,103,316
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National Treasury shared revenue generated by the general fuel levy.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
30. Employee related costs				
Employee related costs - Salaries and Wages	5,077,914	4,809,842	4,939,674	4,688,819
Medical aid and Pension Benefits	1,774,735	1,883,596	1,774,735	1,883,596
UIF and Workmans Compensation	55,480	50,982	41,469	38,502
Contribution to Provisions (Leave Pay, Performance Bonus, Long Service Awards)	195,730	244,893	195,822	244,672
Travel, motor car, accommodation, subsistence and other allowances	368,705	370,071	368,705	370,071
Overtime payments	980,027	600,376	976,263	596,925
Housing benefits and allowances	41,718	39,388	41,718	39,388
Holiday Bonus (13th Cheque)	384,912	343,690	384,912	343,690
Other	25,509	89,373	25,509	89,319
Less: Employee costs relating to capitalisation and maintenance of PPE	(46,648)	(180,459)	(46,648)	(180,459)
	8,858,082	8,251,752	8,702,159	8,114,523

Remuneration of the Municipal Manager - Mr. S. Sithole (contract expired 31 December 2016)

Annual Remuneration	1,364	2,489	1,364	2,489
Car Allowance	103	166	103	166
Performance Bonuses	247	218	247	218
Contributions to UIF, Medical and Pension Funds	24	31	24	31
Other Allowances(Subsistence, Leave cashing, Backpay)	575	78	575	78
	2,313	2,982	2,313	2,982

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

Annual Remuneration	1,487	1,364	1,487	1,364
Car Allowance	515	473	515	473
Market Allowance	242	242	242	242
Contributions to UIF, Medical and Pension Funds	349	327	349	327
Cellphone Allowance	18	18	18	18
Performance Bonuses	133	136	133	136
Other Allowances(Subsistence, Leave cashing, Backpay)	144	237	144	237
	2,888	2,797	2,888	2,797

Chief Strategic Officer - Mr. A. Peters

Annual Remuneration	1,380	1,288	1,380	1,288
Car Allowance	475	443	475	443
Performance Bonuses	141	238	141	238
Contributions to UIF, Medical and Pension Funds	297	164	297	164
Cellphone Allowance	12	12	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	186	173	186	173
Market Allowance	524	462	524	462
	3,015	2,780	3,015	2,780

Health and Social Services - Dr. M. Gumede

Annual Remuneration	1,936	1,769	1,936	1,769
Car Allowance	120	120	120	120
Performance Bonuses	156	163	156	163

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
30. Employee related costs (continued)				
Contributions to UIF, Medical and Pension Funds	58	52	58	52
Cellphone Allowance	12	12	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	94	123	94	123
	2,376	2,239	2,376	2,239
Governance - Mr. S. O. Cele				
Annual Remuneration	1,487	1,364	1,487	1,364
Car Allowance	515	473	515	473
Performance Bonuses	123	97	123	97
Contributions to UIF, Medical and Pension Funds	339	322	339	322
Market Allowance	121	121	121	121
Cellphone Allowance	12	12	12	12
Other Allowances(Subsistence, Leave cashing, Backpay)	162	264	162	264
	2,759	2,653	2,759	2,653
Trading Services - Mr. Mashoko (appointed 1 August 2016)				
Annual Remuneration	1,957	-	1,957	-
Car Allowance	99	-	99	-
Market Allowance	223	-	223	-
Cellphone Allowance	11	-	11	-
Contributions to UIF, Medical and Pension Funds	474	-	474	-
Other Allowances (Subsistence, Leave cashing, Backpay)	234	-	234	-
	2,998	-	2,998	-
Head: City Integrity and Investigation - Mr. Ngcobo				
Annual Remuneration	1,002	912	1,002	912
Car Allowance	348	316	348	316
Performance Bonuses	93	133	93	133
Contributions to UIF, Medical and Pension Funds	246	142	246	142
Cellphone Allowance	9	9	9	9
Other Allowances (Subsistence, Leave cashing, Backpay)	161	115	161	115
	1,859	1,627	1,859	1,627
Corporate and Human Resources - Mrs. D. P. Nene				
Annual Remuneration	1,775	1,611	1,775	1,611
Car Allowance	108	108	108	108
Performance Bonuses	172	119	172	119
Contributions to UIF, Medical and Pension Funds	56	50	56	50
Other Allowances (Subsistence, Leave cashing, Backpay)	230	139	230	139
Cellphone Allowance	12	41	12	41
	2,353	2,068	2,353	2,068
Head: Information Management Unit/ Chief Information Officer - Mr. R. Dhlamini				
Annual Remuneration	1,014	946	1,014	946

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
30. Employee related costs (continued)				
Car Allowance	351	328	351	328
Performance Bonuses	92	127	92	127
Contributions to UIF, Medical and Pension Funds	245	234	245	234
Cellphone Allowance	9	9	9	9
Other Allowances (Subsistence, Leave cashing, Backpay)	131	124	131	124
	1,842	1,768	1,842	1,768

Remuneration of the Municipal Manager - Mr. S. Nzuzo (appointed 1 May 2017)

Annual Remuneration	456	-	456	-
Car Allowance	30	-	30	-
Contributions to UIF, Medical and Pension Funds	5	-	5	-
	491	-	491	-

Head: Internal Audit/Chief Audit Executive - Mr. P. Ntsimane

Annual Remuneration	1,018	937	1,018	937
Car Allowance	353	325	353	325
Performance Bonuses	107	202	107	202
Contributions to UIF, Medical and Pension Funds	241	231	241	231
Cellphone Allowance	9	9	9	9
Other Allowances (Subsistence, Leave cashing, Backpay)	240	170	240	170
	1,968	1,874	1,968	1,874

ICC Durban (Proprietary) Limited

Chief Executive Officer: L. Rakharebe	2,386	1,962		
Finance and Commercial Director: M. Rambally	1,669	1,339		
Sales and Marketing Director: M. Dorasamy	1,364	1,278		
Executive Chef: J. Moatshe	1,125	984		
Operations Director: N. Elia-Beissel (resigned 30/09/2016)	491	1,383		
Facilities Director: J. Hurter	1,416	1,320		
Human Resources Director: M. Mokaba (appointed 01/01/2017)	706	-		
Operations Director: M. Ngubane (appointed 09/05/2017)	168	-		
Non-executive Directors Fees	524	207		
	9,849	8,473		

Durban Marine Theme Park (State Owned Company) Limited

Chief Executive Officer: C.N. Khumalo	2,098	1,935		
Chief Financial Officer: J.H. Dlamuka	1,737	1,612		
Chief Operating Officer: P.N. Pillay	1,556	1,281		
Marketing Executive: B. Mthiyane (resigned 26/11/2015)	-	499		
Marketing Executive: N. Mthembu (appointed 15/12/2015)	1,043	492		
Retail Executive: G.A. Jacobson	1,054	979		
Food and Beverage Executive: M.A. Mokoena	1,003	790		
Human Resources Executive: P. Ncobeni (resigned 06/11/2015)	-	362		

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
30. Employee related costs (continued)				
Human Resources Executive: A. Ngubane (appointed 01/06/2016)	987	71	-	-
Non-executive Directors Fees	879	664	-	-
	10,357	8,685		

31. Remuneration of councillors

Mayor	1,278	1,261	1,278	1,261
Deputy Mayor	1,044	1,017	1,044	1,017
Mayoral Committee Members	7,511	8,656	7,511	8,656
Speaker	1,062	1,095	1,062	1,095
Councillors	99,174	92,890	99,174	92,890
Traditional Leaders	874	415	874	415
Total Councillors' Remuneration	110,943	105,334	110,943	105,334

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with bodyguards and are 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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
31. Remuneration of councillors (continued)				
Mayor (1)				
Remuneration Allowances	759	723	759	723
Travelling Allowance	170	311	170	311
Motor Vehicle Allowance	130	-	130	-
Cellphone Allowance	48	42	48	42
Medical Aid	58	73	58	73
Pension Fund	113	112	113	112
	1,278	1,261	1,278	1,261
Deputy Mayor (1)				
Remuneration Allowances	653	633	653	633
Travelling Allowance	11	251	11	251
Motor Vehicle Allowance	238	-	238	-
Cellphone Allowance	47	42	47	42
Medical Aid	5	22	5	22
Pension Fund	90	95	90	95
	1,044	1,043	1,044	1,043
Speaker (1)				
Remuneration Allowances	609	591	609	591
Travelling Allowance	52	301	52	301
Motor Vehicle Allowance	238	-	238	-
Cellphone Allowance	40	42	40	42
Medical Aid	37	72	37	72
Pension Fund	86	89	86	89
	1,062	1,095	1,062	1,095
Mayoral Committee Members (9)				
Remuneration Allowances	4,447	5,435	4,447	5,435
Travelling Allowance	582	2,119	582	2,119
Motor Vehicle Allowance	1,309	-	1,309	-
Cellphone Allowance	186	188	186	188
Medical Aid	342	205	342	205
Pension Fund	645	709	645	709
	7,511	8,656	7,511	8,656
Councillors (207)				
Remuneration Allowances	59,698	53,206	59,698	53,206
Constituency Allowances	-	3,996	-	3,996
Travelling Allowance	6,818	21,264	6,818	21,264
Motor Vehicle Allowance	16,570	-	16,570	-
Cellphone Allowance	4,679	3,975	4,679	3,975
Medical Aid	4,515	4,675	4,515	4,675
Pension Fund	6,894	5,775	6,894	5,775
	99,174	92,891	99,174	92,891
Traditional Leaders (13)				
Allowances	874	415	874	415

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
32. Finance costs				
Non-current borrowings	886,411	932,905	886,411	932,823
Consumer Deposits (refer to Note 19)	-	38,397	-	38,397
Trade and other payables	11,277	-	11,277	-
Other interest paid	271	(2,497)	271	556
	897,959	968,805	897,959	971,776

An amount of R5.1m (2016: R21.1m) relating to borrowing costs was capitalised to work-in-progress with 9% (2016: 9%) being the weighted average cost of funds borrowed generally by the municipality.

The accumulated borrowing costs that have been capitalised to work-in-progress at 30 June 2017 are R79.1m (30 June 2016: R74.0m).

As of 1 July 2016 (effective date) interest no longer accrues on consumer deposits (previously accrued at 3% p.a.). All interest that has accrued up to the effective date will be added to the deposit held. Refer to Note 19: Consumer Deposits for further details on the cessation of interest on consumer deposits.

33. Bulk purchases (cost of sales)

Electricity	8,299,873	7,735,741	8,299,873	7,735,741
Water	1,799,135	1,728,995	1,799,135	1,728,995
	10,099,008	9,464,736	10,099,008	9,464,736

34. Grants and subsidies paid

Grant Paid: Point Precinct Trust	2,173	2,276	2,173	2,276
Grant Paid: Enhanced Extended Discount Benefit	-	2,325	-	2,325
Grant Paid: Sporting Organisations	64,026	58,766	64,026	58,766
Grant Paid: South African Association of Marine Biology Research	66,615	62,424	66,615	62,424
Grant Paid: Playhouse Company	3,000	3,000	3,000	3,000
Grant Paid: Natal Philharmonic Orchestra	6,800	6,800	6,800	6,800
Grant Paid: Tourism Indaba	-	13,558	-	13,558
Grant Paid: SEDA eThekwini	4,773	4,546	4,773	4,546
Grant Paid: Food Aid Program	-	43,614	-	43,614
Grant Paid: Other	125,396	11,612	128,396	14,772
Grant Paid: The Loerie Awards	3,657	-	3,657	-
Grant Paid: KZN Sharks (Pty) Ltd	6,375	-	6,375	-
	282,815	208,921	285,815	212,081

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
35. General expenses				
Advertising	131,962	48,628	129,963	46,556
Auditors remuneration	24,735	19,170	22,846	17,309
Bank charges	9,379	7,312	7,600	5,705
Cleaning	30,222	20,398	21,938	18,747
Commission paid	80,037	30,513	79,844	30,410
Consulting and professional fees	166,612	54,070	162,802	51,337
Delivery expenses	2,099	3,729	2,099	3,729
Civic Entertainment	523	2,698	432	2,391
Hire of facilities, plant and equipment	106,898	51,868	106,898	51,868
Insurance	43,954	15,560	43,888	15,498
Community development and training	169,577	27,134	169,577	27,134
Conferences and seminars	23,698	8,692	23,698	8,692
IT expenses	1,361	37,311	766	36,514
Marketing	18,578	65,685	4,361	47,897
Levies	1,230	1,159	-	-
Magazines, books and periodicals	12,826	8,216	12,797	8,206
Medical requisites	5,661	21,291	5,661	21,291
Fuel and oil	236,354	215,010	236,316	214,971
Postage and courier	33,300	27,506	33,272	27,496
Printing and stationery	53,799	44,022	52,241	42,571
Promotions	42,447	77,842	42,447	77,842
Protective clothing	33,110	-	33,110	-
Project maintenance costs	23,077	60,092	23,077	60,092
Secretarial fees	45,121	73,692	41,061	70,497
Subscriptions and membership fees	19,974	19,527	19,581	19,158
Telephone and fax	48,832	61,312	47,507	60,105
Transport and freight	35,026	68,684	33,248	67,120
Training	87,568	108,459	87,489	108,359
Travel - local	29,871	29,766	29,364	29,324
Travel - overseas	5,846	-	5,846	-
Title deed search fees	823	722	823	722
Stock Adjustments	24,277	4,343	23,684	3,894
Sewerage and waste disposal	19,736	41,232	19,736	41,232
Refuse Bags	86,590	101,386	86,590	101,386
Recycling	255,755	11,978	255,755	11,978
Other Sponsorships and Subsidies	-	8,931	-	8,931
Urban Improvement Precincts	-	9,034	-	9,034
Small plant and tools	10,074	-	10,074	-
Contribution to the Provision for the Eradication of Alien Vegetation	25,969	21,085	25,969	21,085
Special Events	49,478	136,022	49,478	136,022
Other expenses	617,480	482,756	491,201	438,057
	2,613,859	2,026,835	2,443,039	1,943,160

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
36. Cash generated from operations				
Surplus	2,259,737	4,363,950	2,308,986	4,332,653
Adjustments for:				
Depreciation: PPE	1,968,361	1,881,855	1,900,746	1,810,178
Gain on disposal of PPE	-	(18,370)	-	(19,505)
Loss on Impairment: Investment Properties	2,537	3,570	2,537	3,570
Depreciation: Investment Properties	3,837	4,277	1,432	1,861
Share of Income from Joint Venture	-	-	(24,767)	(5,013)
Impairment Loss: Intangible assets	576	-	576	-
Amortisation: Intangible assets	197,619	73,953	196,589	72,576
Contribution to provisions	51,989	92,076	52,169	91,818
Impairment deficit	5,528	16,038	5,528	16,038
Debt impairment	2,059,099	1,329,580	2,058,859	1,329,846
Reversal of Impairment	-	(5,725)	-	(5,725)
Movements in retirement benefit assets and liabilities	267,710	529,644	267,710	529,644
Reversal of Loss on impairment of investment in Municipal entity	-	-	-	(2,750)
Donations received: PPE	(9,362)	(1,160)	(9,362)	(1,160)
Deferred Income	5,006	178	-	-
Loss on impairment: Municipal Entity	-	-	-	75,876
Changes in working capital:				
Inventories	(93,941)	3,610	(107,006)	7,607
Receivables from exchange transactions	298,531	(851,573)	315,686	(856,952)
Consumer debtors	(1,996,943)	(439,184)	(2,003,873)	(444,736)
Other receivables from non-exchange transactions	(321,525)	(559,970)	(321,525)	(559,970)
Payables from exchange transactions	316,165	759,380	315,090	749,837
VAT	(271,459)	(19,377)	(272,625)	(13,933)
Unspent conditional grants and receipts	144,711	(376,751)	144,711	(376,751)
Consumer deposits	223,512	238,074	240,671	215,997
	5,111,688	7,024,075	5,072,132	6,951,006
37. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION				
Long-term liabilities	8,835,985	9,236,359	8,835,985	9,236,359
Used to finance property, plant and equipment – at cost	(8,307,899)	(9,236,359)	(8,307,899)	(9,236,359)
	528,086	-	528,086	-

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
38. Commitments				
Commitments in respect of capital expenditure				
Approved and contracted for				
• Infrastructure	2,363,528	2,539,263	2,363,528	2,539,263
• Community	58,997	57,791	58,997	57,791
• Land and Buildings	274,840	204,795	274,840	204,795
• Other	816,126	1,263,671	800,046	1,261,877
	3,513,491	4,065,520	3,497,411	4,063,726
Approved but not yet contracted for				
• Infrastructure	480,957	147,377	480,957	147,377
• Community	-	10,863	-	10,863
• Land and Buildings	53,413	25,432	53,413	25,432
• Other	14,336	-	14,336	-
	548,706	183,672	548,706	183,672
Total capital commitments				
Approved and contracted for	3,513,491	4,034,042	3,497,411	4,032,248
Approved but not yet contracted for	548,706	183,672	548,706	183,672
	4,062,197	4,217,714	4,046,117	4,215,920

Included in the Other Capital Commitments figure for Housing is Housing Agency commitments amounting to R 711.7m (2016: R1.1billion).

Operating leases - as lessor (income)

Minimum lease payments due

	-	-	-	-
- within one year	19,698	23,811	-	-
- in second to fifth year inclusive	25,521	39,369	-	-
	45,219	63,180	-	-

Durban Marine Theme Park Pty (Ltd): The operating leases relate to rental contracts derived from Ushaka Village Walk. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 30 June 2020. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being approximately 6%.

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

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;

Approximately 45% of long term lease income is based on turnover ie. subjective and not fixed.

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

Operating leases - as lessee (expenditure)

Minimum lease payments due

- within one year	70,878	65,554	70,878	65,403
- in second to fifth year inclusive	105,642	70,319	105,642	70,118
- later than five years	2,592	101,001	2,592	101,001
	179,112	236,874	179,112	236,522

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
38. Commitments (continued)				
Operating Commitments				
Commitments payable				
- within one year	1,451,491	1,186,748	1,442,359	1,163,831
- within two to three years	1,172,428	1,219,782	1,165,156	1,219,171
- later than three years	41,985	28,931	41,477	28,931
	2,665,904	2,435,461	2,648,992	2,411,933

Included above is Operating Commitments for Security Management which is approximated at R148m for the contracted 3 month period. The three year budget forecasts for Security Management costs is R592.2m, R647.5m and R702.1m respectively. The security contract was approved in July 2017 and the letter of appointments are being finalised.

All commitments are stated exclusive of VAT.

39. Contingencies

Contracted Disputes	637,930	793,500	637,930	793,500
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Various departments within the municipality have price disputes with certain contractors.

Self Insurance Reserve	350,365	295,692	350,365	295,692
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Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	2,664	235,603	2,664	235,603
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	65,410	68,469	65,410	68,469
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These guarantee's are issued in favour of the following:

- S.A. Post Office: R76 000 (Nedbank Bank) dated 08 May 2017;
- S.A. Post Office: R1.900m (Nedbank Bank) dated 08 May 2017;
- Compensation Commissioner: R62.885m (NedBank) dated 25 February 2016;

- ICC: R450 000 (Standard Bank) dated 28 September 1999

- ICC: R98 611 (Standard Bank) dated 26 November 1999

Legal Claims-Variou	141,795	218,948	141,795	218,948
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Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016

39. Contingencies (continued)

Legal disputes relate to:

- Rates dispute: R1.5m;
- Value of compensation in respect of expropriation of various properties R91.5m
- Claims for damages - various: R48.7m

Claims-Bus Operator	632,476	-	632,476	-
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Bus Operator: There is currently a dispute with respect to the amount owing by the bus Operator, which is R160million disclosed in Other Receivables. The bus Operator has submitted a claim to the municipality which amounts to R632.5 million. Meetings to resolve the dispute are still ongoing.

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	-	-		

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
40. Related parties				
Relationships Municipal entities (refer to note 15)				
			Durban Marine Theme Park SOC Limited ICC Durban (Pty)Ltd EtheKwini Transport Authority	
Joint ventures (refer to note 16)			Effingham Development Joint Venture Durban Point Development Company	
Related party balances				
Loan accounts - Owing by related parties				
Durban Point Development Company (Pty) Limited			164,256	175,052
Amounts included in Trade Receivable regarding related parties				
I.C.C. Durban (Proprietary) Limited			3,154	3,814
Durban Marine Theme Park SOC Limited			16,853	14,860
			20,007	18,674
Amounts included in Trade Payable regarding related parties				
I.C.C. Durban (Proprietary) Limited			7,110	14,476
Durban Point Development Company (Pty) Ltd			3,396	2,759
Durban Marine Theme Park SOC Limited			4,167	123
EtheKwini Transport Authority			44,618	48,417
			59,291	65,775
Consumer Deposits paid				
I.C.C. Durban (Proprietary) Limited			1,597	1,597
Related party transactions				
Sales to related parties				
I.C.C. Durban (Proprietary) Limited:				
Electricity			11,287	10,685
Water			1,567	1,535
Refuse			900	940
Rates			6,064	5,687
Insurance			39	1
Other			27	505
Durban Marine Theme Park SOC Limited				
Electricity			22,118	20,904
Water			9,214	8,193
Waste			1,153	1,082
Insurance			772	494
Rates			4,160	3,851
Effingham Development Joint Venture				
Electricity and Water			9	12
Income from Joint Venture			24,767	7,763
Rates			303	999
Durban Point Development Company (Pty) Limited				
Rates			3,337	-
Electricity and Water			15	-
Purchases from related parties				
I.C.C. Durban (Proprietary) Limited:				
General Expenses			42,204	45,043
Durban Marine Theme Park SOC Limited				

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2017	2016	2017	2016
40. Related parties (continued)				
General Expenses			8,344	5,453
EtheKweni Transport Authority				
General Expenses			3,106	3,063
Other			3,000	3,160
41. Prior year adjustments				
The following adjustments all relate to corrections of prior-year misstatements.				
Consumer Debtors				
Balance previously reported	-	2,767,695	-	2,772,513
Reversal of DPDC Rates impairment of DPDC	-	16,172	-	16,172
Loan - prior to 2015/16				
Rates adjustments - prior to 2015/16	-	45,871	-	45,871
Rates adjustments - 2015/16	-	23,721	-	23,721
	-	2,853,459	-	2,858,277
Payables from exchange transactions				
Balance previously reported	-	6,151,173	-	6,095,244
Re-classification of Staff Leave accrual to current Provisions	-	(461,580)	-	(461,580)
Accruals adjustments - prior to 2015/16	-	14,847	-	14,847
Accruals adjustments - 2015/16	-	20,918	-	20,918
Other payables adjustments - prior to 2015/16	-	(18,498)	-	(18,498)
PPE Land sales adjustments - prior to 2015/16	-	(5,052)	-	(5,052)
PPE Land sales adjustments - 2015/16	-	(12,570)	-	(12,570)
Re-classification of Other Deposits to Consumer Deposits - 2015-16	-	(5,235)	-	(5,235)
Reallocation of balances after ledger migration	-	(9,851)	-	(9,851)
	-	5,674,152	-	5,618,223
Property, Plant and Equipment				
Balance previously reported	-	43,804,248	-	42,851,471
Disposals relating to Land sales adjustments	-	(5)	-	(5)
Transfer from Receivables from exchange transactions: Housing work-in-progress - 2015/16	-	4,671	-	4,671
Capitalisation of assets received but not accrued for - 2015/16	-	104	-	104
Reallocation of balances after ledger migration	-	(12,812)	-	(12,812)
Intangible assets transfers	-	(129,765)	-	(129,765)
Heritage Assets: Transfer of assets	-	(129)	-	(129)
Accumulated Depreciation adjustments - prior to 2015/16	-	662	-	662
Accumulated Depreciation adjustments - 2015/16	-	(3,388)	-	(3,388)
Accumulated Impairment adjustments - 2015/16	-	(3,891)	-	(3,891)
	-	43,659,695	-	42,706,918
Current Provisions				
Balance previously reported	-	102,374	-	95,631
Re-classification of Staff Leave accrual from Payables from exchange transactions	-	461,580	-	461,580
	-	563,954	-	557,211

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

41. Prior year adjustments (continued)

Investment Property

Balance previously reported	-	305,276	-	242,618
Derecognition of properties - 2015/16	-	(3,326)	-	(3,326)
	-	301,950	-	239,292

Intangible Assets

Balance previously reported	-	898,195	-	895,750
Payables from exchange transactions: RMS accrual adjustment - 2015/16	-	546	-	546
PPE transfers	-	129,765	-	129,765
Amortisation adjustment - prior to 2015/16	-	(2,667)	-	(2,667)
	-	1,025,839	-	1,023,394

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

41. Prior year adjustments (continued)

Accumulated Surplus

Balance previously reported	-	36,576,937	-	36,153,267
Receivables from Non-exchange transactions: Traffic fines adjustment - prior to 2015/16	-	(68,566)	-	(68,566)
Payables from exchange transactions: Accruals adjustments - prior to 2015/16	-	(14,847)	-	(14,847)
Payables from exchange transactions: Accruals adjustments - 2015/16	-	(20,254)	-	(20,254)
Payables from exchange transactions: Other payables adjustments - prior to 2015/16	-	23,544	-	23,544
Payables from exchange transactions: Other payables adjustments - 2015/16	-	12,570	-	12,570
Unspent conditional grants and receipts: Adjustment of Grants spent but not recognised - prior to 2015/16	-	42,866	-	42,866
Receivables from exchange transactions: Other Debtors adjustments - prior to 2015/16	-	(11,236)	-	(11,236)
Receivables from exchange transactions: Other Debtors adjustments - 2015/16	-	(2,907)	-	(2,907)
Consumer Debtors: Reversal of DPDC Rates impairment of DPDC Loan - prior to 2015/16	-	16,172	-	16,172
VAT: Apportionment adjustment - 2015/16	-	(193)	-	(193)
Receivables from exchange transactions: Accrual of VAT apportionment - 2015/16	-	19,070	-	19,070
Investment Property: Derecognition of properties - 2015/16	-	(3,325)	-	(3,325)
Consumer Deposits: Write-back of Valuation appeals deposits - prior to 2015/16	-	874	-	874
Payables from Exchange transactions: Reallocation of balances after ledger migration	-	9,851	-	9,851
Receivables from Exchange transactions: Reallocation of balances after ledger migration	-	4,712	-	4,712
PPE: Reallocation of balances after ledger migration	-	(12,812)	-	(12,812)
Intangible Assets: Amortisation adjustment - prior to 2015/16	-	(2,667)	-	(2,667)
Consumer Debtors: Rates adjustments - prior to 2015/16	-	45,870	-	45,870
Consumer Debtors: Rates adjustments - 2015/16	-	23,721	-	23,721
PPE: Accumulated Depreciation adjustments - prior to 2015/16	-	662	-	662
PPE: Accumulated Depreciation adjustments - 2015/16	-	(3,388)	-	(3,388)
PPE: Accumulated Impairment adjustments - 2015/16	-	(3,891)	-	(3,891)
Receivables from Non-exchange transactions: Traffic fines adjustment revenue- 2015/16	-	24,470	-	24,470
Receivables from Non-exchange transactions: Traffic fines adjustment impairment- 2015/16	-	61,684	-	61,684
	-	36,718,917	-	36,295,247

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

41. Prior year adjustments (continued)

Long-term receivables

Balance previously reported	-	41,817	-	41,817
Reversal of DPDC Rates impairment of DPDC Loan (Debt portion) - prior to 2015/16	-	(16,172)	-	(16,172)
Reversal of DPDC Rates impairment of DPDC Loan (Impairment portion) - prior to 2015/16	-	16,172	-	16,172
	-	41,817	-	41,817

Unspent conditional grants and receipts

Balance previously reported	-	749,320	-	749,320
Adjustment of Grants spent but not recognised - prior to 2015/16	-	(42,866)	-	(42,866)
Receivables from exchange transactions: Recognition of grant receivable - prior to 2015/16	-	16,823	-	16,823
	-	723,277	-	723,277

Receivables from exchange transactions

Balance previously reported	-	3,462,295	-	3,437,855
Unspent conditional grants and receipts: Recognition of grant receivable - prior to 2015/16	-	16,823	-	16,823
Other Debtors adjustment - prior to 2015/16	-	(11,236)	-	(11,236)
Other Debtors adjustment - 2015/16	-	(2,907)	-	(2,907)
Accrual of VAT Debtor for DMTP - 2015/16	-	9,462	-	9,462
VAT: Accrual of apportionment - 2015/16	-	19,070	-	19,070
Transfer to PPE: Housing work-in-progress - 2015/16	-	(4,671)	-	(4,671)
Reallocation of balances after ledger migration	-	4,712	-	4,712
	-	3,493,548	-	3,469,108

VAT payable

Balance previously reported	-	49,962	-	58,741
Apportionment adjustment - 2015/16	-	194	-	194
Receivables from exchange transactions: Accrual of VAT Debtor for DMTP - 2015/16	-	9,462	-	9,462
VAT element of assets received but not accrued for - 2015/16	-	(14)	-	(14)
	-	59,604	-	68,383

Receivables from Non-exchange transactions

Balance previously reported	-	237,341	-	237,341
Traffic fines adjustment - prior to 2015/16	-	(68,566)	-	(68,566)
Traffic fines adjustment - 2015/16	-	86,154	-	86,154
	-	254,929	-	254,929

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

41. Prior year adjustments (continued)

Consumer Deposits

Balance previously reported	-	1,945,529	-	1,903,820
Re-classification of Other Deposits from Payables from exchange transactions - 2015/16	-	5,235	-	5,235
Write-back of Valuation appeals deposits - prior to 2015/16	-	(874)	-	(874)
	-	<u>1,949,890</u>	-	<u>1,908,181</u>

Heritage Assets

Balance previously reported	-	24,267	-	24,267
PPE: Transfer of assets	-	<u>129</u>	-	<u>129</u>
	-	<u>24,396</u>	-	<u>24,396</u>

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

41. Prior year adjustments (continued)

The reasons for the various adjustments are summarised below:

Consumer Debtors:

Reversal of DPDC Rates impairment of DPDC Loan.
Rates adjustments.

Payables from exchange transactions:

Re-classification: Transfer of Staff Leave accrual to current provisions in accordance with the requirements of MSCOA.

Accrual of Durban Transport Fare increase compensation.

Accrual of External Security backpay costs.

Write-off of Nirvana Hills Housing payables.

Accrual of RMS work-in-progress.

Accrual of Essence Festival expenses.

Write-back of GRV amounts.

Land Sale adjustments.

Write-back of Valuation Appeals.

Accrual for capitalisation of assets received in 2015/16 but not accrued for.

Re-classification: Transfer of Other Deposits to Consumer Deposits.

Accrual adjustment corrections to migrated balances.

Property, Plant and Equipment:

Disposals relating to Land sales adjustments.

Transfer of Housing work-in-progress from DOHS Debtors.

Capitalisation of assets received in 2015/16 but not accrued for.

Reallocation of balances after migration.

Transfer of WIP to Intangibles.

Transfer of assets to Heritage assets.

Depreciation adjustments due to changes in useful lives.

Impairment adjustments.

Unspent Conditional Grants and receipts:

Adjustment of grants spent but not recognised.

Heritage Assets:

Transfer of assets from PPE.

Consumer Deposits:

Re-classification: Transfer of Other Deposits from Payables from exchange transactions.

VAT:

Accrual of VAT apportionment and VAT Debtor for DMTP.

VAT element of PPE items received in 2015/16 but not accrued for.

Long-term Receivables:

Reversal of DPDC Rates impairment of DPDC Loan.

Receivables from Non-exchange transactions:

Re-calculation of the method used in determining the value of traffic fines to be recovered.

Current Provisions:

Re-classification: Transfer of Staff Leave accrual from Payables from exchange transactions.

Receivables from exchange transactions:

Recognition of Grant receivable.

Write-back of Insurance Debtors.

Transfer of Housing work-in-progress to PPE.

Reallocation of balances after migration.

Adjustment of legal expenses recognised as receivables.

Accrual of VAT apportionment and VAT Debtor for DMTP.

Intangible Assets:

Accrual of RMS work-in-progress.

Transfer of WIP from PPE.

Investment Property:

Derecognition of properties no longer owned by the Municipality.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	12,550	11,925	12,550	11,925
Amount paid - current year	(12,550)	(11,925)	(12,550)	(11,925)
	-	-	-	-

Audit fees

Opening balance	909	-	1,036	-
Previous year fees	16,152	12,607	15,267	11,800
Current year fees	4,328	7,198	2,612	5,469
Amount paid - current year	(3,360)	(6,261)	(1,533)	(4,433)
Amount paid - previous years	(17,207)	(12,635)	(16,303)	(11,800)
	822	909	1,079	1,036

PAYE and UIF

Current year payroll deductions	1,248,078	1,064,359	1,230,314	1,049,366
Amount paid - current year	(1,248,078)	(1,064,359)	(1,230,314)	(1,049,366)
	-	-	-	-

Pension and Medical Aid Deductions

Current year expenditure	2,014,840	1,865,928	2,002,002	1,854,626
Amount paid - current year : Defined Benefit Pension Fund	(211,629)	(213,394)	(211,629)	(213,394)
Amount paid - current year : Defined Contribution Pension Fund	(1,039,594)	(973,076)	(1,035,266)	(969,142)
Amount paid - current year : Medical Aid	(763,617)	(679,458)	(755,107)	(672,090)
	-	-	-	-

VAT

VAT received for the year	232,909	28,494	216,049	373,225
VAT paid	(143,309)	(88,098)	(123,642)	(51,625)
	89,600	(59,604)	92,407	321,600

VAT output payables and VAT input receivables are shown in note 6.

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during the financial year ended June 30, 2017:

June 30, 2017	Amount outstanding (Rands)	Month
Councillor A. Ramkissoo	2,763	Jun-17
Councillor B. Majola	1,372	Jun-17
Councillor B. Mngwengwe	190	May-17
Councillor B. Mpanza	100	Sep-16
Councillor B. Mthimude	100	Sep-16
Councillor B. Ntshangase	822	Feb-17
Councillor BO. Zondo	2,956	Jul-16
Councillor BP. Ndlela	825	Sep-16
Councillor CN. Beata	20	Jul-16
Councillor C. Dlamini	1,403	Jun-17
Councillor E. Mngadi	2,036	Jun-17
Councillor G. Govender	292	Feb-17
Councillor GDA. Pullan	165	Sep-16
Councillor H. Khubisa	100	Sep-16
Councillor HE. Dube	3,284	Jul-16
Councillor LM. Meyer	1,317	Jun-17
Councillor LN. Mngwengwe	219	Jun-17
Councillor M. Sibiya	77	Jul-16
Councillor MJ. Ntshangase	760	Jul-16
Councillor MB. Mjadu	2,569	Sep-16
Councillor MBR. Zuma	72,446	Mar-17
Councillor M. Mthembu	72	Apr-17
Councillor MH. Khan	1,206	Sep-16
Councillor MH. Zwane	5	Jun-17
Councillor M. Bhengu	118	Jul-16
Councillor MM. Ngiba	153	Sep-16
Councillor MP. Dlomo	1,412	Sep-16
Councillor MS. Mhlongo	9,481	Jun-17
Councillor N. Rampersad	2,068	Jun-17
Councillor NE. Mnguni	316	Apr-17
Councillor N. Nyanisa	1,725	Jun-17
Councillor NP. Ngwane	14,572	Jun-17
Councillor O. Ngcobo	25	Jul-16
Councillor PM. Sibiya	25	Jul-16
Councillor PN. Sikhosane	100	Sep-16
Councillor R. Gokool	1,152	May-17
Councillor S. Bhanprakash	5,343	Mar-17
Councillor S. Brijmohan	2,533	Sep-16
Councillor S. Moonsamy	3,472	Oct-16
Councillor SE. Mhlongo	2,700	May-17
Councillor SG. Dlamini	115	Nov-16
Councillor S. Gumede	4,890	Sep-16
Councillor SN. Khwela	2,994	Oct-16
Councillor S. Buthelezi	906	Apr-17
Councillor TM. Mthethwa	118	Dec-16
Councillor TT. Nzuzza	15,477	Sep-16
Councillor Y. Govender	1,468	Oct-16
Councillor ZM. Mncwango	2,180	Jun-17
Councillor ZRT. Gumede (Water leak and outstanding Insurance Claim)	14,506	Sep-16

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

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

Councillor Biyela	162	Apr-17
Councillor Mkhize	291	Apr-17
Councillor Khuzwayo	2,398	Jun-17
Councillor Madiba	105	Jun-17
	185,904	

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

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

Councillor V. Gebashe	12	Oct-15
Councillor Z. Gumede	1,454	Jun-16
Councillor Z. Ndzoyiya	39	Sep-15
Councillor Z. Ngcece	91	Sep-15
	22,817	

43. Comparative figures

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

44. Deviation from supply chain management regulations

Municipality: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R767.1million (2016: R947.9million).

Details of the awards are summarised in the tables below:

Durban Marine Theme Park: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R70 033 (2016: R687 186)

ICC (Proprietary) Limited: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R1.2 million (2016: R6.9 million).

Group - 2017 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	12	10.91	7,802	1.02
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	29	26.36	25,191	3.28
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	4	3.64	447	0.06
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	62	56.36	732,535	95.33
Minor deviation from the standard process	36(1)(b)	3	2.73	2,385	0.31
		110		768,360	

Group - 2016 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	272	43.52	39,236	4.11
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	147	23.52	173,997	18.21
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	206	32.96	742,369	77.68
		625		955,602	

Municipality - 2017 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	4	5.56 %	7,410	0.96 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	8	11.11 %	24,611	3.21 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	4	5.56 %	447	0.06 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	54	75.00 %	732,291	95.46 %
Minor deviation from the standard process	36(1)(b)	2	2.77 %	2,352	0.31 %
		72		767,111	

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

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

Municipality - 2016 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	257	62.84 %	38,723	4.09 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	27	6.60 %	169,608	17.89 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	125	30.56 %	739,613	78.02 %
		409		947,944	

During the year there were contracts that were awarded for more than R2 000 to persons who is a spouse, child or parent of a person in service of the Municipality. Refer to note 56 for further details.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

45. Material losses

Water:

The Water Design and Non-Revenue Water (NRW) Branch is responsible for monitoring the NRW situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of capital programmes to reduce losses on a wide scale. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses) by June 2023.

The success of the NRW programme has been hampered by the drought as some areas have been forced to be on daily intermittent supply which damages the infrastructure, and increases the leaks, bursts and cause damage to meters. Consumers were instructed to reduce demand between 15% and 50%.

The key results for the 2016/17 financial year are:

Bulk water System Input Volume decreased by 6.1% as compared to 2015/16 FY from an average of 892.7 Ml/day to 837.9 Ml/day; Consumer sales were an average of 529.7 Ml/day in the 2015/16 FY as compared to the 541.23 Ml/day reported on the new RMS. This indicated a 2.2% increase on the Sales figures even though drought conditions predominantly prevailed; NRW by Volume has therefore improved by 5.2% from 40.7% in June 2016 to 35.5%.

Water losses of 108 825 996kl (2015/2016: 132 507 263 kl) occurred during the twelve months under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R645.9m (2015/2016: R710.9m) were mainly due to illegal connections and deteriorating aging infrastructure. In terms of MFMA circular 71 the norm for water losses is between 15% and 30%.

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

1. During the period 30 Pressure Reducing Valves were installed and 40 installations were designed.
2. There were 112 installation of meters in Informal settlements, including meters at Community Ablution Blocks (CAB).
3. In terms of the programme for meter replacement for Industrial, Commercial and Institutional consumers, a total of 425 meter replacements has been achieved.
4. There were 199 meters installed at previously unmetered Housing Projects.
5. During the period 2574 existing Pressure Reducing Valves were serviced and maintained

The Unit has been involved with the detailed and high level development of new strategies that consisted of realigning the Units strategic direction to incorporate a Water Conservation and Water Demand Management Plan (WC/WDM). The plan includes input from all relevant key departments within the Unit and their individual roles and responsibilities including strategic initiatives to be executed to achieve Water Conservation and Water Demand Management targets set in the plan.

Electricity:

Estimated Electricity losses 844 488 772 kWh (2016: 1 197 963 034 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated kWh losses amounted to R 632m (2016: R 828m). The national norm for electricity losses ranges from 5.0% to 12%. The loss incurred by the municipality is 7.58 % (2016: 10.71%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

Note: The kWh sales for Residential and Business customers has been based on the daily averages (RDA) as opposed to the actual meter reading per cycle. This adjustment was implemented to mitigate carrying over sales figures from the previous year, as there has been a migration to a new billing system in June 2016 and the meter reading upload cycles were affected.

Bad Debts written off:

Debt of R905.5m (2016: R133.3m) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, services, housing and sundry debts. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on debt that can still be recovered.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

46. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Cases reported during the 2016/17 year are included below:

Irregular expenditure arising through finalised investigations	32,666	-	32,666	-
Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, 3 quotations not being obtained and adverts not being adequately advertised.	1,400	91,761	1,400	91,761
Non-compliance with MFMA - Section 116(3)	38,623	3,471	38,623	3,471
Non-compliance with MFMA - Section 116(1)	5,315	75,945	5,315	75,945
Non-compliance with MFMA - Section 116(2)	2,614	46	2,614	46
Non-compliance with MFMA - Section 15(b)	78	4,763	78	4,763
Non-compliance with MFMA - Section 112	5,444	223	5,444	223
Non-compliance with MFMA - Section 110	148	169	148	169
Non-compliance with MFMA - Section 36	-	24,469	-	24,469
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality	851	254	851	254
Awards made to entities whose directors / members / principal shareholders / stakeholders were close family members of persons in the service of eThekwini municipality	-	2,486	-	2,486
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	1,896	1,491	1,896	1,491
Non-compliance with S.C.M - Supplier declarations not received	10,753	171	10,753	171
Non-compliance with S.C.M - Splitting of tenders	775	869	775	869
Non-compliance with S.C.M - No valid tax clearance certificate submitted	-	2,200	-	2,200
I.C.C. Durban (Pty) Ltd. - Fruitless and Wasteful Expenditure: Interest on late payment of utility bills	-	9	-	-
Durban Marine Theme Park SOC Limited - Non-compliance with S.C.M. - various	-	60,150	-	-

Investigations are still in progress regarding 445 cases. 138 cases were completed during the 2016/2017 financial year.

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	215,198	132,956	154,874	132,791
Irregular expenditure current year	71,228	217,832	71,228	157,682
Fruitless and Wasteful expenditure current year	-	9	-	-
Prior year irregular expenditure arising through finalised investigations / non-compliance Certified as irrecoverable by Council	29,336	50,636	29,336	50,636
	(67,878)	(186,235)	(67,878)	(186,235)
Irregular expenditure awaiting condonement	247,884	215,198	187,560	154,874

There is a possible Fruitless and Wasteful expenditure item amounting to an estimated R1million that is currently under investigation. A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers.

The amounts above are inclusive of VAT.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

47. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2017	June 30, 2017	June 30, 2016	June 30, 2016
1107821231 Nedbank -Main Expenditure	118,358	(730,386)	104,322	(738,818)
1107821010 - Nedbank - Main Expenditure EFT	(4,633)	(2,276,559)	(1,011)	(1,479,871)
1107821061 - Nedbank - Direct Deposit Account	13,049	245,788	7,402	32,847
050134116 - Standard Bank - Electronic Deposits Account	-	-	-	21,507
1107821126 - Nedbank - Electronic Deposit Account	70,943	1,195,782	74,486	136,292
1107821134 - Nedbank - Cashiers Deposit Account	(89,575)	8,317	(14,244)	232,432
1107821002 - Nedbank - Government Deposit Account	4,893	105,152	26,909	27,017
050134655 - Standard Bank - Electricity Income Account	-	-	-	142
1107821398 - Nedbank - Electricity Income Account	583	5,516	3,018	7,700
1107821401 - Nedbank - Electricity Prepaid Vendor Deposits	96,030	202,006	95,191	96,360
1107821304 - Nedbank - SARS E-Filing Account	421	10,573	14,355	14,354
1107821282 - Nedbank - Dishonoured Cheques Account	(176)	(176)	(86)	(258)
050073117 - Standard Bank - Main Expenditure Bank	-	-	-	(4,193)
1107821088 - Nedbank - Direct Debit Collections Account	69,901	77,136	7,496	6,906
1107821096 - Nedbank - Transwitch Deposit Account	-	52,619	-	5,435
050134094 - Standard Bank - Agents Deposit Account	-	-	-	806
1107821118 - Nedbank - Agents Deposit Account	10,483	118,049	23,851	60,343
1107821169 - Nedbank - Metro Police Deposit Account	-	5,128	-	5,894
1107821150 - Nedbank - Metro Police Transwitch Deposit Account	-	2,791	-	564
1107821177 - Nedbank - Parks, Recreation and Culture Deposit Acc.	11	3,819	1,215	2,745
1107821185 - Nedbank - City Engineers Account	15,533	16,802	1,357	12,741
1107821193 - Nedbank - Durban Tourism Deposit Account	-	78	-	78
1107821347 - Nedbank - Central Foreign Rand Account	-	(5,556)	-	(6)
1107821207 - Nedbank - Virginia Airport Account	-	245	-	403
1107821215 - Nedbank - Department of Housing Account	-	6,991	-	162,726
1107821290 - Nedbank - Wages Sundry PAYE Account	310	309	376	376
1107821312 - Nedbank - Cash Payments Account	-	(2,554)	1	(887)
1107821266 - Nedbank - Refunds Expenditure Account	25	5,862	-	1,805
1107821436 - Nedbank - Electricity Expenditure Account	-	-	(747)	(747)
1107821037 - Nedbank - Electricity EFT	-	-	(807,737)	(807,740)
1107821029 - Nedbank - Salaries Account	434	(485,255)	75,798	(443,966)
1107821371 - Nedbank - Durban Fresh Produce Market Account	23,767	23,742	22,397	22,369

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

47. Bank balances (continued)

1107821339 - Nedbank - CIFAL Durban Account	-	2	-	239
1107821320 - Nedbank - General Bank Account	(267,017)	1,261,811	436,556	2,670,970
1107821487 - Nedbank - E- Ticketing Account	(457)	2,374	911	3,110
050134434 - Standard Bank - Bank Charges Account	-	-	-	(3)
1107821274 - Nedbank - Bank Charges Account	314	(641)	-	(467)
1107821223 - Nedbank - Moses Mabihda Stadium Deposit Account	-	7,725	61	4,979
1107821460 - Nedbank - Pay at Deposit Account	(7,698)	197,426	(6,181)	13,198
1107821444 - Nedbank - Consolidated Investment Fund	158	158	9	8
1107821452 Nedbank - Consolidated Investment Fund (EFT)	-	(1)	-	(1)
1107821479 - Nedbank - Syntell Deposit Account	4	81	(4)	97
1107821509 - Nedbank - Reforestation Project Account	10,253	25,515	23,841	31,799
1107821517 - Nedbank - Moses Mabihda Expenditure Account	1,546	(12,872)	2	(9,736)

Totals: ETHEKWINI MUNICIPALITY

Bank balances	437,016	3,581,797	919,553	3,576,242
	(369,556)	(3,514,000)	(830,009)	(3,486,693)

The following accounts had nil balances at year end:

1107821053 - Nedbank - Durban Fresh Produce Market EFT; 1107821495 - Nedbank - Auctions Account; 1107821525 - Nedbank - Rates Clearance; 050073117 - Standard Bank - Main Expenditure Bank.

The Municipality operates on a Cash Management set-off agreement with Nedbank. This means that although the individual expenditure accounts would run in overdraft on a daily basis (due to ongoing payments to suppliers, employees, refunds etc.), the overall cash flow position is based on the daily net balance of all the bank accounts. This profile with the bank is called "notional pooling" which enables the bank to aggregate the daily balances of all the bank accounts (which is always favourable). Due to extremely high volumes of transactions processed through the various bank accounts, it is necessary to operate multiple bank accounts which allows for ease of reconciliations. Bank accounts are reconciled daily with all funds for the month being swept just after month end into the main eThekwini bank account. This process of sweeping is controlled via the bank reconciliation process via online bank transfers.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

47. Bank balances (continued)

Durban Marine Theme Park (State Owned Company) Limited:

443362 - Investec Bank	-	-	11,653	11,653
50003801489 - Investec Bank	19,121	19,121	26,003	26,003
1100443362451/453 - Investec Bank	7,795	7,795	1,900	1,900
1107821045 - Nedbank	6	6	20	20
800221322 - Nedbank	49	49	3,826	3,826
1108788564 - Nedbank	6	6	3	3
1107821606 - Nedbank	24	24	1	1
1107821592 - Nedbank	30	30	48	48
1108788556 - Nedbank	3	3	1	1
1107821584 - Nedbank	765	765	851	851
03/7881135093/000001 - Nedbank	900	900	-	-
050139509 - Standard Bank	-	-	24	24
ICC Durban (Proprietary) Limited:	28,904	28,827	14,748	14,623
1107821541 - Nedbank	-	-	-	-
1107821568 - Nedbank	1	1	2	2
1107821576 - Nedbank	1,728	1,758	3,525	3,525
50226959 - Standard Bank	-	-	1,124	1,093
50138162 - Standard Bank	-	-	55	55
50138197 - Standard Bank	-	-	4,083	4,083
Bank Balances (Effingham Development Joint Venture)	39,252	-	20,665	-
Bank Balances (Durban Point Development Company)	215	-	279	-

Totals: MUNICIPAL ENTITIES

Bank balances	98,799	59,285	88,811	67,711
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Totals: GROUP

Bank balances	535,815	3,641,082	1,008,364	3,643,953
Bank overdraft	(369,556)	(3,514,000)	(830,009)	(3,486,693)

48. Taxation

Current tax for the year recognised in surplus or deficit - ICC	(3,216)	(3,830)	-	-
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No provision has been made for the taxation of Durban Marine Theme Park SOC Limited as they have an assessed loss of R364.7million (2016: R368.3million) which is available for set-off against future taxable income. No deferred tax asset has been raised.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments

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

Financial risk management

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

- Liquidity risk
- Interest rate risk
- Credit risk

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

Further quantitative disclosures are included throughout these financial statements.

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

As part of managing the municipality's liquidity risk, Promissory notes have been issued to facilitate the timeous repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment.

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

Fair values versus carrying amounts:

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

Carrying amount

Investments	5,750,000	6,620,000	5,750,000	6,620,000
Long-term receivables	84,749	41,817	84,749	41,817
Consumer Debtors	3,890,365	2,877,047	3,866,463	2,858,277
Receivables from exchange transactions	2,415,834	3,474,736	2,412,549	3,469,108
Receivables from non-exchange transactions	254,584	254,929	254,584	254,929
Long-term Liabilities	8,835,985	9,236,359	8,835,985	9,236,359
Creditors	5,990,550	5,688,927	5,933,313	5,618,223

Fair value

Investments	5,750,000	6,620,000	5,750,000	6,620,000
Long-term receivables	84,749	41,817	84,749	41,817
Consumer Debtors	3,890,365	2,877,047	3,866,463	2,858,277
Receivables from exchange transactions	2,415,834	3,474,736	2,412,549	3,469,108
Receivables from non-exchange transactions	254,584	254,929	254,584	254,929
Long-term Liabilities	8,835,985	9,236,359	8,835,985	9,236,359
Creditors	5,990,550	5,688,927	5,933,313	5,618,223

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments (continued)

Liquidity risk

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

Nedbank:

Ethekwini Municipality - Primary Overdraft	20,000
Ethekwini Municipality - Letters of Credit:	1,500
Ethekwini Municipality - Performance Letters of Guarantees:	80,000
Ethekwini Municipality - Derivatives	70,000
Ethekwini Municipality - Fleet Management	15
Ethekwini Municipality - Secondary Overdraft Facility	580,000

The total of these facilities amount to	751,515
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Group

At June 30, 2017	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,835,985	8,835,985	793,528	8,042,457
Trade and other payables	5,990,550	5,990,550	5,990,550	-

At June 30, 2016	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,236,359	9,236,359	1,065,702	8,170,657
Trade and other payables	5,688,927	5,688,927	5,688,927	-

Municipality

At June 30, 2017	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,835,985	8,835,985	793,528	8,042,457
Trade and other payables	5,933,313	5,933,313	5,933,313	-

At June 30, 2016	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,236,359	9,236,359	1,065,702	8,170,657
Trade and other payables	5,618,223	5,618,223	5,618,223	-

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments (continued)

Group

At June 30, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,750,000	-		
• Call deposits	662,543	-		
At June 30, 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
• Short-term Investments	6,620,000	-		
• Call deposits	406,220	-		

Municipality

At June 30, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
• Short-term Investments	5,750,000	-		
• Call deposits	480,000	-		
At June 30, 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
• Short-term Investments	6,620,000	-		
• Call deposits	195,000	-		

Market risk

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments (continued)

Interest rate risk

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

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

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

The Municipality entered into a fixed interest rate swap agreement with Standard Corporate & Merchant Bank in order to mitigate the floating interest rate exposure of the DBSA phase 2 loan.

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

Cash flow interest rate risk

Swap Cash flow Sensitivity

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

Heading	Exposure Limits	Cash Deposits	Medium / Short term Deposits	Long term Deposits
Domestic Banks	15,220,000	480,000	5,750,000	-

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments (continued)

Valuation of Financial Instruments

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

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

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

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

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

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

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

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

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

30 June 2017: Financial Assets at Fair Value through profit or loss - Group	Level 1	Level 2	Level 3	Total
Investments	5,750,000	-	-	5,750,000
Cash on hand	18,548	-	-	18,548
Net Bank Balance	166,259	-	-	166,259
Call Investment Deposits	662,543	-	-	662,543
Long-term Receivables	-	84,749	-	84,749
Consumer Debtors	-	3,890,365	-	3,890,365
Receivables from Exchange	-	2,415,834	-	2,415,834
Receivables from Non Exchange	-	254,929	-	254,929
Long-term Liabilities	-	8,835,985	-	8,835,985
Payables from Exchange	-	5,990,550	-	5,990,550
	6,597,350	21,472,412	-	28,069,762
30 June 2016: Financial Assets at Fair Value through profit or loss - Group	Level 1	Level 2	Level 3	Total
Investments	6,620,000	-	-	6,620,000
Cash on hand	11,754	-	-	11,754

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments (continued)

Net Bank Balance	178,355	-	-	178,355
Call Investment Deposits	406,220	-	-	406,220
Long-term Receivables	-	41,817	-	41,817
Consumer Debtors	-	2,877,047	-	2,877,047
Receivables from Exchange	-	3,474,736	-	3,474,736
Receivables from Non Exchange	-	254,929	-	254,929
Long-term Liabilities	-	9,236,359	-	9,236,359
Payables from Exchange	-	5,688,927	-	5,688,927
	7,216,329	21,573,815	-	28,790,144

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial Instruments (continued)

Credit risk

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

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

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

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

Financial instrument

Consumer Debtors	3,890,365	2,877,047	3,866,463	2,858,277
Receivables from Exchange	2,415,834	3,462,295	3,474,736	3,437,855
Receivables from Non-exchange	254,584	254,929	254,584	254,929
Cash and Cash Equivalents	6,597,350	7,216,329	6,315,458	6,915,704

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

Consumer Debtors:

Gross

0 - 30 days	2,575,030	2,082,107	2,586,885	2,087,025
31 - 120 days	729,173	639,314	729,117	639,273
More than 120 days	3,859,823	3,139,564	3,859,772	3,139,505
Less: Provision for Bad Debts	(3,309,357)	(3,007,526)	(3,309,311)	(3,007,526)
Net Consumer Debtors	3,854,669	2,853,459	3,866,463	2,858,277

Movement in the provision for Bad Debts:

Consumers

Balance at beginning of year	3,007,526	2,512,681	3,007,526	2,512,024
Contribution	995,733	576,626	995,687	577,102
Bad debts written off	(693,902)	(81,781)	(693,902)	(81,600)
Balance at year end	3,309,357	3,007,526	3,309,311	3,007,526

Movement in the provision for Bad Debts:

Other (Exchange and Non Exchange)

Balance at beginning of year	4,571,109	4,049,142	4,571,109	4,049,142
Contribution	1,060,570	573,669	1,063,773	573,669
Bad debts written off	(211,576)	(51,702)	(211,576)	(51,702)
Balance at year end	5,420,103	4,571,109	5,423,306	4,571,109

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Transfer of functions between entities not under common control - Vulamehlo Municipality

The wards demarcated to eThekwini Municipality are functions as defined. Municipalities are within the same sphere of government but all municipalities act independently from each other and are responsible for the establishment of their own municipal council, and as a result are deemed not to be under common control. The transfer of the wards to eThekwini Municipality is therefore accounted for in accordance with GRAP 106 (transfer of functions between entities not under common control).

Mkhambathini, uMgungundlovu and eThekwini Municipality:

In terms of Section 21 of the local government municipal demarcation Act 27 of 1998 that was published in the Kwa Zulu Natal provincial gazette No. 1003 dated 8th of August 2013, the Municipal Demarcation Board re-determined the municipal boundaries of Mkhambathini Local Municipality, uMgungundlovu District Municipality and Ethekwini Municipality by excluding a portion of farm Spitzkop, the traditional council of Embo Thimuni and ward 5 from the municipal areas of Mkhambathini Local Municipality and uMgungundlovu District Municipality and by including them into Ethekwini Municipality.

Property, plant and equipment to the value of R16.23 million was transferred to eThekwini Municipality from uMgungundlovu District Municipality in the current financial year. This includes an impairment loss of R458,000 for the Water Infrastructure of uMgungundlovu. Certain assets have not been taken-on as the municipality has not yet obtained control over the assets. No binding agreements have been signed between eThekwini Municipality and some of the other affected municipalities. However, preliminary engagements have commenced regarding the transfer of the assets. The Municipality is currently reviewing the institutional arrangements of Moses Mabhida Stadium. As at August 2016 the stadium is still operating on the same basis as the previous year. If the matter is finalised before the audit report date the note will be updated accordingly.

Vulamehlo, Ugu and eThekwini Municipality:

In terms of Section 21 of the local government municipal demarcation Act 27 of 1998 that was published in the Kwa Zulu Natal provincial gazette No. 1003 dated 8th of August 2013, the Municipal Demarcation Board re-determined the municipal boundaries of Vulamehlo Municipality, Ugu District Municipality and eThekwini Municipality by excluding ward 1, 2, 3 and a portion of ward 4 from the municipal areas of Vulamehlo Local Municipality and Ugu District Municipality, and by including them in the municipal area of eThekwini municipality.

Property, plant and equipment to the value of R30.5 million was transferred to eThekwini Municipality from Ugu District Municipality in the current financial year. The municipality also obtained control of the following assets and liabilities from Vulamehlo Local Municipality in the current financial year.

The fair value of assets acquired and liabilities assumed as at 10th August 2016:

Property, Plant and Equipment	33,154	33,154
Consumer Debtors	981	981
Provision for Bad debts	(601)	(601)
Receivables from Exchange transactions	49	49
Staff Leave Accrual	(603)	(603)
Provision for Performance Bonus	(285)	(285)
Provision for Long Service Awards	(228)	(228)
Accumulated Surplus	(32,467)	(32,467)

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand thousand

51. Budget disclosure

Material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

Variances above 20% are considered material. The following are reasons provided for material variances:

Finance Costs: The budget includes internal finance charges which are eliminated in the financial statements.

An adjustments budget is the mechanism to amend an approved budget under certain conditions and is legislated in terms of Section 28 of the MFMA of 2003 and the Municipal Budgeting and Reporting Regulations. The main reasons for the adjustments to the budget are as follows:

- reallocation of budgets between votes to ensure operational efficiencies;
- adjustments in respect of grant funding to the municipality;
- re-prioritisation of capital projects for various reasons.

Budget policy is aligned with GRAP in terms of disclosure.

Operational grants for the year were R2.7billion and capital grants were R3billion.

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

eThekweni Municipality
 Financial Statements for the year ended 30 June 2017
 Notes to the Financial Statements
Figures in Rand thousand

NOTE 52: EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2017

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-16	RECEIVED DURING THE PERIOD	REDEEMED DURING THE PERIOD	BALANCE AT 30-Jun-17
				R 000's	R 000's	R 000's	R 000's
FRB PN 15 Years	Variable 1/58		12/31/2016	30,105		30,105	0
INCA/IVUZI 15 Years	9.52% 1/66		6/30/2020	206,567		44,677	161,890
Nedbank R300m 15 Years	8.47% 1/67		3/31/2021	433,843		72,991	360,851
DBSA Ph 1 20 Years	13.50% P1		3/31/2019	141,142		87,431	53,711
DBSA Ph 2 15 Years	Variable P2		3/31/2017	31,687		31,687	0
DBSA Ph 3 15 Years	12.90% P3		3/31/2018	113,761		53,340	60,420
DBSA Ph 4 15 Years	10.40% P4		6/30/2019	189,628		56,913	132,715
DBSA Ph 5 15 Years	8.90% P5		9/30/2020	136,363		25,871	110,491
DBSA Ph 6 15 Years	8.75% P6		6/30/2022	444,582		59,172	385,410
DBSA Ph 7 20 Years	8.30% P7		6/30/2028	2,254,436		115,516	2,138,920
DBSA Ph 8 15 Years	9.85% P8		6/30/2029	1,401,814		56,854	1,344,960
DBSA - IIPSA 50%	11.31% IIPSA		12/31/2031	0	350,000	11,667	338,333
NEDBANK 7 Years	10.09% 1/70		2/28/2017	97,299		97,299	0
RMB R 1b 15 Years	10.28% 1/72		6/30/2025	764,425		55,030	709,395
ABSA 7 Years	8.73% 1/73		9/29/2017	273,059		178,120	94,939
ABSA 15 Years	10.19% 1/74		6/30/2026	813,174		49,948	763,227
AFD Calyon 12 Years	9.52% 1/68		12/31/2018	16,317		6,527	9,790
RMB R1B 20 Years	9.53% 1/75		6/30/2032	917,314		26,076	891,238
NEDBANK R1bn 15 YEARS	10.58% 1/76		6/30/2030	970,846		32,629	938,218
AFD - IIPSA 50%	11.31% IIPSA		11/30/2031	0	350,000	8,522	341,478
Total Annuity Loans				9,236,359	700,000	1,100,375	8,835,985
TOTAL EXTERNAL LOANS				9,236,359	700,000	1,100,375	8,835,985

eThekweni Municipality and its Municipal Entities
Annual Financial Statements for the year ended 30 June 2017
Notes to the Annual Financial Statements
Figures in Rand thousand

Note 53(g): ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017 - GROUP

Details	Opening Balance		Opening Under Construction		Cost / Revaluation		Closing Balance		Accumulated		Transfers	Closing Balance	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000			
BIO	591	—	—	—	—	591	—	—	—	—	—	(619)	73
CDE	937,767	(1,237)	—	—	—	937,998	(1,237)	(701,231)	(25)	—	—	(776,337)	201,661
CE	38,361	—	—	—	—	38,361	(577)	(24,052)	(25)	—	—	(270,483)	85,938
COE	7,557,477	(1,237)	—	—	—	8,394,003	(1,237)	(2,470,532)	(19)	—	—	(1,511,160)	5,872,833
ICD	784	—	—	—	—	784	608,080	(11)	—	—	—	(131,160)	615,480
IEL	7,132,518	—	—	—	—	8,419,859	—	(2,655,554)	(8,859)	—	—	(2,662,850)	5,527,001
IEC	116,377	—	—	—	—	171,468	(2,235)	(65,556)	—	—	—	(78,494)	94,953
IOD	5,717,045	113	—	—	—	5,787,809	(2,235)	(1,508,891)	—	—	—	(1,507,890)	4,229,911
IRO	9,827,184	4,229,954	—	—	—	15,807,788	171,192	(2,753,398)	—	—	—	(2,826,216)	13,233,000
IS	1,153,525	—	—	—	—	1,153,525	—	(1,153,525)	—	—	—	(1,153,525)	—
IST	1,489,989	—	—	—	—	1,489,989	4,623,298	(243,004)	—	—	—	(388,972)	7,629,053
ISW	283,353	—	—	—	—	302,064	(1,307)	(93,306)	—	—	—	(110,623)	191,441
IWS	10,297,552	1,610,460	—	—	—	7,650,322	(4,927,320)	(948,370)	—	—	—	(988,109)	6,691,212
IWE	13,572	—	—	—	—	800,267	—	—	—	—	—	(133,959)	800,267
LAE	1,583,930	—	—	—	—	1,703,040	552	(133,108)	—	—	—	(133,959)	36,082
LE	1,789,804	—	—	—	—	1,972,518	6,483	(1,109,518)	(264)	—	—	(1,262,886)	679,427
MEQ	2,931,484	—	—	—	—	3,058,469	2,324	(2,077,517)	(264)	—	—	(2,319,412)	735,086
ML	—	—	—	—	—	—	—	—	—	—	—	—	—
TP	—	—	—	—	—	—	—	—	—	—	—	—	—
TPA	—	—	—	—	—	—	—	—	—	—	—	—	—
TPM	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	50,751,348	8,690,410	1,430,388	3,703,636	(8,249)	64,906,439	333	(15,792,064)	(9,282)	3,733	—	(17,755,955)	46,902,012
					2,00	151,484,000			-1,00			-874,621,000	

Differences to AFPS PPE Note

eThekweni Municipality and its Municipal Entities
Annual Financial Statements for the year ended 30 June 2017
Notes to the Annual Financial Statements
Figures in Rand thousand

Note 53(b): ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017 - MUNICIPALITY

Details	Opening Under Construction					Cost/Revaluation					Accumulated					Carrying Value R'000
	Opening Balance R'000	Opening Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000	Transfers R'000	Closing Balance R'000		
BIO	556	—	—	—	—	—	556	(10)	—	—	—	—	—	(616)	40	
CE	897,996	(1,237)	40,682	—	(6,787)	(1,977)	897,996	(1,237)	—	—	—	—	—	(82,293)	137,796	
COM	272,288	—	20,000	—	(6,787)	(1,977)	285,501	(1,237)	—	—	—	—	—	(2,235)	67,266	
ICM	7,552,431	399,295	80,032	186,459	(8,867)	71,708	8,293,659	(864,984)	306	—	—	—	6,080,080	(3,230,713)	5,163,846	
ICO	784	39,385	1,709	(34,417)	—	—	7,461	(50)	—	—	—	—	—	608,020	615,481	
IEL	7,152,518	564,989	63,243	639,109	—	—	8,419,859	(28,445)	—	—	—	—	—	(2,882,858)	5,527,001	
IEC	116,377	20,245	10,237	24,598	—	—	171,458	(12,918)	—	—	—	—	—	(78,804)	92,653	
IGT	4,388,332	60,739	—	—	—	(2,235)	4,428,837	(2,053)	—	—	—	—	—	(1,038,688)	3,390,149	
IEO	1,458,647	—	—	—	—	—	1,458,647	(1,237)	—	—	—	—	—	(1,038,688)	420,000	
ISO	2,034,628	4,329,862	328,228	1,789,472	—	4,926,623	8,928,188	(224,424)	—	—	—	—	—	(1,038,688)	7,889,763	
IST	1,480,999	108,170	76,095	76,095	—	(1,307)	1,778,554	(11,317)	—	—	—	—	—	(1,016,507)	762,053	
ISW	283,353	10,600	2,814	9,354	(5,034)	(1,307)	290,780	(11,317)	2,284	—	—	—	(62,329)	(108,339)	191,441	
IWS	10,297,552	1,610,460	170,350	508,270	—	(4,927,320)	7,689,322	(94,837)	—	—	—	—	—	(888,109)	6,691,212	
IWE	131,572	522,443	155,251	155,251	—	—	809,517	—	—	—	—	—	—	—	809,517	
IAB	1,588,930	—	—	—	—	52	1,700,040	(131,708)	—	—	—	—	—	(133,968)	36,082	
IAD	1,616,188	—	—	—	(1,078)	6,324	1,771,434	(1,078)	—	—	—	—	—	(1,159,167)	612,267	
NBA	2,939,169	—	118,685	6,364	(23,128)	2,324	3,033,414	(241,550)	—	—	—	—	—	(2,295,679)	737,836	
TPT	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total	49,717,093	8,690,297	1,400,047	3,793,296	(42,800)	291	63,598,144	(15,700,471)	(1,980,745)	34,540	(9,282)	3,733	43	(17,572,164)	46,985,980	

Differences to AFS PPE Note

-9,014.00

-34.00

35,340.00

-1.00

-35,353.00

-13.00

8,714.00
8,342.00
372.00