eDumbe Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor General of South Africa
Registered Auditors

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main purposes of the municipality is to engage in local governance activities,which include planning and promotion of integrated development planning, economic and enviromental development and provision of services to the community. The municipality provides services such as electricity services, refuse removal, public safety services.
Mayoral committee	
Honourable Mayor	Cllr BM Nxusa
Councillors	Cllr S Mkhabela (Deputy Mayor)
	Cllr NR Simelane (Speaker)
	Cllr SJ Kunene (EXCO member)
	Cllr SR Nkosi (MPAC Chair)
	Cllr RC Gevers
	Cllr NM Nhlabathi
	Cllr DZ Mtshali
	Cllr SE Thela
	Cllr TP Sibeko
	Cllr ND Ndlangamandla
	Cllr MP Khumalo
	Cllr IAT Mbatha
	Cllr NZ Keswa
	Cllr TB Shabalala
Grading of local authority	3
Chief Finance Officer (CFO)	Mr S Mngwengwe
Accounting Officer	Mr TV Mkhize
Registered office	10 Hoog Street PaulPietersburg 3180
Business address	10 Hoog Street PaulPietersburg 3180
Postal address	Private Bag X308 PaulPietersburg 3180
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Edumbe Local Municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Edumbe Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors and audit committee.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 68, which have been prepared on the going concern basis, were approved by the Council on 28 August 2015 and were signed on its behalf by:

Accounting Officer
Mr TV Mkhize

Audit Committee Report

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	287 982	412 399
VAT Receivable	14	-	37 270
Receivables from non-exchange transactions	5	6 967 237	1 867 702
Receivables from Exchange Transaction - Consumer debtors	4	3 511 784	1 637 482
Cash and cash equivalents	6	1 124 921	1 464 739
		11 891 924	**5 419 592**
Non-Current Assets			
Investment property	10	10 996 786	10 996 786
Property, plant and equipment	7	236 115 115	213 049 870
Intangible assets	9	35 568	47 883
Heritage assets	8	147 149	147 149
Non-Current Receivables	11	-	137 648
		247 294 618	**224 379 336**
Total Assets		**259 186 542**	**229 798 928**
Liabilities			
Current Liabilities			
VAT Payable	14	335 945	-
Payables from exchange transactions	13	21 933 701	14 117 574
Consumer deposits	15	229 505	227 463
Unspent conditional grants and receipts	16	2 769 552	5 769 445
Provisions	17	2 591 948	-
Current portion of Long Term Liabilities	12	2 087 677	1 790 321
		29 948 328	**21 904 803**
Non-Current Liabilities			
Employee benefit obligation	18	5 783 000	4 578 000
Provisions	17	1 052 318	1 001 826
		6 835 318	**5 579 826**
Total Liabilities		**36 783 646**	**27 484 629**
Net Assets		**222 402 896**	**202 314 299**
Reserves			
Other NDR		100 348	100 348
Accumulated surplus		222 302 548	202 213 951
Total Net Assets		**222 402 896**	**202 314 299**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	19 380 120	14 589 044
Rental of facilities and equipment	53	1 422 698	651 475
Licences and permits		1 114 965	1 026 745
Other income	25	542 957	987 269
Interest received - investment	24	285 259	197 661
Total revenue from exchange transactions		**22 745 999**	**17 452 194**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	7 400 063	5 162 086
Transfer revenue			
Government grants & subsidies	21	92 260 839	68 082 699
Fines, Penalties and Forfeits	23	3 639 974	1 602 946
Total revenue from non-exchange transactions		**103 300 876**	**74 847 731**
Total revenue		**126 046 875**	**92 299 925**
Expenditure			
Audit Fees	27	(990 265)	(1 340 088)
Bulk purchases	28	(15 245 219)	(13 621 753)
Contracted services	29	(2 822 148)	(1 834 104)
Debt Impairment	22	(5 710 523)	(16 807 525)
Depreciation and amortisation	7	(7 681 342)	(7 427 736)
Employee related costs	30	(30 631 289)	(27 988 855)
Finance costs	31	(1 066 089)	(518 684)
General Expenses	32	(23 736 379)	(16 373 110)
Impairment loss/ Reversal of impairments	7	(1 531 061)	(19 150)
Lease rentals on operating lease	34	(2 178 279)	(2 266 534)
Remuneration of councillors	35	(4 651 836)	(4 450 998)
Repairs and maintenance		(1 271 017)	(1 379 264)
Operating Grant Expenses	33	(5 988 260)	(3 781 428)
Total expenditure		**(103 503 707)**	**(97 809 229)**
Operating surplus (deficit)		**22 543 168**	**(5 509 304)**
Loss on disposal of assets and liabilities		(2 051 383)	(491 490)
Actuarial gains/losses	18	(403 184)	(81 121)
		(2 454 567)	**(572 611)**
Surplus (deficit) for the year		**20 088 601**	**(6 081 915)**

Statement of Changes in Net Assets

Figures in Rand	Other NDR	Accumulated surplus	Total net assets
Opening balance as previously reported	100 348	188 699 325	188 799 673
Adjustments			
Change in accounting policy	-	1 521 793	1 521 793
Prior year adjustments	-	18 074 748	18 074 748
Balance at 01 July 2013 as restated*	**100 348**	**208 295 866**	**208 396 214**
Changes in net assets			
Deficit for the year	-	(6 081 915)	(6 081 915)
Total changes	-	(6 081 915)	(6 081 915)
Restated* Balance at 01 July 2014	**100 348**	**202 213 950**	**202 314 298**
Changes in net assets			
Surplus for the year	-	20 088 598	20 088 598
Total changes	-	20 088 598	20 088 598
Balance at 30 June 2015	**100 348**	**222 302 548**	**222 402 896**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		30 362 796	21 657 170
Grants		89 260 946	67 291 736
Interest income		285 259	197 661
		119 909 001	89 146 567
Payments			
Employee costs		(32 243 084)	(32 439 853)
Suppliers		(48 406 097)	(36 338 817)
Finance costs		(1 066 089)	(518 684)
Remuneration for Councillors		(4 651 836)	-
		(86 367 106)	(69 297 354)
Net cash flows from operating activities	36	**33 541 895**	**19 849 213**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(34 397 190)	(21 852 987)
Proceeds from sale of property, plant and equipment	7	80 473	291 540
Proceeds from sale of non-current receivables		137 648	-
Net cash flows from investing activities		**(34 179 069)**	**(21 561 447)**
Cash flows from financing activities			
Movement in current portion of long term liabilities		297 356	48 069
Medical Retirement		-	743 000
Net cash flows from financing activities		**297 356**	**791 069**
Net increase/(decrease) in cash and cash equivalents		**(339 818)**	**(921 165)**
Cash and cash equivalents at the beginning of the year		1 464 739	2 385 904
Cash and cash equivalents at the end of the year	6	**1 124 921**	**1 464 739**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26 043 176	152 138	**26 195 314**	19 380 120	**(6 815 194)**	The municipality have blocked some of the customers becasue they were not buying electricity. Projection was based on the previous year's outcome and the eskom increases on tariffs.
Rental of facilities and equipment	1 146 897	166 103	**1 313 000**	1 422 698	**109 698**	Number of employees have signed the contract for rentals
Licences and permits	958 206	-	**958 206**	1 114 965	**156 759**	Improvement in terms of attracting more people to come take thier licenses at eDumbe
Other income - (rollup)	5 676 561	(1 560 052)	**4 116 509**	542 957	**(3 573 552)**	
Interest received - investment	134 075	-	**134 075**	285 259	**151 184**	The varience was due to the investment done by the municipality in 2013/14 which was not withdrawn during 2014/15 of R379 000 which accummulated interest.
Total revenue from exchange transactions	**33 958 915**	**(1 241 811)**	**32 717 104**	**22 745 999**	**(9 971 105)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5 995 542	1 772 487	**7 768 029**	7 400 063	**(367 966)**	Rebate on some categories affected the projected income.
Transfer revenue						
Government grants & subsidies	51 344 000	-	**51 344 000**	92 260 839	**40 916 839**	New grant from KZN Cogta and recognition was for all grants including the capital grants
Fines, Penalties and Forfeits	300 279	-	**300 279**	3 639 974	**3 339 695**	The budget was not correctly done because its only included cash to be received not fines to be issued.
Total revenue from non-exchange transactions	**57 639 821**	**1 772 487**	**59 412 308**	**103 300 876**	**43 888 568**	
Total revenue	**91 598 736**	**530 676**	**92 129 412**	**126 046 875**	**33 917 463**	
Expenditure						
Personnel	(34 753 500)	(1 441 500)	**(36 195 000)**	(30 631 289)	**5 563 711**	They were vacancies which we not filled on time during the year and the resignation of section 57 employees also resulted to underspending
Remuneration of councillors	(4 630 391)	-	**(4 630 391)**	(4 651 836)	**(21 445)**	Calculation was not 100% when budget was done.
Audit Fees	(1 200 000)	-	**(1 200 000)**	(990 265)	**209 735**	1% was applied from National Treasury and they paid it to Auditor-General

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Depreciation and amortisation	(3 106 349)	(763 651)	**(3 870 000)**	(7 681 342)	**(3 811 342)**	The budgeting of non-cash items has been a challenge which will be addressed by management
Impairment loss/ Reversal of impairments	-	-	**-**	(1 531 061)	**(1 531 061)**	The budgeting of non-cash items has been a challenge which will be addressed by management
Finance costs	(150 000)	-	**(150 000)**	(1 066 089)	**(916 089)**	Amount include the non-cash item which has become a challange to accurately budget for them
Lease rentals on operating lease	(2 400 000)	(500 000)	**(2 900 000)**	(2 178 279)	**721 721**	Rentals were closely monitored hence spending was 97%
Bad debts written off	-	-	**-**	(5 710 523)	**(5 710 523)**	The budgeting of non-cash items has been a challenge which will be addressed by management
Repairs and maintenance	(2 463 336)	350 001	**(2 113 335)**	(1 271 017)	**842 318**	Underspent due to cash flow. Departments couldn't proceed with processes while municipality doesn't have cash at the bank.
Bulk purchases	(15 800 000)	-	**(15 800 000)**	(15 245 219)	**554 781**	Billing from Eskom was estimated

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Contracted Services	(4 526 200)	855 950	**(3 670 250)**	(2 822 148)	**848 102**	Cut costing measures to monitor the spending was implemented on vehicles and no invoices were sent by Assets consultants
Transfers and Subsidies	(5 788 550)	-	**(5 788 550)**	(5 988 260)	**(199 710)**	Unspent grant from other grants resulted in underspending
General Expenses	(15 792 969)	(1 867 177)	**(17 660 146)**	(23 687 857)	**(6 027 711)**	Non cash items was not taken into account during budgeting which resulted to the overspending.
Total expenditure	**(90 611 295)**	**(3 366 377)**	**(93 977 672)**	**(103 455 185)**	**(9 477 513)**	
Operating surplus	**987 441**	**(2 835 701)**	**(1 848 260)**	**22 591 690**	**24 439 950**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 051 383)	**(2 051 383)**	The budgeting of non-cash items has been a challenge which will be addressed by management
Actuarial gains/losses	-	-	**-**	(403 184)	**(403 184)**	The budgeting of non-cash items has been a challenge which will be addressed by management
	-	**-**	**-**	**(2 454 567)**	**(2 454 567)**	
Surplus before taxation	**987 441**	**(2 835 701)**	**(1 848 260)**	**20 137 123**	**21 985 383**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**987 441**	**(2 835 701)**	**(1 848 260)**	**20 137 123**	**21 985 383**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	388 710	-	**388 710**	287 982	**(100 728)**	
Receivables from non-exchange transactions	6 000 000	-	**6 000 000**	6 967 237	**967 237**	Debt Collection challenges has resulted to the huge amount not paid by customers
Consumer debtors	9 501 908	-	**9 501 908**	3 511 785	**(5 990 123)**	Debt Collection challenges has resulted to the huge amount not paid by customers
Investments	5 000 000	-	**5 000 000**	-	**(5 000 000)**	Unable to invest due to low rate on collection
Current Portion of Long term receivables	153 378	-	**153 378**	-	**(153 378)**	
Cash and cash equivalents	2 385 903	-	**2 385 903**	1 124 921	**(1 260 982)**	Low rate on collection and high rate on spending result to failure by the municipality to accrue huge amount as investments
	23 429 899	**-**	**23 429 899**	**11 891 925**	**(11 537 974)**	
Non-Current Assets						
Investment property	432 000	-	**432 000**	10 996 786	**10 564 786**	
Property, plant and equipment	193 788 390	-	**193 788 390**	236 115 114	**42 326 724**	Project not completed previous year only completed this year affected the additions
Intangible assets	80 410	-	**80 410**	35 568	**(44 842)**	
Heritage assets	-	-	**-**	147 149	**147 149**	
Other non-current Assets	284 157	-	**284 157**	-	**(284 157)**	
	194 584 957	**-**	**194 584 957**	**247 294 617**	**52 709 660**	
Total Assets	**218 014 856**	**-**	**218 014 856**	**259 186 542**	**41 171 686**	
Liabilities						
Current Liabilities						
Current tax payable	-	-	**-**	335 945	**335 945**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Payables from exchange transactions	11 241 756	815 244	**12 057 000**	21 933 701	**9 876 701**	Cash flow challenges is a problem. Cut costing measures will be implemented during 2015/16 to ensure that liability is reduced even though its include the non-cash items
Consumer deposits	237 247	-	**237 247**	229 505	**(7 742)**	No many account were openned
Unspent conditional grants and receipts	-	-	**-**	2 769 552	**2 769 552**	Grant was received in December 2014 and the project was Launched by Cogta late in March 2015 which affected the progress on site
Provisions	-	-	**-**	2 591 948	**2 591 948**	
Current portion of Long Term Liabilities	2 357 000	-	**2 357 000**	2 087 677	**(269 323)**	Cash flow challenge to settle the loan
	13 836 003	**815 244**	**14 651 247**	**29 948 328**	**15 297 081**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	5 783 000	**5 783 000**	The budgeting of non-cash items has been a challenge which will be addressed by management
Provisions	7 783 653	-	**7 783 653**	1 052 318	**(6 731 335)**	The budgeting of non-cash items has been a challenge which will be addressed by management
	7 783 653	**-**	**7 783 653**	**6 835 318**	**(948 335)**	
Total Liabilities	**21 619 656**	**815 244**	**22 434 900**	**36 783 646**	**14 348 746**	
Net Assets	**196 395 200**	**(815 244)**	**195 579 956**	**222 402 896**	**26 822 940**	

Net Assets

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Other NDR	100 348	-	**100 348**	100 348	**-**	
Accumulated surplus	196 294 852	(815 244)	**195 479 608**	222 302 548	**26 822 940**	Movements which include the addition of the KZN Cogta Grant
Total Net Assets	**196 395 200**	**(815 244)**	**195 579 956**	**222 402 896**	**26 822 940**	

The accounting policies on pages 16 to 31 and the notes on pages 32 to 68 form an integral part of the financial statements.

Accounting Policies

1. Presentation of Financial Statements

These annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP), as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 5116 dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy

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

Related Party Disclosures are in terms of IPSAS 20.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Comparative figures

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 in a note to the financial statements.

Where accounting errors or a change in accounting policy have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the financial statements are set out below:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

Post retirement benefits

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.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The provision for impairment is measured as the difference between the assetsôcarrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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.

The costs an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if major spare parts and servicing equipment can be used only in connection with a item of property, plant and equipment they are accounted for as property, plant and equipment.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Incomplete construction work is stated on historical cost. Depreciation only commences when the assets is available for use.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to the municipality.

The annual depreciation rates are based on the following estimated asset lives have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure		
• Road structures - Kerbing		50
• Road structures - Road Base		50
• Road structures - Road Surfaces		20
• Bridges		80
• Pedestrian Malls		20 - 30
• Electricity		30-50
• Storm Water		60
Community		
• Buildings		25
• Recreational Facilities		25 - 30
Other		
• Buildings		25
• Vehicles		7
• Office Equipment		5
• Furniture and Fittings		7
• Other items of Plant and Equipment		3 - 10
• Landfill sites		25 - 55

The residual value, and the useful life and depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statemet of Financial Performance.

The carrying amount of 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 or disposal.

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 sales value and the carrying value, and is recognised in the Statement of Financial Performance.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- to meet service delivery objectives, or
- sale in the ordinary course of operations.

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

Accounting Policies

1.6 Investment property (continued)

Owner-occupied property is properly held for use in the production or supply of goods and services or for administration purposes.

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

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market condition at the reporting date. A gain or loss arising from a change in fair value is included in the net surplus/ deficit for the period in which it arises. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.7 Intangible assets

An intangible asset is recognised when:

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

Intangible asset are initially recognised at cost.

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.

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

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.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

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

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	**Useful life**
Computer software, other	5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Accounting Policies

1.7 Intangible assets (continued)

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

1.8 Heritage assets

Where the carrying amount of an item of heritage 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.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.9 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

1.9 Financial instruments (continued)

Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class

Long - term receivables
Consumer debtors
Other debtors
Short - term investment deposits
Bank balances

In accordance with IAS 39.09, the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of financial assets	Classification
Long - term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Short - term investment deposits	Held - to - maturity investments
Bank balances and cash	Loans and receivables

Loans and Receivables are non - derivative financial assets with fixed or determinable payments that are not quotedin an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non - current assets. Held - to - Maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has a positive intent and ability to hold the investment to maturity.

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Trade and other payables
Long - term liabilities
Current portion of long term liabilities

In accordance with IAS 39.09, the Financial Liabilities of the municipality are classified into the following caterogy allowed by this standard.

- Financial Liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial measurement of financial assets and financial liabilities

Financial Assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Accounting Policies

1.9 Financial instruments (continued)

Financial Liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Fair value determination

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques.

These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially financial assets are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of financial assets 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 receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made in accordance with IAS 39.64 whereby the recoverability of financial assets (including indigent debtors) is assessed collectively after grouping the assets in financial assets with similar credit risk characteristics.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in the Statement of Financial Performance with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipalityþs obligations are discharged, cancelled or they expire.

Held - to - maturity investments

1.10 Leases

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

Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assetþs fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the assetþs useful life or the lease term.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any contingent rents are expensed in the period in which they are incurred.

1.11 Inventories

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In general, the basis of allocating costs to inventory items is the weighted average method.

Subsequent measurement

Inventories, consisting of consumable stores and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless the cost qualifies for capitalisation to the cost of another asset.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.12 Impairment of cash-generating assets

Identification

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 estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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.

1.12 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

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

An impairment loss of assets is carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Any impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: .

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

1.13 Impairment of non-cash-generating assets

Identification

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity. The municipality will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Pension fund obligations

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

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The defined benefit fund was last actuarially valued during the reporting period ending 30 June 2009.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment hereof is made in the course of the municipality's normal budgeting processes."

For defined contribution plans, the Municipality pays contributions to fund administrators. 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.

Termination benefits

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

Post-retirement Health Care Benefits

Accounting Policies

1.14 Employee benefits (continued)

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as it occurs.

Contingent assets and liabilities are not recognised, however where material contingent liabilities are disclosed by way of note.

Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. A provision has been established from 2009/2010 financial year. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest is recognised on a time proportion basis. The interest on arrears account are not charged but the situation will be reviewed in future.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

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

Accounting Policies

1.17 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when traffic fine is issued. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with IGRAP1. Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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

1.18 Conditional grants and receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder or detailed in the memorandum of agreement it is recorded as part of the liability otherwise it is recognised as interest earned in the Statement of Financial Performance.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred .

Accounting Policies

1.20 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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 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. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 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 Bearer's 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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Housing development fund

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

1.24 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk:
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

Interest - Rate Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

Accounting Policies

1.24 Risk management of financial assets and liabilities (continued)

Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

Market Risk

Owing to legislative restrictions the municipality has no exposure to market risk.

1.25 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

1.26 Related parties

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

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

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

All balances and transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Budget information

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

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

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.28 Value Added Tax

The municipality accounts for Value Added Tax on the accrual basis.

1.29 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Notes to the Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipalityô s accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:

- GRAP 18: Segment Reporting
- GRAP 105: Transfers of functions between entities under common control
- GRAP 106: Transfers of functions between entities not under common control
- GRAP 107: Mergers
- DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

3. Inventories

Consumable stores	287 982	412 399

Inventories consist of goods which are held for own use include stationery (photocopying papers), cleaning material and electricity material.

The valuation roll include housing stock (RDP houses) for an amount of R3 049 000 which are still to be transferred to the community.

4. Receivables from Exchange Transactions - Consumer debtors

Gross balances		
Electricity	8 163 106	5 337 995
Refuse	58 736 257	53 347 815
Debtors with Credit Balances	137 067	-
	67 036 430	**58 685 810**
Less: Allowance for impairment		
Electricity	(6 234 381)	(4 204 389)
Refuse	(57 290 265)	(52 706 291)
Other (specify)	-	(137 648)
	(63 524 646)	**(57 048 328)**
Net balance		
Electricity	1 928 724	1 133 606
Refuse	1 445 993	641 524
Debtors with Credit Balances	137 067	-
Non - current debtors	-	(137 648)
	3 511 784	**1 637 482**
Electricity		
Current (0 -30 days)	830 376	-
31 - 60 days	552 933	572 636
61 - 90 days	545 416	560 970
	1 928 725	**1 133 606**

Figures in Rand	2015	2014

4. Receivables from Exchange Transactions - Consumer debtors (continued)

Refuse		
Current (0 -30 days)	495 077	-
31 - 60 days	481 036	183 966
61 - 90 days	469 880	457 558
	1 445 993	**641 524**

Summary of debtors by customer classification (Exchange and non-exchange transactions)

Consumers		
Current (0 -30 days)	966 793	-
31 - 60 days	928 277	845 741
61 - 90 days	935 870	786 747
91 - 120 days	1 515 593	757 077
> 365 days	65 927 591	58 997 829
	70 274 124	61 387 394
Less: Allowance for impairment	(67 692 583)	(60 991 648)
	2 581 541	**395 746**

Industrial/ commercial		
Current (0 -30 days)	558 062	-
31 - 60 days	(733 688)	838 963
61 - 90 days	393 349	519 129
91 - 120 days	1 460 594	533 577
> 365 days	4 097 123	3 664 586
	5 775 440	5 556 255
Less: Allowance for impairment	(4 267 807)	(4 198 163)
	1 507 633	**1 358 092**

National and provincial government		
Current (0 -30 days)	165 125	-
31 - 60 days	87 819	130 190
61 - 90 days	82 409	105 200
91 - 120 days	114 747	88 893
> 365 days	1 890 974	2 760 421
	2 341 074	3 084 704
Less: Allowance for impairment	(1 651 609)	(2 849 314)
	689 465	**235 390**

Reconciliation of allowance for impairment		
Balance at beginning of the year	56 910 680	48 492 911
Contributions to provision	6 613 966	8 417 769
	63 524 646	**56 910 680**

Consumer debtors past due but not impaired

Based on the past experience the municipality has taken a decision to impaire the debts at 100% of the residential outstanding balance and 100% of the commercial debts. The municipality has experienced the non-payment by consumers which has contributed to the cash flow problem. At 30 June 2015, R 3 374 717 (2014: R 1 775 130) was the total receivables not impaired.

The ageing of amounts past due but not impaired is as follows:

Figures in Rand	2015	2014

4. Receivables from Exchange Transactions - Consumer debtors (continued)

1 month past due	1 325 452	756 602
2 months past due	2 049 265	1 018 529
	3 374 717	**1 775 131**

Receivable from exchange past due impaired		
The amount of the provision was R 63 524 645 and (2014 R 56 910 680)	-	-
3 to 4 months	1 722 935	1 672 822
Over 4 months	61 801 710	55 237 858
	63 524 645	**56 910 680**

Debtors with Credit Balances		
Current (0 -30 days)	137 067	-

Consumer debtors pledged as security

Consumer debtors have not been pledged as security or encumbered in any way.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumers debtors are billed monthly, at latest by the end of each month.

The Council has resolved not to charge interest on outstanding debtor account balances at 30 June 2015.

The Council will at a future date determine the terms and conditions for interest to be charged on overdue accounts and the rate thereof.

The municipality enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications for services that it processes. Deposits are required to be paid for all electrical accounts opened.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of consumer debtors was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consumer Debtors as well as the current payment ratios of the municipality's consumers.

5. Receivables from non-exchange transactions

Government grants and subsidies	3 451 256	-
Debtors with Credit Balances	1 594 435	-
Traffic Fines	517 623	1 515 956
Consumer debtors - Rates	1 403 923	351 746
	6 967 237	**1 867 702**

Ageing: Rates		
Current (0 -30 days)	541 678	-
31 - 60 days	465 189	(48 804)
61 - 90 days	397 056	400 551
	1 403 923	**351 747**

Notes to the Financial Statements

Figures in Rand	2015	2014

5. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	10 990 797	2 601 042
Reversal of provision	(903 443)	-
Contribution to provision	-	8 389 755
	10 087 354	**10 990 797**

Receivables from non-exchange transactions past due but not impaired

Based on the past experience the municipality has taken a decision to impaire the debts at 100% of the residential outstanding balance and 100% of the commercial debts. The municipality has experience the non-payment by consumers which has contributed to the cash flow problem. At 30 June 2015, R 1 403 923 (2014: R 351 746) was the total receivables not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	541 678	(48 804)
2 months past due	862 245	400 551
3 months past due	-	-
	1 403 923	**351 747**

Government Grants and Subsidies

The amount spent during 2014/15 financial year for Electrification project was more than the amount transfered by Department of Energy. The overpayment was done by the municipality after the agreement with Department of Energy that amount used will be paid to the municipality by including it on the 2015/16 Financial Year's allocation.

Receivables from non-exchange past due impaired

The amount of the provision was R 10 087 354 as of 30 June 2015 (2014: R 10 990 797).

3 to 4 months	201 405	677 729
Over 4 months	9 885 949	10 313 068
	10 087 354	**10 990 797**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	328	1 226
Bank balances	73 636	541 674
Short-term deposits	1 031 478	921 840
Other cash and cash equivalents	19 480	-
	1 124 922	**1 464 740**

Figures in Rand	2015	2014

6. Consumer debtors disclosure (continued)

Current assets	1 124 921	1 464 739

The following are the Bank balances at 30 June 2015	Balances as per Bank Statement	Balance as per Bank Account - Cashbook	Variance
FNB Call Account -61328003233	551 329	551 329	-
FNB - Call Account 62033660376	3 372	3 372	-
FNB - Call Account - 622198848746	1 972	1 972	-
Grindrod Bank Investment Account	405 987	405 987	-
Petty Cash	328	328	-
FNB - Primary Account	73 636	93 116	(19 480)
FNB - Call Account 62421843807	59 656	59 656	-
Investec Bank Investment Account	9 157	9 157	-
	1 105 437	**1 124 917**	**(19 480)**

The following are the Bank balances at 30 June 2014	Balances as per Bank Statement	Balance as per Bank Account - Cashbook	Variance
FNB Call Account -61328003233	535 830	535 830	-
FNB - Call Account 62033660376	3 508	3 508	-
FNB - Call Account - 622198848746	2 018	2 018	-
Grindrod Bank Investment Account	379 339	379 339	-
Petty Cash	1 226	1 226	-
FNB - Primary Account	505 473	541 674	(36 201)
FNB - Call Account 62421843807	1 145	1 145	-
	1 428 539	**1 464 740**	**(36 201)**

7. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	29 048 000	-	29 048 000	29 048 000	-	29 048 000
Buildings	81 489 086	(16 937 450)	64 551 636	81 291 291	(14 295 743)	66 995 548
Infrastructure	99 833 608	(17 412 498)	82 421 110	93 953 726	(14 060 592)	79 893 134
Electricity Infrastructure	20 768 992	(2 244 325)	18 524 667	13 112 308	(1 693 430)	11 418 878
Other property, plant and equipment	15 631 598	(5 122 522)	10 509 076	15 478 500	(4 794 881)	10 683 619
Specialised vehicles	1 789 644	(384 072)	1 405 572	712 925	(243 710)	469 215
Assets under construction	29 655 054	-	29 655 054	14 541 476	-	14 541 476
Total	**278 215 982**	**(42 100 867)**	**236 115 115**	**248 138 226**	**(35 088 356)**	**213 049 870**

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	29 048 000	-	-	-	-	-	29 048 000
Buildings	66 995 548	4 434 392	(3 033 950)	-	(2 742 204)	(1 102 149)	64 551 637
Infrastructure	79 893 134	5 889 783	(7 727)	-	(3 348 874)	(5 206)	82 421 110
Electricity Infrastructure	11 418 877	7 694 190	(19 678)	-	(521 516)	(47 206)	18 524 667
Other Property plant and equipment	10 683 619	188 528	929 499	-	(923 848)	(368 723)	10 509 075
Specialised vehicles	469 215	1 076 719	-	-	(132 586)	(7 777)	1 405 571
Assets under construction	14 541 476	24 707 583	-	(9 594 005)	-	-	29 655 054
	213 049 869	**43 991 195**	**(2 131 856)**	**(9 594 005)**	**(7 669 028)**	**(1 531 061)**	**236 115 114**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	29 048 000	-	-	-	-	-	29 048 000
Buildings	66 064 441	3 593 701	-	-	(2 662 594)	-	66 995 548
Infrastructure	66 191 844	17 109 842	-	-	(3 408 552)	-	79 893 134
Electricity Infrastructure	9 526 893	2 286 029	-	-	(394 045)	-	11 418 877
Other property, plant and equipment	11 088 464	833 042	(481 369)	-	(737 368)	(19 150)	10 683 619
Specialised vehicles	948 714	-	(286 848)	-	(192 651)	-	469 215
Assets under construction	16 492 952	6 968 252	-	(8 919 728)	-	-	14 541 476
	199 361 308	**30 790 866**	**(768 217)**	**(8 919 728)**	**(7 395 210)**	**(19 150)**	**213 049 869**

8. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**

Notes to the Financial Statements

8. Heritage assets (continued)

Other	147 149	-	147 149	147 149	-	147 149

Reconciliation of heritage assets 2015

	Opening balance	Total
Other	147 149	147 149

Reconciliation of heritage assets 2014

	Opening balance	Total
Other	147 149	147 149

Pledged as security

All municipality heritage assets are not pledged as security:

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

9. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	111 092	(75 524)	35 568	111 092	(63 209)	47 883

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	47 883	(12 315)	35 568

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, other	80 410	(32 527)	47 883

All of the municipality's intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

10. Investment property

	2015			2014		
	Cost / Valuation	**Fair value adjustment**	**Carrying value**	**Cost / Valuation**	**Fair value adjustment**	**Carrying value**
Investment property	10 996 786	-	10 996 786	10 996 786	-	10 996 786

Notes to the Financial Statements

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10. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	10 996 786	10 996 786

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustment	Total
Investment property	432 000	10 564 786	10 996 786

Fair Value Adjustment

	2015	2014
Opening Balance for Investment Property	-	432 000
Correction of Error	-	10 564 786
Revaluation of properties		
Restated Opening Balance	-	10 996 786

All of the municipality's Investment Properties are held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality. There were no changes on the figures dislosed in 2014 and 2015 due to the valuators opinion which stated that there was no changes or little changes from 2014 to 2015 based on the economic forecast made by three major Banks in South Africa, ABSA, FNB and Nedbank.

The valuation for Investment property was done by EMS Consulting who was subcontracted by Ducharme Consulting. A register of Investment property is available at the municipal office.

11. Non- current receivables

	2015	2014
Long term debtors	-	606 653
Less: Transfer to receivables	-	(469 004)
	-	**137 649**

The amount for long-term debtors relates to arrangements made by debtors for longer than twelve months for electricity accounts.In 2014/15 Financial Year the municipality entered into payment arrangements with consumers who owe the municipality and ensured that agreements are within the Financial Year.

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Current portion of Long Term Liabilities

Long - term liabilities		
Development bank of South Africa	-	1 356 012
Finance cost	-	119 590
Less current portion transferred to current liabilities	-	(1 475 602)
Non current liabilities	**-**	**-**
Current Liabilities		
At amortised cost - DBSA Loan	1 562 018	1 475 601
Miscellaneous	503 281	312 857
Travel Card	22 378	1 863
	2 087 677	**1 790 321**

This is a loan granted to the municipality by the Development Bank of South Africa at an interest rate of 6.75% per annum, redeemable in six monthly instalments, including interest, the municipality has entered into a agreement with DBSA to settle the loan on or before 31 December 2015 and the escalation of interest has been frozen until 31 December 2015.

13. Payables from exchange transactions

Trade payables	3 232	1 013
Payments received in advanced - contract in process	(77 355)	(77 355)
Income received in Advance	1 731 503	-
Accruals	17 162 946	11 591 861
Other payables	1 235	500
Retention	630 154	526 364
Leave Provision/Accruals	1 646 703	1 377 263
Bonus Provision/ Accrual	835 283	697 928
	21 933 701	**14 117 574**

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the Municipal Finance Management Act. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Payments received in advance is due to payments received for hall hire and prepaid electricity.

Payments received in advance are consumer debtors' accounts paid in advance.

Staff leave and bonuses accrued to the staff of the municipality on an annual basis, subject to certain conditions.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14. VAT receivable and VAT Payable

VAT	335 945	(37 270)

VAT is payable on the payments basis. Once payment is received from debtors VAT is paid over to South African Revenue Services.

15. Consumer deposits

Electricity	229 505	227 463

Notes to the Financial Statements

Figures in Rand	2015	2014

15. Consumer deposits (continued)

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated.

In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer deposits approximate their fair values.

The fair value of Consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	5 081 734
Municipal System Improvement Grant	-	(483 502)
Finance Management Grant	-	(292 920)
Extended Public Works Programme Grant	361 116	(9 420)
Art and Culture Grant	657 435	268 511
Integrated National Electrification Grant	-	1 205 043
Cogta Grant	1 601 730	-
Sportsfield Maintenance Grant	149 271	-
	2 769 552	**5 769 446**

Movement during the year

Balance at the beginning of the year	5 769 445	6 560 408
Additions during the year	90 087 000	67 291 736
Income recognition during the year	(93 086 893)	(68 082 699)
	2 769 552	**5 769 445**

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

See note 21 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	1 001 826	50 492	1 052 318
Legal proceedings	-	2 591 948	2 591 948
	1 001 826	**2 642 440**	**3 644 266**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	953 757	48 069	1 001 826

	2015	2014
Non-current liabilities	1 052 318	1 001 826
Current liabilities	2 591 948	-
	3 644 266	**1 001 826**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

At 30 June 2015 the municipality will incur estimated rehabilitation costs of R 1 052 318 (2014: R 1 001 826) to restore the landfill site at the end of its useful life, estimated to be 3 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption.

The landfill provision represents management‰s best estimate of the Municipality‰s liability.

The landfill site assessment was conducted by Ducharme Consulting. The landfill site is expected to be fully operational until 30 June 2018 and it is assumed that the rehabilitation will only take place thereafter. The calculation of the provision amount was recalculated in 2014/2015 financial year and the new report has been issued to the municipality by Ducharme Consulting. The report was concluded on 28 October 2015.

Provision for Law Suits

The municipality was sued by Cox and Partners for an amount of R2, 5 m for the services rendered, collection of old debts.

The case was conducted in August 2015 and the settlement was reached between two parties to settle the amount.

The settlement agreement stipulated terms of payment which had two options, payment in two instalments or once-off settlement.

	2015	2014
Opening balance	-	1 536 000
Movements	2 591 849	(1 536 000)
Closing balance	**2 591 849**	**-**

Notes to the Financial Statements

Figures in Rand	2015	2014

18. Employee benefit obligations

Post retirement benefit plan

The municipality's personnel are members of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds and there are few member who are GEPF due to the fact that they were employed before the local government sphere was introduced. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation prepared by Argen Actuarial Solution as at 31 March 2014.

Retirement Fund

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.
- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.
- In order to fund the deficit, the surcharge should be increased from 17% to say, 17.5% form 1 July 2014 and the required period be extended from 5 years to 8 years.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2014 revealed that the fund was in a sound financial position.

Post employee medical benefit

Financial Variables

	4 405 000	3 318 000
The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:		
Discount Rate	Yield Curve	8.94 %
CPI (Consumer Price Inflation)	Difference Between nominal and real yield curve	7.05 %
Medical Aid contribution inflation	Equal to CPI + 1	8.05 %
Net effective discount rate	Yield Curve Based **	0.82 %

Membership data

Current (in -service) members	Male	Female	Total
Number of active employees	16	26	42
Subsidy weighted average	42.50	41.40	41.95
Subsidy weighted average past service	9.80	8.30	8.90
Number of spouses	7	2	9
Average monthly salary payable during the retirement (R)	**1 580**	**1 350**	**1 440**

Continuation members (Pensioners)	Male	Female	Total
Number of continuation members	-	2	2
Subsidy weighted average age	N/A	74.50	74.50
Average monthly subsidy (R)	N/A	3 300.00	3 300.00

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

18. Employee benefit obligations (continued)

All new pensioners (that are currently still in service) and their dependants will receive a 60% subsidy.

All existing continuation members (pensioners) and their dependants will continue to receive a 100% subsidy.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Decrements withdrawal	Withdrawal rate Males	Withdrawal rate Females
Age 20 - 24	16 %	24 %
Age 25 - 29	12 %	18 %
Age 30 - 34	10 %	15 %
Age 35 - 39	8 %	10 %
Age 40 - 44	6 %	6 %
Age 45 - 49	4 %	4 %
Age 50 - 54	2 %	2 %
Age 55 - 59	1 %	1 %
Age 60 +	- %	- %
	-	-

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days as prescribed on the Basic condition of employment. The effective date used for the purposes of the vaulation was 30 June 2015.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by ZAQ Consultants and Actuaries.

Membership data	No. of active employees	Salary weighted avaerage age (Yrs)	Weighted avaerage past srvice (Yrs)
Male	104	44.10	9.65
Female	35	36.56	4.35
	139	**42.16**	**8.29**

Long Service Awards Liabilities

18. Employee benefit obligations (continued)

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

Formula used to calculate Total long service benefit award	Total Long Service Benefit Award (% Annual Salary)	Completed Years of Services
(10/250) * Annual Salary	4	10
(20/250) * Annual Salary	8	15
(30/250) * Annual Salary	12	20,25,30,35,40 and 45

Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount rate	Yield Curve	7.96 %
CPI (Consumer Price Inflation)	Difference Between nominal and yield curve	6.33 %
Normal Salary increase rate	Equal to CPI + 1	7.33 %
Net effective discount rate	Yield Curve Based **	0.59 %
Accrued Liability	1 378 000	1 260 000

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate Males	Withdrawal rate Females
Age 20 - 24	16 %	24 %
Age 25 - 29	12 %	18 %
Age 30 - 34	10 %	15 %
Age 35 - 39	8 %	10 %
Age 40 - 44	6 %	6 %
Age 45 - 49	4 %	4 %
Age 50 - 54	2 %	2 %
Age 55 - 59	1 %	1 %
Age 60+	- %	- %

Notes to the Financial Statements

Figures in Rand	2015	2014

18. Employee benefit obligations (continued)

The amount recognised in the Statement of Financial Performance for both Medical Aid and Long service Awards were as follows:

Current service cost	445 000	395 000
Interest cost	408 000	307 000
Benefit Paid	(51 183)	(40 121)
Acturial (Gain) / Loss	403 183	81 121
	1 205 000	**743 000**

Superannuation Fund

The last valuation carried out on the Superannuation Fund as at 31 March 2014 reflected:

- The memorandum account in respect of pensioners was 96% funded
- There was a deficit in respect of active members which is being met by the surcharge of 9.5% of pensionable salaries, this surcharge is payable for 8 years with effect from 1 July 2012.
- The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.
- The statutory actuarial valuation carried out on the Superannuation Fund as at 31 March 2014 reflected:
- The memorandum account in respect of pensioners was fully funded.
- There was a deficit in respect of active members and it is recommended that the surcharge of 7% be increased to 9.5% of pensionable salaries and that the repayment period be set at 8 years at which time the deficit is expected to be fully funded. The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.

19. Housing Operating Account

Opening balance	100 348	100 348
Movements	-	-
Closing balance	**100 348**	**100 348**

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sales of houses.

Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Part of the funding is included in the Municipality's main bank account.

Notes to the Financial Statements

Figures in Rand	2015	2014

20. Property rates

Rates received

Residential	2 389 130	1 779 092
Commercial	2 329 573	1 169 628
State	2 515 066	4 293
State owned Land	-	1 385 597
Agricultural	1 005 644	823 477
Vacant Land	830 887	-
Less: Income forgone	(1 670 236)	-
	7 400 064	**5 162 087**

Assessment rates are levied on the value of land and improvements. Valuations on land and buildings are performed every four years. The last valuation was done in 2012/2013 with effective date of the new General Valuation Roll being 01 July 2014.

Valuations

Residential	439 650 000	403 665 000
Commercial	143 490 000	108 145 000
State	137 166 000	130 496 000
State owned Land	120 000	120 000
Agricultural	478 575 000	478 015 000
Municipal Properties	25 545 000	31 590 000
Churches (Place of Worship)	15 375 000	27 700 000
Vacant Land	41 250 000	13 715 000
	1 281 171 000	**1 193 446 000**

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis with the final date for payment being the 15th day of the following month.

Interest at 18 % per annum on all arrear assessment rates and a collection fee of 10 % on the assessment rate instalments,which are two or more months in arrears.

The new general valuation was implemented on 01 July 2013.

Rebates granted to:		
Residential property owners	- %	- %
Commercial property owners	15 %	10 %
Agricultural property owners	- %	- %
Other (Vacant land)	- %	10 %
Municipal Properties	100 %	- %

Notes to the Financial Statements

Figures in Rand	2015	2014

21. Government grants and subsidies

Operating grants		
Equitable share	49 450 000	40 352 000
Finance Management Grant	1 821 829	1 659 641
Subsidy Arts and Culture	592 076	651 749
Municipal Systems Improvement Grant	798 556	1 372 244
Sports Development Subsidy	150 729	-
Extended Public Works Program Grant	710 464	-
	53 523 654	**44 035 634**

Capital grants		
Intergrated National Electrification Program	12 579 129	7 668 120
KZN Cogta Funding	5 398 270	-
Municipal Infrastructure Grant	20 759 786	16 378 945
	38 737 185	**24 047 065**
	92 260 839	**68 082 699**

Equitable Share

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

Current-year receipts	49 450 000	40 352 000
Conditions met - transferred to revenue	(49 450 000)	(40 352 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Municipal Infrastructure Grant

Balance unspent at beginning of year	5 081 734	6 799 944
Current-year receipts	18 541 000	14 660 736
Conditions met - transferred to revenue	(20 459 096)	(16 378 946)
Amount withheld by Treasury	(3 372 957)	-
	(209 319)	**5 081 734**

Conditions still to be met - remain liabilities (see note 16).

In 2013/14 Financial Year, the municipality did not spend the transferred allocation for Municipal Infrastructure Grant and the municipality submitted the rollover application to National Treasury, the application was for R5, 081 million. Based on the assessment of the rollover application, National Treasury only approved portion of the rollover and the amount of R3, 3 million was withheld during 2014/15 Financial Year. The allocation for 2014/15 Financial Year received by the Municipality was 100% spent. The overspending on the Municipal Infrastructure Grant relates to the amount for Retention and the amount for Consultants incurred for previous year's projects which was funded by Municipal Infrastructure Grant that was withheld by National Treasury. The project not completed during 2014/15 Financial Year has been disclosed on capital commitments.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	(483 502)	(1 258)
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(798 556)	(1 372 244)
	(348 058)	**(483 502)**

Conditions still to be met - remain liabilities (see note 16).

Figures in Rand	2015	2014

21. Government grants and subsidies (continued)

The municipality has overspent on the Municipal System Improvement grant.

These funds are to be used for the updating of the Municipality's financial policies, financial management system and fixed asset register to comply with the new GRAP Standards.

Finance Management Grant

Balance unspent at beginning of year	(292 920)	(283 280)
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 821 829)	(1 659 640)
	(314 749)	**(292 920)**

Conditions still to be met - remain liabilities (see note 16).

The municipality has overspent on the Municipal Finance Management grant due to the implementation of the Pastel Evolution Financial System.

Extended Public Works Programme Grant

Balance unspent at beginning of year	(9 420)	-
Current-year receipts	1 081 000	1 000 000
Conditions met - transferred to revenue	(710 464)	(1 009 420)
	361 116	**(9 420)**

Conditions still to be met - remain liabilities (see note 16).

There was no allocation recevied by the municipality during 2013/2014 Financial Year. The allocation for 2014/15 was received however the municipality couldn't spend 100% due to the delays on the appointment of EPWP workers.

Arts and Culture Grant

Balance unspent at beginning of year	268 511	(18 740)
Current-year receipts	981 000	939 000
Conditions met - transferred to revenue	(592 076)	(651 749)
	657 435	**268 511**

Conditions still to be met - remain liabilities (see note 16)Arts and Culture grant is used by libraries for the operations. The library services failed to implement their plans 100% which lead to the unspent grant. This was casued by the resignation of the Librarian and the municipality also awarded a bid to the supplier for the supply of Computers for library services and the service provider failed to deliver the correct goods which led to the cancellation of the appointment and it was late to engage the other service provider. The unspent will be used as planned as per the business plan submitted to the province.

Integrated National Electrification

Balance unspent at beginning of year	1 205 043	73 163
Current-year receipts	10 000 000	8 800 000
Conditions met - transferred to revenue	(12 579 129)	(7 668 120)
Amount withheld by Treasury	(1 205 043)	-
	(2 579 129)	**1 205 043**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Financial Statements

Figures in Rand	2015	2014

21. Government grants and subsidies (continued)

The project for electrification of Lunerburg implemented during 2013/14 Financial Year was completed during the year under review which resulted to the unspent grant as at 30 June 2014. During 2014/15 the municipality implemented the project for the Electrification of KwaNgwanya Area and the project is currently under construction however the municipality have spent the total amount transfered and have overspent on the grant.

SPORTS DEVELOPMENT GRANT

Current-year receipts	300 000	-
Conditions met - transferred to revenue	(150 729)	-
	149 271	**-**

Conditions still to be met - remain liabilities (see note 16).

The conditions were met 100% however the allocation for 2015/16 financial year was received during 2015/16 financial year.

KZN COGTA MASSIFICATION GRANT

Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(5 398 270)	-
	1 601 730	**-**

Conditions still to be met - remain liabilities (see note 16).

The electrification of Nkembeni Phase 1 (Mbizeni Area) is under construction. The Grant was received from KZN COGTA in December 2014 and the planning started late which casue the delay on finishing the project during 2014/15 Financial Year.

22. Provision for Bad Debts Adjustment

Provision for Bad Debts Adjustment	5 710 523	16 807 525

Provision for Bad Debts Adjustment calculation		
Balance at beginning of the year	67 901 477	51 093 952
Movement	5 710 523	16 807 525
Balance at the endof the year	**73 612 000**	**67 901 477**

This adjustment is due to align the previous years provision for bad debts with the one for current year under review

23. Fines

Traffic Fines	3 594 500	1 515 956
Prepaid Meter Fines	45 474	86 990
	3 639 974	**1 602 946**

Fines	400 436	264 198
Fines not paid	3 194 064	1 251 758
	3 594 500	**1 515 956**

The Traffic fines not collected as at 30 June 2015 was R3 595 600 as per the schedule of fines issued. Based on the pass experience the fines were impaired and only 45% of the debt amount were recognised as revenue.Additional text

Notes to the Financial Statements

Figures in Rand	2015	2014

24. Interest received

Other loans	-	-
Interest on Debit Balance	133 754	-
Investment Interest	151 505	197 661
	285 259	**197 661**

Split sources of interest received for current AND prior year.

25. Other income

Burial Fees	20 189	10 991
Tender Monies	57 276	114 300
Mayoral Marathon	5 412	416
Rates Clearance Certificate	9 600	8 667
Sundry Income	46 268	679 222
Insurance Claim received	212 547	48 792
Reconnection Fees	614	22 211
Building and Structures fees	84 540	3 500
Hall Hire	38 950	59 702
TLB and Graders	-	27 712
Building Plans Fees	-	11 756
Preapaid Meter Box	24 342	-
School Patrolling Subsidy	14 988	-
LGSETA Subsidy	28 231	-
	542 957	**987 269**

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

26. Service charges

Sale of electricity	14 167 675	10 315 449
Refuse removal	5 212 445	4 273 595
	19 380 120	**14 589 044**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to tariffs approved by Council of eDumbe Local Municipality.

27. Audit Fees

External Audit Fees - Auditor-General	990 265	1 340 088

28. Bulk purchases

Electricity	15 245 219	13 621 753

Bulk purchases are in respect of electricity bill paid to ESKOM.

29. Contracted services

Internal Audit Unit	1 250 735	284 124
Lease of vehicles	1 571 414	1 549 980
	2 822 149	**1 834 104**

30. Employee related costs

Basic	21 315 818	19 708 906
Bonus	1 946 008	1 770 627
Medical aid - company contributions	925 013	823 709
UIF	173 664	170 126
Defined contribution plans	3 406 755	2 967 209
Travel, motor car, accommodation, subsistence and other allowances	1 875 052	1 411 420
Overtime payments	180 246	475 790
Long-service awards	17 105	-
Housing benefits and allowances	440 429	560 310
Cellphone Allowances	351 200	100 758
	30 631 290	**27 988 855**

Remuneration of municipal manager

Annual Remuneration	587 264	544 884
Car Allowance	203 530	192 312
Performance Bonuses	107 860	108 977
Contributions to UIF, Medical and Pension Funds	53 143	38 462
Housing Allowance	140 210	132 482
Cellphone Allowance	26 400	-
	1 118 407	**1 017 117**

Remuneration of chief finance officer

Annual Remuneration	251 464	502 696
Car Allowance	49 881	106 539
Performance Bonuses	98 226	102 000
Contributions to UIF, Medical and Pension Funds	73 417	98 913
Housing Allowance	28 994	129 676
Acting Allowance	179 914	-
Other allowances	72 514	-
	754 410	**939 824**

Mrs SQ Mntambo resigned on 30 September 2015 and Mr S Mngwengwe was appointed Acting CFO till March 2015 and he was permanently appointed as Chief Financial officer of the municipality with effect from 01 April 2015.

Remuneration of director of technical services

Annual Remuneration	177 470	384 624
Car Allowance	55 664	157 529
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	24 229	47 604
Housing Allowances	22 265	51 283
Cellphone Allowance	19 817	-
	299 445	**641 040**

Director Technical resigned from his position on November 2014 and the municipality appointed Municipal Manager to be an Acting Director Techincal and no acting allowance was paid. The post is still vacant as at 30 June 2015.

Notes to the Financial Statements

Figures in Rand	2015	2014

30. Employee related costs (continued)

Remuneration of directors corporate services

Annual Remuneration	449 078	417 259
Car Allowance	148 022	139 863
Performance Bonuses	57 617	51 283
Contributions to UIF, Medical and Pension Funds	38 969	27 973
Housing Allowances	59 209	55 945
Acting allowance	23 159	-
Cellphone Allowance	20 900	-
	796 954	**692 323**

Remmuneration of director community services

Annual Remuneration	414 544	384 629
Car Allowance	167 753	186 480
Performance Bonuses	39 097	51 283
Contributions to UIF, Medical and Pension Funds	8 973	-
Housing Allowances	74 009	66 932
Cellphone Allowance	48 873	-
	753 249	**689 324**

Remmuneration of director Planning and development

Annual Remuneration	345 948	352 572
Car Allowance	135 388	185 902
Performance Bonuses	45 956	51 283
Contributions to UIF, Medical and Pension Funds	7 974	-
Housing Allowances	62 053	70 514
Acting Allowance	35 942	-
Other	86 448	-
	719 709	**660 271**

Director Planning resigned from the Municipality on 30 April 2015 and Mr CT Buthelezi was appointed as Acting Director Planning.

31. Finance costs

	-	-
Loan	86 417	307 000
Late payment of tax	-	-
Other interest paid	979 672	211 684
	1 066 089	**518 684**

The total finance cost is calculated using the effective interest rate, on Financial Instruments not held at fair value through surplus or deficit .

Notes to the Financial Statements

Figures in Rand	2015	2014

32. General expenses

Employee Benefit Expense	-	395 000
Advertising	257 524	189 123
Aid Awarness	79 730	90 485
Chemicals	-	1 340
Cleaning	41 822	59 457
Commission paid	285 212	474 507
Community development and training	228 368	670 203
Computer expenses	51 132	63 881
Consulting and professional fees	3 200 073	1 176 451
Settlement contingencies	2 591 948	138 784
Entertainment	81 854	-
Fuel and oil	831 933	794 999
IT expenses	6 184	-
Indigent Burial	55 190	105 150
Insurance	666 284	564 983
Zoning of Land	1 080 385	204 124
Land fill site provision exp	50 492	48 070
Leave	535 672	334 728
Legal Fees	676 749	1 055 675
Local Economic Developments	196 615	323 349
Magazines, books and periodicals	-	191 011
Operating expenses for Leases	1 042 178	926 049
Other expenses	1 035 544	388 724
Property only	-	375 770
Poverty Alleviation	256 093	571 958
Printing and stationery	186 843	238 905
Promotions	4 765	200
Protective clothing	318 587	309 939
Regravelling Operational Expenses	-	106 773
Bank Charges	48 522	41 435
Road Transport Quality System	32 535	147 394
Promotions and sponsorships	-	448 083
Social Cohesion	255 747	302 108
Youth and Sport Development	1 293 628	1 281 460
Staff welfare	65 104	249 763
Consumables	72 846	172 519
Subscriptions and membership fees	1 011 600	634 634
Title deed search fees	144 389	511 919
Telephone and fax	906 987	441 530
Tourism development	246 550	201 943
Training	57 731	89 361
Accommodation and Travelling Expenses	1 523 509	1 185 725
Impairment Loss - Traffic fines	4 192 897	-
Municipal Cellphones	-	684 590
Ward Committee Expenses	103 988	170 000
Water	19 170	11 009
	23 736 380	**16 373 111**

Notes to the Financial Statements

Figures in Rand	2015	2014

33. Operational Grant expenses

Municipal Systems Improvement Grant	720 111	1 236 386
Electrification Grant	-	219 348
Arts and Culture Subsidy	642 019	645 702
MIG Operating Expenses	2 050 254	154 639
Municipal Finance Managament Grant	1 700 340	1 525 353
EPWP Grant	696 008	-
Sport Development Subsidy	179 529	-
	5 988 261	**3 781 428**

34. Operating lease

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Operating lease as a lessee		
Within one year	322 451	2 266 534
In the second to fifth year inclusive	339 391	312 128
	661 842	**2 578 662**

Operating lease payments represent rentals payable by the municipality for certain photocopying machine and as well as for telephonic system . Leases are negotiated for an average term of three years. The lease agreement for vehicles are on the month-to-month with RIS Vehicle Hire for the duration of 2014/15 Financial Year.

Operating Leases - as lessor **Minimum lease payments due**		
Within one year	1 110 783	1 146 897
In the second to fifth year inclusive	6 208 105	4 587 588
After five years	13 841 438	16 056 588
	21 160 326	**21 791 073**

Operating Leases consists of the following:

Certain of the municipality's property is leased to Mondi is held to generate rental income. Rental of property is expected to generate rental yields of R 828.08 per hectare (Ha) with an escalation avarage linked to CPI of 3.74% per annum on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years and the lease signed by Mondi was for 18 years.

The municipality has provided the office of the MPAC chairperson.

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Remuneration of councillors

Hon. Mayor	853 797	698 694
Hon. Deputy Mayor	276 636	319 112
Executive Committee Members	327 537	300 471
Speaker	601 347	551 837
Councillors	2 250 817	2 580 884
Councillorsôpension contribution	31 398	-
MPAC Chairperson	310 304	-
	4 651 836	**4 450 998**

The Mayor is full time and is provided with an office and secretarial support at the cost of the Council. The Mayor, Deputy Mayor and Speaker has use of a Council owned vehicle for official duties. The Mayor has two full time bodyguard and Deputy Mayor and Speaker have full time drivers each. The speaker of the Council is full time and is also provided with an office and secretarial support.

36. Cash generated from operations

Surplus (deficit)	20 088 598	(6 081 915)
Adjustments for:		
Depreciation and amortisation	7 681 342	7 427 736
Gain on sale of assets and liabilities	2 051 383	491 490
Impairment deficit	1 531 061	19 150
Debt impairment	5 710 523	16 807 525
Movements in retirement benefit assets and liabilities	1 205 000	-
Movements in provisions	2 642 440	-
Movement in tax receivable and payable	373 215	-
Loss on acturial benefit	-	81 121
Changes in working capital:		
Inventories	124 418	(23 689)
Receivables from exchange transactions	-	(553 344)
Consumer debtors	(7 584 826)	1 097
Other receivables from non-exchange transactions	(5 099 535)	(2 101 654)
Payables from exchange transactions	7 816 127	5 604 923
VAT	-	116 108
Unspent conditional grants and receipts	(2 999 893)	(790 962)
Consumer deposits	2 042	-
Current portion of Long Term Liabilities	-	248 565
Provisions	-	(1 536 000)
Retention	-	139 062
	33 541 895	**19 849 213**

37. Changes in accounting policy and other restatements

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Due to the cash flow issues and the challenges facing the municipality when doing the collection of debts, the Council of eDumbe Local Municipality passed a resolution to writte-off the interest charged on outstanding accounts and not to charge interest in 2015/16 Financial Year. Interest charged to be reviewed once the situation has been resolved. The municipality will assess the situation next financial year to determine if all issues are resolved and interest can be charged.
- The change in estimate on the General expenses was due to the change in estimate for Rehabilitation of landfill site. An amount of R247 941 was reported during 2013/14 Financial year and the report on rehabilitation of landfill site was conducted and landfill site expense decrease to R48 069 for 2013/14 Financial year.

The aggregate effect of the changes in accounting policy and other restatement on the financial statements for the year ended 30 June 2014 is as follows:

Notes to the Financial Statements

Figures in Rand	2015	2014

37. Changes in accounting policy and other restatements (continued)

Statement of financial position

Receivables from non-exchange transactions		
Previously stated	-	1 521 793
Adjustment	-	(1 521 793)
	-	**-**

Statement of Financial Performance

Property Rates - Penalties Impose		
Previously stated	-	1 521 793
Adjustment	-	(1 521 793)
	-	**-**

General Expenses		
Previously stated	-	16 531 547
Adjustment	-	(199 872)
	-	**16 331 675**

Effect on the face of Statement of Changes of Equity

Property Rates - Penalties imposed	-	1 521 793

38. Prior period errors

Property, Plant and Equipment land values were not corrected when new Valuation roll were implemented on 01 July 2013. The correction of errro has been done and the disclosure has been done restrospectively.

The Investment Property has been revalued by EMS Consulting who were subcontracted by Ducharme Consulting. The municipality appointed Ducharme Consulting to perform the exercise of valuation of Investment Property. The figures has been restated from previous year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	236 115 115	213 049 870
Investment Property	10 996 786	10 996 786

Effects on the Statement of Financial Position	Previously stated	Currently stated	Adjustment
Accumulated surplus opening 2013/14	188 799 673	208 295 866	19 496 193
Accumulated surplus Current year 2013/14	(4 759 994)	(6 081 915)	(1 321 921)
	184 039 679	**202 314 299**	**18 174 272**

Notes to the Financial Statements

Figures in Rand	2015	2014

38. Prior period errors (continued)

Effects on the Statement of Changes in Net Assets	Previously stated	Currently stated	Adjustment
FAR closing balance corrections	432 000	10 996 786	10 564 786
Property Rates - Penalties imposed written off	1 521 793	-	(1 521 793)
	-	-	-
	-	-	-
	1 953 793	**10 996 786**	**9 042 993**

The above journals were processed direct to the accummulated surplus to correct the individual accounts

Propert plant and equipment	Previously stated	Currently stated	Adjustment
Effects on the face of the Notes to the Annual Financial Statements			
Land cost			
Adjusted cost	22 352 343	29 048 000	6 695 657

39. Commitments

The committed expenditure relates to work-in-progress and future projects which will be constructed in various wards and will be financed by Municipal Infrastructure Grant and Intergrated National Electrification Program and internally generated etc.

	2015	2014
Commitments in respect of capital expenditure		
Committed budget and Contracted for	3 123 914	22 690 047
Committed budget but not contracted for	34 691 500	7 650 000
	37 815 414	**30 340 047**

	2015	2014
This expenditure will be financed from:		
National Grants (INEP and MIG)	37 815 414	30 340 047

40. Unauthorised expenditure

	2015	2014
Opening balance	83 114 032	76 930 679
Unauthorised expenditure - current year	13 873 202	6 183 353
Expenditure authorised by Counicl / Provided for in the Budget	(83 114 032)	-
	13 873 202	**83 114 032**

The unauthorised expenditure relates to expenditure incurred that exceeded the budget. The municipality incurred unauthorised expenditure for 2014/15 financial year on Non-Cash items (Depreciation, Impairment, Bad debts provision, Traffic fines provision) and other general expenses. The item to Council will be prepared for Council to consider providing for the expenditure on the budget during Adjustment Budget.

41. Irregular expenditure

	2015	2014
Opening balance	8 747 361	5 301 465
Add: Irregular Expenditure - current year	25 500 444	3 445 896
Add: Irregular Expenditure for 2013/14 identified in 2014/15	7 907 090	-
	42 154 895	**8 747 361**

Figures in Rand	2015	2014

41. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

	2015	2014
Current year	33 407 534	3 445 896
Prior years	8 747 361	5 301 465
	42 154 895	**8 747 361**

Details of irregular expenditure – current year

Incident Awards of tenders to people in service of the state		874 496
Irregular Expenditure - Non compliance with Supply Chain Management Regulations	33 407 534	7 872 865
		8 747 361

Irregular expenditure incurred for the current year relates to the amounts paid to Security company (Ingonyama Security - R1 542 480). The expenditure was regarded as irregular previouse years and the contract signed was for 3 years. The amount was disclosed and condoned last financial years, 2011/2012 and 2012/2013 irrespectively since the appointments was done incontraventions with SCM regulations/ processes.

An amount of R17 977 399 was incurred by the municipality for the Electrification Projects. The appointment was made to BTMN Engineers on a Turn-Key basis however the appointment was not inline with SCM Regulation because the Tender process was not followed they were appointed on risk. The appointment for Philangwane, Sganzo Trading and Ziqoqe Construction done during the year was irregular because the service providers were not suppossed to be allocated points for BBBEE since they submitted copies of BBBEE certificate. The bid evaluation used a criteria to evaluate the bids for Sports Gear and Protective clothing which was not included on the advert and tender document (R744 035 is irregular). An amount of R 1 042 207.64 was incurred and the requirement of getting 3 quotations were not met. An amount of R571 086 has been incurred for Projects where the projects exceeded the appoinntment/ contract value.

An amount of R8 747 361 has been written off by Council as irrecovarable in terms of section 32 of the MFMA and awaiting condonation by National Treasury as per section 170 of the MFMA.

42. Fruitless and wasteful expenditure

	2015	2014
Opening balances	1 026 720	641 614
Fruitless and wasteful expenditure - current year	784 156	385 106
	1 810 876	**1 026 720**

An amount of R 1 654 392 has been written off by Council as irrecovarable in terms of section 32 of the MFMA and awaiting condonation by National Treasury as per section 170 of the MFMA.

Figures in Rand	2015	2014

43. Deviation from supply chain management regulations

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by the Council. The expenses incurred as listed hereunder have been condoned.

Tss Engineering	192 796	134 440
Roga Motors	821 092	783 743
Bell Equipment	181 251	-
Advertising	355 586	-
Accomodation & other	771 293	822 759
IMFO	27 209	-
MIG Projects Expenditure	-	5 819 839
Mthembu and Sons LandHire	3 670 494	-
Nankoo and Associates	-	428 396
Sage VIP Payroll	88 811	-
South African Post Office	29 674	-
Bonamanzi Caravan Park (Horse Ridding winners)	59 000	-
Striving Mind Trading 1292	35 000	-
Eskom	37 080	-
Syco Machinery	36 811	-
SABC	-	90 356
Formal written Quotations Awarded	716 110	-
PMB TV Video Repairs Centre	35 000	160 000
General Expenses	47 194	-
DNS Security	160 740	-
Total amount approved by Council	-	-
Deviations awaiting authorisation	**7 265 141**	**8 239 533**

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

The following items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1) (a) to (d) as stated above.

Tss Engineering

It was an emergency due to a break down of electrical transformer	192 796	134 440

Roga Motors	821 092	783 743

The municipality engaged with the garage to provide the petrol as and when required. Only garage agreed to help the municipality with Petrol.

Bell Equipment	181 251	-

The municipality bought Bell Equipment in 2011 and the municipality is currecntly utilising the services for Bell Equipment for servicing of the equipment.

Advertising	355 586	-
DNS Security	160 740	-
	516 326	**-**

Notes to the Financial Statements

Figures in Rand	2015	2014

43. Deviation from supply chain management regulations (continued)

The municipality is currently using Isolezwe as the advertising newspaper due to the fact that they advertise everyday and it is frequently used by the community members around eDumbe and other areas. The other expense on advertising was on the advert for posts for section 57 employees which require municipalities to advertise on National newspaper and Sunday Times is therefore used since it is normally used by most municipalities and Government departments. The second transaction was for DNS Security, the municipality followed the process of advertising however only one service provider who submitted the quote there for the Deviation for minor has been approved by the Accounting Officer in terms of SCM Regulation.

Accommodation and Other expenses	771 293	822 759

The municipality could not be able to obtain 3 qoutation on the accomodation expenses due to the venues (location) of the meetings attended by the municipal delegates as well as the condition of the hotels. The municipality also couldn't able to obtain three quotation for the advertisement on local nwespapers. The municipality is using Vryheid Herald and Isolezwe for advertising. The other expenses are minor breaches where three quotations were not obtained.

MIG Projects Expenditure	-	5 819 839

The appointed contractors for some of the projects from 2011/2012, 2012/2013 and 2013/2014 failed to complete the projects they were tasked to do and the municipality had to ensure that the service delivery is not affected by their failure. Due to time constraints and unspent grant issues the municipality used SCM regulation 36 to deviate from normal SCM processes of advertising to get the new companies to finish of the projects.

IMFO	27 209	-

The IMFO conference is only provided by sole supplier which is IMFO.

Nankoo and Associates	-	428 396

Suppotring documents for appointment of the consultant was not located. Only the appointment letter was located and the proof of whether the process was followed or not could not be provided the it was therefore agreed to disclose as irregular.

Mthembu and Sons Land Hire	3 670 494	-

The contractor was appointed by the municipality after the court settlement. It was impractical for the municipality to follow the process due to the pending case which was involving the two parties.

SAGE VIP Payroll	88 811	-

The company provides the municipality with Payroll system. The expenditure is for short courses, support, annual license for the system and payslip papers.

South African Post Office	29 674	-

Sole suppler for postal stamp used by the municipality to post letter to consumers and other letters to other organs of state.

Syco Machinery	36 811	-

Traffic machines which needs calibration, one company does calibration for KZN municipalities.

Striving Mind Trading 1292	35 000	-

Media coverage for the Mayoral Marathon from different newspapers and radio stations organised by the service provider.

Bonamanzi Caravan Park	59 000	-

Notes to the Financial Statements

Figures in Rand	2015	2014

43. Deviation from supply chain management regulations (continued)

The payment was for a Cheque issued for the prices of Jockies during Horse ridding event in September 2014.

Eskom	37 080	-

They were the only service provider responded to the quotation.

SABC	-	90 356

Sole service provider used by the municiplaity to communicate with community. Ukhozi FM was then used.

Mafunisa Consulting	-	563 500

General expenditure was incurred where only 1 quotation was received instead of three. The expenditure include the addition on Insurance contract for R11 758, Department of Transport payment R19 592, Service for Mayoral Toyota vehicle for R8 603, Annual Conference for R3000 and Burial assistance for R4 240.

General Expenditure	47 194	-

PMB TV Video Repairs Centre	35 000	160 000

Due to emergency for buglary in municipal bulding, the municipality had to enforce the security controls.

Formal written Price quotation was obtained by the municipality however only 1 service provider who responded and the municipality opted to continue with the process and the deviation for minor breach because only 1 quote received instead of three even though the process was correctly followed. The amount was for Total Client Services R138 508, Zandi Power Services R198 381, IsulamiTrading R40 000, Zanecebo Trading R41 822, Dr Mlothwa X-Ray R149 400 and Ntshidi and Associates R148 000.

Formal written Price Awards	716 110	-

44. Distribution losses

Electricity		
Number of consumers (Residential and Commercial)	2 132	2 921
Units purchased (kwh)	18 860 540	18 316 251
Unit sold (Total)	12 089 620	8 889 101
	6 770 921	9 427 150
Units own use (Municipal building)	2 067 635	2 584 544
Units lost in distribution	4 703 285	6 842 605
% Lost in distribution	25	37.36 %
Total cost (Expenses)	8 569 175	9 866 782
Cost per unit purchased	-	0.53
	2 116 782	**3 642 335**

Notes to the Financial Statements

Figures in Rand	2015	2014

45. Related parties

Related party balances

Cllr Ronnie Gevers has a company and the municipality has traded with his company during 2014/2015 financial year. The name of the company is Forest Pro.

They were no Councillors in arrears on their accounts as at 30 June 2015.

	2015	2014
Related Party - Trade Receivables		
Amounts included in trade receivables regarded related parties relate to amount owed by Cllr RC Gevers and IAT Mbatha for 2013/14	-	10 694
Related Party - Trade Payables		
Amount included on general expenses relates to related party for ZDM Shared Services for planning departments and other transactions with Zululand District Municipality.	23 714	448 083
Isulami Trading and Projects has traded with the municipality during the year under review and the spouse of the Director is in the service of the state employed by eDumbe Local Municipality (Local Government).	142 300	-
The municipality traded with Total Client Services for the contravention Management System and the spouse of the Director of the company is in service of the state being employed by EC Liquoir Board.	138 565	-

Details of remuneration of Councillors and key management are disclosed in note 30 and in note 35.

No benefits were paid to spouses and dependents of key management or Councillors.

Remmuneration of Councillors and Key management

Transactions:

Cllr Ronnie Gevers has a company and the municipality has traded with his company during 2014/2015 financial year. The name of the company is Forest Pro.	7820

Notes to the Financial Statements

Figures in Rand	2015	2014

46. Contingencies

Contingent liabilities

	2015	2014
Claims for damages - Cox and Partner	-	3 500 000
The Municipality is being sued by Cox and Partner for collection of debtors. Council is contesting the claim based on legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled by paying an amount of R 3 500 000 inclusive of legal costs.		
Claim for damages - AMT Putini	780 305	780 305
Mr AMT Putini instituted proceedings in the Bargaining Council challenging his suspension in 2010 by Council. The award was for the municipality to pay the claimant an amount of R R480 305. The Council has challenged the award and currently the Council attorney are currently dealing with the matter. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 480 305 plus an amount estimated at R150 000 for Mr AMT Putini's attorneys. The contingent liability also includes legal costs of R 150 000 for Council.		
Guarantee with Eskom	530 000	530 000
The Municipality has call account amounting R530 000 has been invested with First National Bank as guarantee for Eskom licence		
Mthembu and sons	3 150 000	3 150 000
The municipality is being sued by Mthembu & Sons who claimed that they have done the job for the municipality which amounts to R 3 000 000 for gravelling of Rural roads. Mthembu and Sons was appointed by former Speaker of the Council, Councillor Mncube and supply chain management procedures were not followed. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 3 000 000. The contingent liability includes legal costs of R 150 000. The court date has not been set.		
Mthembu and sons	-	3 119 236
The municipality is being sued by Mthembu & Sons for the service they rendered to the municipality was given a contract for gravelling road that totals to R2 969 236 but they have not perfomed the work. Mthembu & Sons want to be paid R2 969 236 because he has the contract with Municipality. Council has be unsuccessful in defending the matter and the settlement was made and Mthembu & Sons was given the opportunity to perform the work given to him at an escaleted amount which included the interest and standing time.		
MSN Investments	123 906	123 906
The municipality is being sued by MSN Investment who claimed that he was appointed by the then Acting Municipal Manager verbally to continue working for eDumbe Local Municiplity for the finalisation of the Annual Financial Statements. MSN Investment is claiming R73 906 for the work performed. The contingent liability includes legal costs of R 50 000		

Itlathi Transport CC

Figures in Rand	2015	2014

46. Contingencies (continued)

	2015	2014
The municipality is being sued by Ihlathi Transport CC for the service rendered to the municipality. Ihlathi Transport is demanding outstanding payment of R1, 9 million from the municipality for services rendered. Ihlathi Transport CC has not issued summons but the matter has been refered to the court . The contingent liability includes legal costs of R 100 000.	2 000 000	2 000 000

PMPZ Construction

	2015	2014
The municipality has been threatened PMPZ Construction to institute legal proceedings for unpaid balance arising from a contract awarded to them. The company was doing Construction services for MIG projects and the contract was cancelled by the Municipality. The total amount the municipality will be liable should they continue with the matter and wins it is R 457 860. The contingent liability includes legal costs for plantif of R100 000 and the legal cost for the municipality of R 50 000.	607 860	607 860

Swatilelihle

	2015	2014
Swatilelihle is suing the municipality for an amount of R 3 800 448 for unpaid invoices arising from a contract. The contingent liability includes legal costs for plantif of R100 000 and the legal cost for the municipality of R 150 000.	4 050 448	4 050 448

Lime Distributors

	2015	2014
Lime Distributors is suing the municipality for unpaid invoices for goods delivered in terms of the Cession Agreement with Swatilelihle.Lime Distributors is suing the municipality for an amount of R 223 258. The contingent liability includes legal costs for plantif of R 100 000 and the legal cost for the municipality of R 100 000.	423 258	423 258

Natal Richards Bay Hire CC

	2015	2014
Natal Richards Bay Hire CC is suing the municipality for R 411 279 together with interest for failing to pay monies due to it in terms of the contract. The contingent liability includes legal costs for plantif of R200 000 and the legal cost for the municipality of R 200 000.	811 279	811 279

Wage collection agreements 2010

	2015	2014
The is possiblitiy contingencies arising from pending litigation on wage curve agreement. On 21 April 2010 SALGA signed the ‟Categorisation and job evaluation wage curves collective agreementˮ(wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees'jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities,applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation;Therefore it is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation	-	-

Notes to the Financial Statements

Figures in Rand	2015	2014

47. Going concern

During the current year the municipality could not pay off the instalments for the loan due to DBSA, Debtor collection rate was very low and conditional grants could not be backed up by cash in the bank. The liquidity ratio for the municipality is below one which means the municipality is not able to pay its creditors as they fall due, however, because at year end, the municipality is in a net asset position, the municipality is deemed to be a going concern. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. This is further mitigated by the fact that National Treasury will still be funding municipality activities, with no evidence of intention to withdraw financial support.

The ability of the municipality to continue as a going concern is dependent on a number of factors which include the assets and liability of the municipality.

48. Risk management

The municipality�s finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.

Credit risk

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality�s maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	**2015**	**2014**
Cash and Cash Equivalents	1 124 921	1 464 739
Trade and Other Receivables transactions	3 511 784	1 637 482
Other	-	-
	-	-
Maximum credit exposure	4 636 705	3 102 221

Liquidity risk

The municipality�s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities. Unspent Grants ar cashed back.Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality�s financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Trade and other payables	21 933 701	14 117 574
VAT Payable	335 945	-
Maximum liquidity exposure	**22 269 646**	**14 117 574**

Notes to the Financial Statements

Figures in Rand	2015	2014

48. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipalityҒs income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	1 124 921	1 464 739
	-	-
Maximum interest exposure	**1 124 921**	**1 464 739**

49. Budget versus Actual Statement

The comparison of the MunicipalityҒs actual financial performance with that budgeted is set out in the face with reason for variences and corrective measures.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	617 032	167 032
Current year subscription / fee	1 007 344	450 000
	1 624 376	**617 032**

The amount is included accruals raised for 2014/2015 financial year for the membership to SALGA for the municipality.

Audit fees

Opening balance	45 089	11 725
Current year subscription / fee	990 265	1 340 088
Amount paid - current year	(990 265)	(1 294 999)
Amount paid - previous years	(45 089)	(11 725)
	-	**45 089**

The municipality paid the previous year balance as well as the current year invoices in full during the year.

PAYE and UIF

Opening balance	1 176 693	349 310
Current year subscription / fee	6 115 416	4 911 211
Amount paid - current year	(4 773 968)	(3 734 518)
Amount paid - previous years	(1 179 693)	(349 310)
	1 338 448	**1 176 693**

The balance includes PAYE,SDL and UIF deducted from April 2015, May 2015 and June 2015 payroll. These amounts were paid during July 2015. The amount of R 1 338 448 was not paid as at 30 June 2015 and it was part of the accrual raised in 2014/2015.

Notes to the Financial Statements

Figures in Rand	2015	2014

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

Pension and Medical Aid Deductions

	2015	2014
Opening balance	977 096	612 878
Current year subscription / fee	4 188 595	5 953 417
Amount paid - current year	(3 745 744)	(5 130 531)
Amount paid - previous years	(989 221)	(458 668)
	430 726	**977 096**

The unpaid balance represents pension and medical aid contributions deducted from employees in June 2015 payroll as well as Council's contributions to pension and medical funds. These amounts were paid during July 2015. From 2012/2013 there was an amount which remained unpaid for R154 211. This amount was investigated by the municipality and a decision by management to written back to the vote has been taken since this amount is no longer owed.

Councillors' arrear consumer accounts

They were no Councillors in arrears on their accounts as at 30 June 2015:

51. Events after the reporting date

The case between eDumbe Local Municipality and Cox and Partners has been finalised with a settlement being agreed between two parties. The municipality is expected to pay an amount of R2, 5 million to Cox and Partners. The first option is to pay the total balance of R2, 5 million or to pay in two equal instalments inclusive of interest. The total amount to be paid in instalment will be R2 591 849.32. The provision for contigent liability has been raised on the financial position of the municipality at R 2 591 849.32.

52. Change in estimate

Property, plant and equipment

During 2014/2015 the municipality engaged Ducharme Consulting to assess and do the estimation for the of landfill site of eDumbe Local Municipality. The Provision for Rehabilitation was previousely done by MAMS in 2011/2012 Financial Year. The provision calculation/ estimation has been done retrospectively which has cause the change in estimatesrehabilitation from R 1 900 877 to R 1 001 826 on the opening balance figure (2013/2014 financial year closing balance).

	Previously stated	Currently stated	Adjustment
Rehabilitation for Landfill Site	1 900 877	1 001 826	(899 051)
Balance previously reported 2013	-	-	1 900 877
Reversal of Previous Years Landfill Expense	-	-	(247 941)
Reversal Off Previos Provision	-	-	(1 652 937)
Opening Provision for 2013/14 restated	-	-	953 756
2013/14 Landfill Expense	-	-	48 069
			1 001 826

53. Rental of facilities and equipment

	2015	2014
Facilities and equipment		
Rental of facilities	526	-
Rental of equipment	200 562	148 450
Rental income - Plantation	1 221 610	503 025
	1 422 698	**651 475**