

# Ugu District Municipality

(Registration number DC21)

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Impairment of non-cash-generating assets (continued)

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### 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:

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### 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 is recognised immediately in surplus or deficit.

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

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

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

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### 1.11 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.12 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

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### 1.12 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.13 Provisions, Contingent assets and contingent liabilities

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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### 1.13 Provisions, Contingent assets and contingent liabilities (continued)

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms, and

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### 1.13 Provisions, Contingent assets and contingent liabilities (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.15 Revenue from exchange transactions

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

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

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

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

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### 1.15 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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### 1.16 Revenue from non-exchange transactions (continued)

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.17 Investment Income

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

### 1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

### 1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2014-07-01 to 2015-06-30.

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



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### 1.23 Budget information (continued)

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

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to note .

Comparative information is not required.

### 1.24 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 local sphere of government are considered to be related parties.

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

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

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

### 1.25 Events after reporting date

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

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

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

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

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### 1.26 Consolidation

#### Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the municipality are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

### 1.27 Tax

#### Value added tax

The municipality accounts for value added tax on the payment basis in accordance with section 15(2) of the value-added tax act (Act No. 89 of 1991).

The entity accounts for value added tax on the invoice basis in accordance with section 15(2)(a) of the value-added tax act (Act No 89 of 1991).

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### 1.28 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

### 1.29 Comparative figures

#### Current year comparative

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the annual financial statements.

#### Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

#### Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the council for the preparation of these annual financial statements. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over or under spending on line items. The annual budget figures included in the annual financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

### 1.30 Events after the reporting period

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting period have been disclosed in notes to the annual financial statements.

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## Notes to the Financial Statements

Figures in Rand

2015

2014

### 2. New standards and interpretations

#### 2.1 Standards and interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	Not yet effective

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not yet effective
• GRAP108: Statutory Receivables	01 April 2016	Not yet effective
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not yet effective
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	Not yet effective

#### 2.3 Standards and interpretations not yet effective or relevant

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

Standard/ interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>3. Inventories</b>		
Consumable stores	7 322 970	1 332 919
Maintenance materials	6 673 837	6 287 305
Water	429 661	438 534
Other goods held for resale	-	10 657
	<b>14 426 468</b>	<b>8 069 415</b>

The municipality has identified and measured all inventory in terms of GRAP 12 for the financial year ended 30 June 2015. The balances of the inventories have accordingly been restated retrospectively.

Inventories are held for own use with the result that no write downs of inventory to net realisable value are required.

The cost of water production for the year amounted to R1,87 per kilolitre (2014: R1,78 per kilolitre).

No inventories have been pledged as collateral for liabilities of the municipality.

### 4. Long-term receivables

<b>At amortised cost</b>		
Sundry Loans	310 271	3 893
Relocation costs	12 228	35 553
	<b>322 499</b>	<b>39 446</b>

<b>Non-current assets</b>		
At amortised cost	270 644	7 404

<b>Current assets</b>		
At amortised cost	51 855	32 042

### 5. Operating lease asset (accrual)

Current assets	28 410	57 450
Current liabilities	(50 643)	(59 991)
	<b>(22 233)</b>	<b>(2 541)</b>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>5. Operating lease asset (accrual) (continued)</b>		
<b>Operating lease asset</b>		
Balance at beginning of year	57 450	43 785
Operating lease revenue recorded	968 235	889 586
Operating lease revenue from smoothing	(997 275)	(875 921)
<b>Total operating lease assets</b>	<b>28 410</b>	<b>57 450</b>

### Leasing Arrangements

#### The Municipality as Lessor:

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

#### Amounts receivable under operating leases

At the reporting date the following minimum lease payments were receivable under non-cancellable operating leases for property, plant and equipment, which are receivable as follows:

Up to 1 year	443 024	934 117
2 to 5 years	901 844	228 287
<b>Total</b>	<b>1 344 868</b>	<b>1 162 404</b>

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a decrease in current year income of R28 410 (2014: R57 450).

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

#### Operating lease accrual

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Balance at beginning of year	59 991	34 011
Operating lease expenses recorded	1 836 763	686 812
Operating lease payments from smoothing	(1 846 112)	(660 832)
<b>Total operating lease accrual</b>	<b>50 642</b>	<b>59 991</b>

### Leasing arrangements

#### The Municipality as Lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

#### Amounts payable under operating lease

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 5. Operating lease asset (accrual) (continued)

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

Within one year	827 632	849 670
In the second to third years, inclusive	415 667	477 272
Over three years	165 443	128 534
	<b>1 408 742</b>	<b>1 455 476</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	1 836 763	686 812
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The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

### 6. Receivables from non-exchange transactions

Payments made in advance	14 094 251	1 920 995
Government grants and subsidies	11 562 424	236 950
Insurance claims	122 367	122 367
Municipal entities	50 979	66 846
Sundry deposits	808 432	808 432
Sundry debtors	10 510 875	549 837
	<b>37 149 328</b>	<b>3 705 427</b>

The average credit period for government grants and subsidies is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality due to allocations made in DORA or based on agreements between the municipality and the relevant departments.

Insurance claims are amounts which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Sundry receivables are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The average credit period for receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables.

The municipality does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the municipality's financial liabilities.

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>6. Receivables from non-exchange transactions (continued)</b>		
The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.		
<b>Receivables from non-exchange transactions past due but not impaired</b>		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 10 737 228 (2014: R 8 633 318) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
3 months past due	10 737 228	8 633 318
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	8 918 964	1 962 583
Contributions	-	9 545 502
Debts written off	(6 053 415)	(2 589 121)
	<b>2 865 549</b>	<b>8 918 964</b>

The provision of impairment on receivables exists predominantly due to the possibility that these amounts may not be recovered. The receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment was calculated after grouping all the financial assets for similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The consideration of credit risk is limited due to most of these being sundry in nature.

### 7. VAT receivable

VAT	229 071	16 970 584
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Vat is payable on the payment basis. Once payment is received from customers/receivables, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

### 8. Receivables from exchange transactions

<b>Gross balances</b>		
Water rates	39 448 907	33 517 928
Water	159 112 650	133 741 989
Sewerage	61 408 041	52 387 299
Other trade	5 466 626	5 460 375
	<b>265 436 224</b>	<b>225 107 591</b>
<b>Less: Allowance for impairment</b>		
Water rates	(24 184 196)	(20 865 280)
Water	(102 222 236)	(58 827 715)
Sewerage	(40 239 667)	(11 224 857)
Other trade	(3 732 107)	(3 732 107)
	<b>(170 378 206)</b>	<b>(94 649 959)</b>



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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>8. Receivables from exchange transactions (continued)</b>		
<b>Net balance</b>	<b>15 264 711</b>	<b>12 652 648</b>
Water rates	56 890 414	74 914 274
Water	21 168 374	41 162 442
Sewerage	1 734 519	1 728 268
Other trade		
	<b>95 058 018</b>	<b>130 457 632</b>
<b>Water rates</b>		
Current (0 -30 days)	3 029 748	2 808 935
31 - 60 days	77 718	3 910
61 - 90 days	57 418	16 310
+90 days	12 099 827	9 823 493
	<b>15 264 711</b>	<b>12 652 648</b>
<b>Water</b>		
Current (0 -30 days)	14 119 066	22 884 008
31 - 60 days	4 408 069	3 689 465
61 - 90 days	3 483 731	4 083 216
+90 days	34 879 548	44 257 585
	<b>56 890 414</b>	<b>74 914 274</b>
<b>Sewerage</b>		
Current (0 -30 days)	8 448 128	6 885 203
31 - 60 days	2 525 068	2 099 131
61 - 90 days	2 377 970	1 971 654
+90 days	7 819 208	30 206 454
	<b>21 168 374</b>	<b>41 162 442</b>
<b>Other (specify)</b>		
+90 days	1 734 519	1 728 268
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(94 649 959)	(91 461 900)
Contributions to allowance	(85 629 566)	(10 717 442)
Debt impairment written off against allowance	9 901 319	9 609
Reversal of allowance	-	7 519 774
	<b>(170 378 206)</b>	<b>(94 649 959)</b>

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	36 989 962	152 373 720
Short-term deposits	222 079 555	8 292 741
Other cash and cash equivalents	4 910	4 910
Bank overdraft	(26 152 189)	(3 343 474)
	<b>232 922 238</b>	<b>157 327 897</b>
Current assets	259 074 427	160 671 371
Current liabilities	(26 152 189)	(3 343 474)
	<b>232 922 238</b>	<b>157 327 897</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

<b>Credit rating</b>		
Long-term (AAA) Short-term (F1+)	47 164 170	156 585 295
Long-term (AA) Short-term (F1+)	120 018 266	17 465
Long-term (A+) Short-term (F1)	65 000 000	-
Other	734 892	720 227
	<b>232 917 328</b>	<b>157 322 987</b>

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015			2014		
<b>9. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Port Shepstone - Account Number 40-8660-3763 (Salaries Account):	(56 150)	259 244	136 729	(56 150)	140 753	57 474
ABSA BANK - Port Shepstone - Account Number 40-8668-6294 (Collection Account):	83 317	897 611	742 351	59 381	873 676	716 280
ABSA BANK - Port Shepstone - Account Number 40-8668-6367 (MIG Project Account)	(4 690 825)	120 005	379 597	(4 690 825)	120 005	379 597
ABSA BANK - Port Shepstone - Account Number 40-8668-6529 (Primary Bank Account):	3 223 172	106 422	417 315	(16 321 139)	5 568	4 544
ABSA BANK - Port Shepstone - Account Number 40-8668-6472 (General Bank Account):	83 756	(1 522 481)	470 667	(5 017 457)	(3 343 474)	(3 195 209)
ABSA BANK - Port Shepstone - Account Number 40-8671-0647 (Consumer Deposits Bank Account):	740 365	2 874 066	2 450 698	(66 618)	654 262	519 870
ABSA BANK - Port Shepstone - Account Number 40-8757-0008 (Investment Daily Call Account)	30 084 662	7 154 848	-	30 084 662	7 154 848	-
ABSA BANK - Port Shepstone - Account Number 40-8757-0977 (Group Life Account):	4 165 110	4 148 944	4 116 840	4 165 110	4 114 803	4 116 840
ABSA BANK - Port Shepstone - Account Number 40-8895-1879 (MIG Call Account)	6 241 256	388 001	-	6 241 256	388 001	-
ABSA BANK - Port Shepstone - Account Number 40-7755-1917 (Conditional Grants Account):	32 765 471	145 892 168	52 656 911	32 765 471	145 892 168	52 656 911
ABSA BANK - Port Shepstone - Account Number 40-7187-0797 (Disaster Account):	-	199 600	200 370	-	199 600	200 370
ABSA BANK - Port Shepstone - Account Number 40-7198-0239 (Market Account):	-	371 245	371 998	-	371 245	371 998
ABSA BANK - Port Shepstone - Account Number 40-7626-1917 (EFF Bank Account):	-	1 640	2 346	-	1 640	2 346
<b>Total</b>	<b>72 640 134</b>	<b>160 891 313</b>	<b>61 945 822</b>	<b>47 163 691</b>	<b>156 573 095</b>	<b>55 831 021</b>

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 10. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 400 000	-	10 400 000	14 600 000	-	14 600 000

The Municipality has classified the Ugu Fresh Produce Market as investment property in terms of its asset management policy. The property is situated at Bhobhoyi – in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85 000 square metres. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and plenty ablution facilities. The whole facility is secured with 24-hour security guards.

The municipality uses the fair value model to value its investment properties. For the year ending 30 June 2015 a fair value assessment was undertaken by Pierre Rynners Valuers. The valuation methodology applied is the income capitalisation approach, where by the net rental income is capitalised at an appropriate rate, in order to arrive at an estimate of market value. A fair value adjustment has been affected in the financial statements valuation.

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	14 600 000	(4 200 000)	10 400 000

#### Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	25 000 000	(10 400 000)	14 600 000
Fair value of investment properties		10 400 000	14 600 000

#### Pledged as security

No investment properties have been pledged as collateral for liabilities of the municipality.

#### Revenue and expenditure disclosed in the Statement of Financial Performance include the following:

Rental revenue earned from Investment Property	1 283 662	1 726 310
Direct operating expenses	(784 341)	(824 534)
	<b>499 321</b>	<b>901 776</b>

## Ugu District Municipality

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### Notes to the Financial Statements

Figures in Rand

	2015				2014					
	Cost / Valuation	WIP	Total Cost	Accumulated depreciation and accumulated impairment	Carrying Value	Cost / Valuation	WIP	Total Cost	Accumulated depreciation and accumulated impairment	Carrying Value
Buildings	184 255 582	9 902 639	194 158 221	(36 552 731)	157 605 490	181 651 698	3 712 148	185 363 846	(34 108 138)	151 255 708
Infrastructure	6 342 861 597	1 174 319 902	7 517 181 499	(3 639 338 269)	3 877 843 230	6 309 856 963	905 473 383	7 215 330 349	(3 488 944 033)	3 726 386 316
Community	115 179 203	-	115 179 203	(24 006 977)	91 172 226	115 179 203	-	115 179 203	(18 678 290)	96 500 913
Other Property, plant and equipment	139 854 345	3 685 763	143 540 108	(100 696 650)	42 843 458	129 004 208	3 685 763	132 689 971	(91 876 896)	40 813 135
<b>Total</b>	<b>6 782 150 727</b>	<b>1 187 908 304</b>	<b>7 970 059 031</b>	<b>(3 800 594 627)</b>	<b>4 169 464 404</b>	<b>6 735 692 072</b>	<b>912 871 294</b>	<b>7 648 563 369</b>	<b>(3 633 607 297)</b>	<b>4 014 956 072</b>

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

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	151 255 708	8 794 374	-	(2 444 592)	157 605 490
Infrastructure	3 726 386 316	301 851 149	-	(150 394 235)	3 877 843 230
Community	96 500 913	-	-	(5 328 687)	91 172 226
Other Property, plant and equipment	40 813 135	10 850 137	-	(8 819 814)	42 843 458
<b>Total</b>	<b>4 014 956 072</b>	<b>321 495 660</b>	<b>-</b>	<b>(166 987 328)</b>	<b>4 169 464 404</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	149 831 437	3 860 566	-	(2 436 295)	151 255 708
Infrastructure	3 615 231 025	257 955 426	-	(146 800 135)	3 726 386 316
Community	101 829 600	-	-	(5 328 687)	96 500 913
Other Property, plant and equipment	40 183 402	12 333 212	(10 657)	(11 692 822)	40 813 135
<b>Total</b>	<b>3 907 075 464</b>	<b>274 149 204</b>	<b>(10 657)</b>	<b>(166 257 939)</b>	<b>4 014 956 072</b>

#### Pledged as security

No property, plant and equipment have been pledged as collateral for liabilities of the municipality.

# Ugu District Municipality

(Registration number DC21)

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 11. Property, plant and equipment (continued)

#### Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	5 to 30 years
Furniture and fixtures	Straight line	3 to 15 years
Motor vehicles	Straight line	4 to 15 years
Office equipment	Straight line	3 to 15 years
IT equipment	Straight line	3 to 10 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other property, plant and equipment	Straight line	2 to 15 years
Other assets	Straight line	5 to 30 years
Sports facilities	Straight line	5 to 30 years
Other facilities	Straight line	5 to 30 years
Specialised vehicles	Straight line	10 to 15 years

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.

### 12. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	31 784 821	(25 510 336)	6 274 485	29 304 877	(22 364 465)	6 940 412
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
<b>Total</b>	<b>34 443 981</b>	<b>(25 510 336)</b>	<b>8 933 645</b>	<b>31 964 037</b>	<b>(22 364 465)</b>	<b>9 599 572</b>

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	6 940 412	2 479 944	(3 145 870)	6 274 486
Servitudes	2 659 160	-	-	2 659 160
	<b>9 599 572</b>	<b>2 479 944</b>	<b>(3 145 870)</b>	<b>8 933 646</b>

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	7 655 381	2 389 363	(31 068)	(3 073 264)	6 940 412
Servitudes	2 579 373	79 787	-	-	2 659 160
	<b>10 234 754</b>	<b>2 469 150</b>	<b>(31 068)</b>	<b>(3 073 264)</b>	<b>9 599 572</b>

#### Pledged as security

No intangible assets have been pledged as security for any liabilities of the municipality.

# Ugu District Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 12. Intangible assets (continued)

#### Restrictions

The amortisation expense has been included in the line item "Depreciation and amortisation" in the Statement of Financial Performance (see note 30)

The following restrictions apply to Intangible Assets:

#### -Financial Software:

- (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.
- (ii) The system may be used on only one database at any one time.
- (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
- (iv) The municipality has no intellectual property rights to system.

Refer to Appendix "B" for more detail on intangible assets

#### Other Information

A brief description of significant intangible assets controlled by the municipality but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

- (i) Website Costs incurred during the prior financial years have been expensed and not recognised as intangible assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

Intangible assets with indefinite useful lives:

Carrying value of servitudes: sewerage distribution	1 486 723	1 486 723
Carrying value of servitudes: water reticulation	1 172 437	1 172 437
<b>Total carrying amount of intangible assets with indefinite useful lives</b>	<b>2 659 160</b>	<b>2 659 160</b>

Servitudes are regarded as having indefinite useful lives as they are registered permanently, the agreements not having maturing date.

## Ugu District Municipality

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### Notes to the Financial Statements

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#### 13. Investments

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Ugu South Coast Tourism (Pty) Ltd	Ugu District Municipality	100,00 %	100,00 %	100	100
Hibiscus Coast Development Agency	Ugu District Municipality	100,00 %	100,00 %	100	-
				<b>200</b>	<b>100</b>

#### Grants allocated to the entities:

Ugu South Coast Tourism (Pty) Ltd	11 043 743	10 517 850
Hibiscus Coast Development Agency	5 000 000	-
	<b>16 043 743</b>	<b>10 517 850</b>

The municipality exercises control in the following company, located and commencing its operations on 01 July 2009 in the Ugu District Municipality area, where the value of the investment is considered to be R100, being the issued share capital.

All thirteen members serving on the board of directors of the municipal entity are nominated by the municipality's executive committee (13/13 = 100%).

#### 14. Long-term liabilities

<b>At amortised cost</b>		
Annuity loans	163 446 870	180 426 363

Annuity loans are repaid over periods varying from 1 to 15 (2014: 1 to 16) years and at interest rates varying from 2,65% to 11,51% (2014: 2,65% to 11,5%) per annum. Annuity loans are not secured.

Refer to Appendix "A" for more details on external loans.

<b>Non-current liabilities</b>		
At amortised cost	144 531 365	162 157 394
<b>Current liabilities</b>		
At amortised cost	18 915 505	18 268 969



# Ugu District Municipality

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>	<b>3 161 125</b>	<b>3 685 138</b>
- within one year	-	3 161 125
- in second to fifth year inclusive	3 161 125	6 846 263
	(97 339)	(421 061)
less: future finance charges	<b>3 063 786</b>	<b>6 425 202</b>
<b>Present value of minimum lease payments</b>		
<b>Present value of minimum lease payments due</b>	<b>3 063 785</b>	<b>3 361 417</b>
- within one year	-	3 063 785
- in second to fifth year inclusive	<b>3 063 785</b>	<b>6 425 202</b>
Non-current liabilities	-	3 206 864
Current liabilities	3 063 785	3 361 417
	<b>3 063 785</b>	<b>6 568 281</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 1 (2013: 2) year(s) and the average effective borrowing rate was 6% (2014: 6%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

### 16. Payables from exchange transactions

Trade payables	20 410 887	19 712 203
Other creditors	92 769 728	54 262 882
Retentions	16 648 011	14 213 523
Projects	332 811	332 810
Staff bonuses	10 538 790	9 664 818
	<b>140 700 227</b>	<b>98 186 236</b>

### 17. Consumer deposits

Water	20 034 005	19 724 662
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Guarantees held in lieu of water deposits is R495 780 (2014: 495 780).

### 18. Unspent government grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>	<b>12 411 978</b>	<b>20 190 917</b>
National government grants	604 676	3 056 149
Provincial government grants	8 349 163	25 086 023
Other spheres of government		
	<b>21 365 817</b>	<b>48 333 089</b>

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; and

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## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 18. Unspent government grants and receipts (continued)

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

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

These amounts are invested in a ring-fenced investment until utilised.

### 19. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Leave encashed during period	Increase / (decrease) in contributions to provision	Total
Current portion of post-retirement medical aid benefits liability	1 215 594	-	300 303	1 515 897
Current portion of non-current provisions	594 544	-	276 771	871 315
Leave pay provision	14 589 341	(33 367)	3 938 822	18 494 796
	<b>16 399 479</b>	<b>(33 367)</b>	<b>4 515 896</b>	<b>20 882 008</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Leave encashed during period	Increase / (decrease) in contributions to provision	Total
Current portion of post-retirement medical aid benefits liability	854 208	-	361 386	1 215 594
Current portion of non-current provisions	931 680	-	(337 136)	594 544
Leave pay provision	15 268 299	(21 832)	(657 126)	14 589 341
	<b>17 054 187</b>	<b>(21 832)</b>	<b>(632 876)</b>	<b>16 399 479</b>

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>20. Retirement benefit liabilities</b>		
<b>Defined benefit plan</b>		
<b>Post-retirement health care benefits liability</b>		<b>Restated</b>
Reported opening balance		- 24 268 971
Prior correction of error		- (10 075 651)
Balance at beginning of year	13 524 137	14 193 320
Contributions to provision	1 850 416	1 830 622
Balance at end of year	15 374 553	16 023 942
Transfer to current provisions	(944 676)	(881 832)
Actuarial Loss/(Gain)	820 228	(1 617 973)
	<b>15 250 105</b>	<b>13 524 137</b>

The municipality provides certain post retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of medical aid funds, with which the municipality is associated, a member is entitled to continue as member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	510	494
Continuation members	52	49
	<b>562</b>	<b>494</b>

The unfunded liability in respect of past service has been estimated as follows:

In-service members	7 936 377	6 588 857
Continuation members	8 258 404	7 817 113
	<b>16 194 781</b>	<b>14 405 970</b>

The current-service cost for the year ending 30 June 2015 is estimated to be R610 859, whereas the cost for the ensuing year is estimated to be R 746 952 ( 30 June 2014: R 633 146 and R 610 859 respectively).

### Key assumptions used

The principal assumptions used for the actuarial valuations was as follows:

Discount rates	8.81%	8.87%
Health care cost inflation rate	7.95%	8.11%
Net effective discount rate	0.80%	0.70%
Expected retirement age - females	63	63
Expected retirement age - males	63	63

Movements in the present value of the defined benefit obligation were as follows:

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>20. Retirement benefit liabilities (continued)</b>		
Balance at beginning of the year	14 405 969	15 047 528
Current service costs	610 859	633 146
Interest cost	1 239 557	1 197 476
Benefits paid	(881 832)	(854 208)
	15 374 553	16 023 942
Actuarial loss/(gain)	820 228	(1 617 973)
<b>Balance at end of the year</b>	<b>16 194 781</b>	<b>14 405 969</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	610 859	633 146
Interest cost	1 239 557	1 197 476
Actuarial losses/(gains)	820 228	(1 617 973)
	2 670 644	212 649
	<b>2 670 644</b>	<b>212 649</b>

The history of experienced adjustments is as follows:

	2015	2014	2013	2012	2011
Present value of defined benefit obligation	16 194 781	14 405 969	22 229 850	19 731 792	22 877 435
Deficit	16 194 781	14 405 969	22 229 850	19 731 792	22 877 435
Experienced adjustments on plan liabilities	729 000	(583 000)	(488 790)	(6 769 737)	1 949 195
	<b>16 923 781</b>	<b>13 822 969</b>	<b>21 741 060</b>	<b>12 962 055</b>	<b>24 826 630</b>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

2015	Once percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	4 400	(5 900)
Effect on defined benefit obligation	(78 100)	92 400
	<b>73 700</b>	<b>86 500</b>
<b>2014</b>	<b>Once percentage point increase</b>	<b>One percentage point decrease</b>
Effect on the aggregate of the current service cost and the interest cost	6 500	(8 800)
Effect on defined benefit obligation	(77 500)	92 400
	<b>71 000</b>	<b>83 600</b>

The municipality expects to make contribution of R3,077 million (2014: R3,224 million) to the defined benefit plans during the next financial year.

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 21. Other long-term employee benefits

Provision for long service awards	13 234 057	11 076 109
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The movement in non-current provisions are reconciled as follows:

<b>Long-term service</b>	11 076 109	8 440 747
Balance at beginning of year	3 029 263	3 229 906
Contributions to provision		
	14 105 372	11 670 653
Transfer to current provisions	(871 315)	(594 544)
<b>Balance at end of year</b>	<b>13 234 057</b>	<b>11 076 109</b>

A long-service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 858 (2014: 835) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2015 is estimated to be R 1 224 950, whereas the cost for the ensuing year is estimated to be R1 560 803 (30 June 2014: R1 107 699 and R1 224 950 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8,16 %	8,21 %
Cost inflation rate	7,17 %	7,28 %
Net effective discount rate	0,92 %	0,86 %
	<b>16,25 %</b>	<b>16,35 %</b>

Expected retirement age - females	-	-	-	63	63
Expected retirement - males	-	-	-	63	63
	-	-	-	-	-

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	11 670 653	9 372 427
Current service costs	1 244 950	1 107 699
Interest cost	933 835	674 101
Benefits paid	(594 544)	(931 680)
Actuarial losses/(gains)	850 478	1 448 106
<b>Present value of fund obligation at end of the year</b>	<b>14 105 372</b>	<b>11 670 653</b>

The history of experienced adjustments is as follows:

	2015	2014	2013	2012	2011	2010
Present value of defined benefit obligation	14 105 372	11 670 653	9 150 868	9 765 467	9 366 466	6 870 116
Deficit	14 105 372	11 670 653	9 150 868	9 765 467	9 366 466	6 870 116

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## Notes to the Financial Statements

Figures in Rand					2015	2014
<b>21. Other long-term employee benefits (continued)</b>						
Experienced adjustments on plan liabilities	910 954	1 671 011	(1 664 673)	(991 516)	870 061	755 438
	<b>15 016 326</b>	<b>13 341 664</b>	<b>7 486 195</b>	<b>8 773 951</b>	<b>10 236 527</b>	<b>7 625 554</b>

in accordance with transitional provisions for the amendments to IAS 19 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2015	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	192 800	(171 600)
Effect on defined benefit obligation	4 400	(5 900)
	<b>197 200</b>	<b>(177 500)</b>

2014	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	172 398	(152 506)
Effect on defined benefit obligation	928 953	(832 228)
	<b>1 101 351</b>	<b>(984 734)</b>

The municipality expects to make a contribution of R2 434 719 (2004: R2 178 800) to the defined benefit plans during the next financial year.

### 22. Service charges

Sale of water	217 887 777	239 783 602
Sewerage and sanitation charges	102 345 828	93 777 019
	<b>320 233 605</b>	<b>333 560 621</b>

### 23. Rental of facilities and equipment

Premises	382 206	467 651
Premises		
<b>Facilities and equipment</b>		
Rental of facilities	2 048 059	1 726 310
	<b>2 430 265</b>	<b>2 193 961</b>

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<b>24. Other revenue</b>		
Revaluation reserve/ Assets acquired at no cost	-	2 688 032
Administration fees	83 100	54 326
Building plan fees	113 946	73 148
Connection fees	1 977 049	1 630 010
Other revenue	822 980	337 574
Atmospheric emissions licenses	163 600	320 440
Reconnection fees	595 481	562 230
Tender deposits	128 829	194 387
Water rates certificates	836 191	231 646
Developers fees	8 636 202	2 974 998
	<b>13 357 378</b>	<b>9 066 791</b>
<b>25. Investment revenue</b>		
Interest revenue	6 323 233	-
Short-term investments	9 182 726	10 628 189
Bank	3 490 009	3 192 401
Interest charged on trade and other receivables		
	<b>18 995 968</b>	<b>13 820 590</b>

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>	<b>264 864 935</b>	<b>236 862 268</b>
National equitable share	54 816 000	50 290 000
Levies replacement	1 465 260	1 022 031
Other grants	-	-
	<b>321 146 195</b>	<b>288 174 299</b>
<b>Capital grants</b>	<b>265 189 000</b>	<b>275 304 000</b>
National: MIG grant	1 324 238	1 233 819
National: FMG grant	-	164 702
National: DEAT grant	42 288 841	12 722 468
National: Local Government grants	47 972 045	55 740 460
National: DWAF grant	26 495 054	23 662 276
Provincial: Department of Cooperative Governance and Traditional Affairs grant	1 041 576	883 496
Provincial: Department of Public Works grant	-	4 000 000
Provincial: Human settlement and rural development	2 944 356	1 765 019
Provincial: Department of Transport grant	727 002	864 487
Development Bank of Southern Africa	-	-
	<b>387 982 112</b>	<b>376 340 727</b>
	<b>709 128 307</b>	<b>664 515 026</b>
<b>National: equitable share</b>		
The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury.		
Current year receipts	316 768 000	287 152 268
Conditions met transferred to revenue: operating expenses	(316 768 000)	(287 152 268)
	-	-
In terms of the constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.		
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	265 189 000	275 304 000
Conditions met - transferred to revenue: operating expenses	(5 029 963)	(59 905 245)
Conditions met - transferred to revenue: capital expenses	(260 159 037)	(215 398 755)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.		
<b>National: Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	1 468	(14 713)
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue: operating expenses	(1 251 468)	(1 233 819)
	-	1 468



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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 18).		
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
<b>National: Economic Affairs and Tourism Grant (DEAT)</b>		
Balance unspent at beginning of year	430 396	595 098
Conditions met - transferred to revenue: operating expenses	-	(164 702)
	<b>430 396</b>	<b>430 396</b>
Conditions still to be met - remain liabilities (see note 18).		
The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment".		
<b>National: Local Government grants</b>		
Balance unspent at beginning of year	17 262 272	11 556 420
Current-year receipts	33 433 000	22 147 000
Conditions met - transferred to revenue: operating expenses	(727 002)	-
Conditions met - transferred to revenue: capital expenses	(42 288 841)	(6 468 159)
Correction of prior period error - Conditions met -transferred to revenue: operational expenses	-	(7 568 286)
Transfers withheld during the year	(2 473 431)	(2 404 703)
	<b>5 205 998</b>	<b>17 262 272</b>
Conditions still to be met - remain liabilities (see note 18).		
Various grants are paid by National Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA),2000.		
<b>National: Department of Water Affairs and Forestry grant (DWAF)</b>		
Balance unspent at beginning of year	1 973 316	7 609 474
Current-year receipts	57 450 838	50 104 303
Conditions met - transferred to revenue: operating expenses	(47 545 598)	(55 740 461)
	<b>11 878 556</b>	<b>1 973 316</b>
Conditions still to be met - remain liabilities (see note 18).		
DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan.		
<b>Provincial: Department of Cooperative Governance and Traditional Affairs Grant</b>		
Balance unspent at beginning of year	25 076 273	25 538 853
Current-year receipts	4 310 000	21 931 000
Conditions met - transferred to revenue: operating expenses	(4 001 950)	(2 958 702)
Conditions met - transferred to revenue: capital expenses	(22 034 160)	(19 434 878)
	<b>3 350 163</b>	<b>25 076 273</b>
Conditions still to be met - remain liabilities (see note 18).		

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. They are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.		
<b>Provincial: Department of Public Works grant</b>		
Balance unspent at beginning of year	116 505	431 585
Current-year receipts	1 368 000	1 000 000
Conditions met - transferred to revenue: operating expenses	(1 041 576)	(883 495)
Interest allocated	-	(431 565)
Transfers withheld during the year	(116 505)	-
	<b>326 424</b>	<b>116 505</b>

Conditions still to be met - remain liabilities (see note 18).

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

### Provincial: Department of Human Settlement and Public Works

Interest allocated	-	4 000 000
Conditions met - transferred to revenue: operating expenses	-	(4 000 000)
	-	-

### Provincial: Department of Transport grant

Balance unspent at beginning of year	837 356	513 375
Current-year receipts	2 430 000	2 089 000
Conditions met - transferred to revenue: operating expenses	(2 944 356)	(1 765 019)
Transfers withheld during the year	(323 000)	-
	-	<b>837 356</b>

Conditions still to be met - remain liabilities (see note 18).

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were transferred to the municipality for the year under review.

### Development Bank of Southern Africa

Balance unspent at beginning of year	562 624	1 391 580
Conditions met - transferred to revenue: operating expenses	(524 042)	(709 256)
Conditions met - transferred to revenue: capital expenses	-	(119 700)
	<b>38 582</b>	<b>562 624</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

### Other Government: Industrial Development Corporation

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	45 020	45 020
Conditions met - transferred to revenue: operating expenses	(45 020)	-
	-	<b>45 020</b>
<p>Conditions still to be met - remain liabilities (see note 18).</p> <p>The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.</p>		
<b>Other Sponsors: NPC</b>		
Balance unspent at beginning of year	555 497	555 497
Conditions met - transferred to revenue: operating expenses	(426 448)	-
	<b>129 049</b>	<b>555 497</b>
<b>Other Sponsors: National Lottery</b>		
Balance unspent at beginning of year	1 472 362	2 494 392
Conditions met - transferred to revenue: operating expenses	(1 465 712)	(1 022 030)
	<b>6 650</b>	<b>1 472 362</b>
<b>27. Revenue</b>		
Service charges	320 233 605	333 560 621
Rental of facilities and equipment	2 430 265	2 193 961
Other revenue	13 357 378	9 066 791
Interest received	18 995 968	13 820 590
Government grants & subsidies	709 128 307	664 515 026
	<b>1 064 145 523</b>	<b>1 023 156 989</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	320 233 605	333 560 621
Rental of facilities and equipment	2 430 265	2 193 961
Other income - (rollup)	13 357 378	9 066 791
Interest received - investment	18 995 968	13 820 590
	<b>355 017 216</b>	<b>358 641 963</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Transfer revenue	709 128 307	664 515 026
Government grants & subsidies		

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>28. Employee related costs</b>		
Basic	152 331 712	138 814 209
Commissions	7 810 364	6 826 209
Bonus	12 816 436	11 174 386
Medical aid - company contributions	11 735 441	10 259 222
UIF	1 333 376	1 257 045
SDL	2 124 027	1 914 542
Leave pay provision charge	4 551 135	3 205 316
Other short term costs	66 586	62 725
Defined contribution plans	30 042 517	26 941 830
Travel, motor car, accommodation, subsistence and other allowances	1 479 930	909 439
Overtime payments	23 711 547	20 810 648
Long-service awards	5 323 021	5 548 032
Acting allowances	1 692 004	1 735 626
Car allowance	12 229 539	11 782 464
Housing benefits and allowances	1 278 248	1 045 326
	<b>268 525 883</b>	<b>242 287 019</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	915 394	911 446
Car, entertainment, housing, subsistence and other allowances	292 748	227 778
Performance Bonuses	122 029	-
Contributions to UIF, Medical and Pension Funds	226 747	207 088
Backpay	36 376	-
	<b>1 593 292</b>	<b>1 346 312</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	571 446	513 083
Car, entertainment, housing, subsistence and other allowances	462 926	453 050
Performance Bonuses	70 578	-
Contributions to UIF, Medical and Pension Funds	44 812	56 689
Backpay	25 206	-
	<b>1 174 968</b>	<b>1 022 822</b>
<b>Corporate and human resources (corporate services)</b>		
Annual Remuneration	488 530	570 892
Car, entertainment, housing, subsistence and other allowances	583 136	520 822
Performance Bonuses	80 660	-
Contributions to UIF, Medical and Pension Funds	24 602	12 199
Backpay	25 206	-
	<b>1 202 134</b>	<b>1 103 913</b>
<b>Remuneration of the general manager: Infrastructure and Economic Development</b>		
Annual Remuneration	782 655	760 636
Car, entertainment, housing, subsistence and other allowances	307 040	276 077
Performance Bonuses	60 495	-
Contributions to UIF, Medical and Pension Funds	12 946	11 580
Backpay	25 206	-
	<b>1 188 342</b>	<b>1 048 293</b>

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## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 28. Employee related costs (continued)

#### Remuneration of the Senior Manager: Strategy and Shared Services

Annual Remuneration	-	592 205
Car, entertainment, housing, subsistence and other allowances	-	193 257
Contributions to UIF, Medical and Pension Funds	-	9 258
	-	<b>794 720</b>

He resigned on 30 June 2014 and this position was converted to senior manager permanent.

#### Remuneration of the general manager: Water Services

Annual Remuneration	549 045	464 872
Car, entertainment, housing, subsistence and other allowances	461 140	174 405
Performance Bonuses	27 985	-
Contributions to UIF, Medical and Pension Funds	113 990	16 129
Leave encashed	-	58 991
Backpay	27 985	-
	<b>1 180 145</b>	<b>714 397</b>

### 29. Remuneration of councillors

Mayor	343 056	343 056
Deputy Mayor	261 568	261 568
Executive committee members	1 848 352	1 508 267
Speaker	258 918	258 918
Councillors/ board members	1 393 608	1 175 230
Company contributions to UIF, medical and pension funds	505 583	479 129
Other allowances (Cellphones, housing, transport etc.)	4 078 836	3 757 912
	<b>8 689 921</b>	<b>7 784 080</b>

#### In-kind benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the municipality serve in a full-time capacity. Each is provided with an office and secretarial support at the cost of the Council in order to enable them to perform their official duties.

The Councillors may utilise official council transportation when engaged in official duties.

The Mayor has one full-time bodyguard and one full-time driver.

The Deputy Mayor has one full-time aide, fulfilling various personal duties.

The Speaker has one full-time driver.

### 30. Depreciation and amortisation

Property, plant and equipment	166 987 328	63 595 401
Amortisation of intangible assets	3 145 871	3 073 264
	<b>170 133 199</b>	<b>66 668 665</b>

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>31. Impairment of assets</b>		
<b>Impairments</b>	-	2 796 989
Property, plant and equipment	85 629 566	12 743 170
Trade and other receivables		
	<b>85 629 566</b>	<b>15 540 159</b>
<b>32. Finance costs</b>		
Non-current borrowings	12 247 515	15 155 903
Other interest paid	565 192	661 744
	<b>12 812 707</b>	<b>15 817 647</b>
<b>33. Bulk purchases</b>		
Water	52 626 127	46 954 224
<p>Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to customers. Bulk water is purchased from the Umngeni Water Board and eThekweni Municipality.</p>		
<b>34. Contracted services</b>		
Other contractors	-	3 578
Cleaning services	1 956 632	1 868 658
- Chemistry	3 726 602	4 044 040
- Dam safety	353 654	15 500
- Engineering services	1 066 057	1 575 458
- Other professional services	2 055 553	1 820 589
- Alarm monitoring	4 039	4 470
- Cash banking	148 999	147 097
- General security	10 436 343	10 100 000
- Pest control	79 427	-
	<b>19 827 306</b>	<b>19 579 390</b>
<b>35. Grants and subsidies paid</b>		
Low income subsidy	29 573 219	54 990 663
Community projects	17 891 638	19 920 144
Other grants and subsidies paid	54 195	253 000
Other	23 216 449	47 086 782
	<b>70 735 501</b>	<b>122 250 589</b>

Conditional grants paid is in respect of projects undertaken by municipalities within the municipality's area of jurisdiction and funded by Ugu District Municipality.

Community projects consist primary of ventilated pit latrines constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the municipality's sanitation backlog programme as funded through the Municipal Infrastructure Grant.

The low income subsidy is in respect of providing basic service levels to indigent households.

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>36. General expenses</b>		
Advertising	126 222	173 342
Auditors remuneration	2 384 650	2 111 074
Bank charges	560 932	540 887
Cleaning	377 323	259 421
Commission paid	1 223 803	1 147 363
Consulting and professional fees	761 984	3 250 238
Consumables	90 438	152 659
Loose/small tools	543 689	297 333
Consultant information technology support	-	90 343
Kwanaloga subscriptions	1 847 144	4 157 174
Accommodation, seminars and travelling	469 675	368 387
Insurance	1 524 320	2 776 679
Marketing	28 013	58 066
Magazines, books and periodicals	148	745
Materials	3 663 500	5 820 636
Fuel and oil	11 601 355	10 198 419
Postage and courier	1 639 821	1 622 345
Printing and stationery	1 074 418	681 767
Research and development costs	32 800	164 541
Subscriptions and membership fees	27 703	2 496
Telephone and fax	2 779 683	2 772 598
Transport and freight	12 545 138	9 863 172
Training	2 608 989	1 624 658
Electricity	49 382 977	46 244 979
Uniforms and protective clothing	861 310	691 679
Other general expenses	1 584 629	1 880 701
Licences	5 140 113	3 767 607
Vehicle tracking	89 269	1 035 830
Events and programmes	1 004 459	980 439
Gardening services	1 144 161	758 642
Public participation	349 437	1 902 025
Sports and recreation	1 351 268	-
Refreshments	167 741	135 585
Workmen's compensation insurance	21 250	1 324 610
Property transfers	907 800	902 324
	<b>107 916 162</b>	<b>107 748 764</b>
<b>37. Fair value adjustments</b>		
Investment property (Fair value model)	(4 200 000)	(10 400 000)
<b>38. Auditors' remuneration</b>		
Fees	2 384 650	2 111 074

# Ugu District Municipality

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>39. Cash generated from operations</b>	<b>209 421 516</b>	<b>347 680 312</b>
Surplus		
<b>Adjustments for:</b>	<b>170 133 199</b>	<b>66 668 666</b>
Depreciation and amortisation	(885 269)	1 334 421
(Loss) gain on sale of assets and liabilities	-	1 422 121
Losses / (Gains) on disposal of property, plant and equipment	4 200 000	10 400 000
Fair value adjustments	85 629 566	15 540 159
Impairment deficit	1 725 968	2 224 146
Expenditure incurred from retirement benefit liabilities	4 482 530	1 880 150
Contribution to provisions -current	2 157 948	2 635 362
Contribution to provisions - non-current		
<b>Changes in working capital:</b>	<b>(6 357 053)</b>	<b>(1 130 627)</b>
Inventories	(48 144 469)	(50 166 803)
Receivables from exchange transactions	(7 206 029)	4 923 560
Other receivables from non-exchange transactions	(19 812)	19 382
Current portion of long-term receivables	29 040	(13 665)
Operating lease receivables	13 841 630	18 478 633
Payables from exchange transactions	16 741 514	(3 347 887)
VAT	(26 967 272)	(2 442 865)
Unspent conditional grants and receipts	309 343	345 516
Consumer deposits	(9 349)	25 391
Operating lease liability	348 904	4 720 607
Current portion of long-term liabilities		
	<b>419 431 905</b>	<b>421 196 579</b>