

Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	148 582 395	16 467 616	-	8 056 972	(8 056 972)	(2 448 825)	-	162 601 186
Infrastructure	3 638 416 231	328 855 409	-	69 680 716	(69 680 716)	(180 908 293)	(420 208)	3 785 943 139
Other property, plant and equipment	42 298 959	15 034 829	(247 304)	64 590	-	(9 299 534)	-	47 851 540
	3 829 297 585	360 357 854	(247 304)	77 802 278	(77 737 688)	(192 656 652)	(420 208)	3 996 395 865

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers received	Transfers	Depreciation	Total
Buildings	143 900 609	8 794 374	-	-	-	(1 879 415)	(2 233 173)	148 582 395
Infrastructure	3 513 586 079	302 595 505	-	-	-	-	(177 765 353)	3 638 416 231
Community	96 983 437	-	-	-	-	(93 419 085)	(3 564 352)	-
Other property, plant and equipment	39 614 107	10 900 892	197 994	(21 266)	810 785	-	(9 203 553)	42 298 959
	3 794 084 232	322 290 771	197 994	(21 266)	810 785	(95 298 500)	(192 766 431)	3 829 297 585

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	148 582 395	16 467 616	-	8 056 972	(8 056 972)	(2 448 825)	-	162 601 186
Infrastructure	3 638 416 231	328 855 409	-	69 680 716	(69 680 716)	(180 908 293)	(420 208)	3 785 943 139
Other property, plant and equipment	41 590 674	14 131 729	(227 505)	64 590	-	(9 150 826)	-	46 408 662
	3 828 589 300	359 454 754	(227 505)	77 802 278	(77 737 688)	(192 507 944)	(420 208)	3 994 952 987

Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	143 900 609	8 794 374	-	-	(1 879 415)	(2 233 173)	-	148 582 395
Infrastructure	3 513 586 079	302 595 505	-	-	-	(177 765 353)	-	3 638 416 231
Community	96 983 437	-	-	-	(17 123 836)	(3 564 353)	(76 295 248)	-
Other property, plant and equipment	38 988 162	10 850 137	(1 851)	810 785	-	(9 056 559)	-	41 590 674
	3 793 458 287	322 240 016	(1 851)	810 785	(19 003 251)	(192 619 438)	(76 295 248)	3 828 589 300

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

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	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

11. Property, plant and equipment (continued)

Pledged as security

The municipality's obligations under Finance Leases (see Note 15) were fully settled in the current period. No assets of the municipality have been pledged as security.

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.

Owner occupied property transferred to investment property

The municipality had taken a decision in the 2014/15 financial year that Ugu Sports and Leisure, previously owner occupied and carried under the cost model, will as at 01 March 2015 will be held to earn rentals and should therefore be transferred to investment property carried under the fair value model.

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	2016	2015	2016	2015

11. Property, plant and equipment (continued)

Buildings (Ugu Sports and Leisure Center)

Cost - Opening balance	-	115 714 416	-	115 714 416
Accumulated depreciation and impairment losses	-	(18 730 980)	-	(18 730 980)
Carrying amount - opening balance	-	96 983 436	-	96 983 436
Depreciation	-	(3 564 352)	-	(3 564 352)
Impairment loss	-	(76 295 248)	-	(76 295 248)
Carrying amount of transfers	-	17 123 836	-	17 123 836

Cost	-	115 714 416	-	115 714 416
Accumulated depreciation and impairment losses	-	(98 590 580)	-	(98 590 580)
Transfer to investment property (See note 10)	-	17 123 836	-	17 123 836

Land (Ugu Sports and Leisure Center)

Cost	-	1 879 415	-	1 879 415
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Total assets transferred from PPE to Investment Property

Cost	-	117 593 831	-	117 593 831
Accumulated depreciation and impairment losses	-	(98 590 580)	-	(98 590 580)
Total transfer to investment property (See note 10)	-	19 003 251	-	19 003 251

12. Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	36 753 534	(27 951 995)	8 801 539	31 784 821	(25 510 335)	6 274 486
Website and Software	100 386	(56 954)	43 432	94 508	(47 274)	47 234
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Total	39 513 080	(28 008 949)	11 504 131	34 538 489	(25 557 609)	8 980 880

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	36 753 534	(27 951 995)	8 801 539	31 784 821	(25 510 336)	6 274 485
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Total	39 412 694	(27 951 995)	11 460 699	34 443 981	(25 510 336)	8 933 645

Reconciliation of intangible assets - Economic entity - 2016

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	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

12. Intangible assets (continued)

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software	6 274 486	4 895 935	72 778	(2 441 660)	8 801 539
Website and software	47 234	5 877	-	(9 680)	43 431
Servitudes	2 659 160	-	-	-	2 659 160
	8 980 880	4 901 812	72 778	(2 451 340)	11 504 130

Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Amortisation	Total
Computer software	6 940 412	2 479 944	-	-	(3 145 870)	6 274 486
Website and software	24 477	6 974	27 888	(1 920)	(10 185)	47 234
Servitudes	2 659 160	-	-	-	-	2 659 160
	9 624 049	2 486 918	27 888	(1 920)	(3 156 055)	8 980 880

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software	6 274 486	4 895 935	72 778	(2 441 660)	8 801 539
Servitudes	2 659 160	-	-	-	2 659 160
	8 933 646	4 895 935	72 778	(2 441 660)	11 460 699

Reconciliation of intangible assets - Controlling entity - 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
	9 599 572	2 479 944	(3 145 870)	8 933 646

The amortisation expense has been included in the line item "Depreciation and amortisation" in the Statement of Financial Performance (see note 31)

Pledged as security

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

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	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

12. Intangible assets (continued)

Restrictions

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 the system.

Refer to Appendix "B" for more detail on Intangible Assets.

Significant intangible assets

A brief description of significant intangible assets controlled by the economic entity 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 last two 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 lives:

Carrying value of servitudes: sewerage distribution	1 486 723	1 486 723	1 486 723	1 486 723
Carrying value of servitudes: water distribution	1 172 437	1 172 437	1 172 437	1 172 437
	2 659 160	2 659 160	2 659 160	2 659 160

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

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	2016	2015	2016	2015

13. Investments

Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Ugu South Coast Tourism (Pty) Ltd	Ugu District Municipality	100,00 %	100,00 %	100	100
South Coast Development Agency NPC	Ugu District Municipality	100,00 %	100,00 %	100	100
				200	200

The carrying amounts of controlled entities are shown net of impairment losses.

The municipality exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

South Coast Development Agency, Hibiscus Coast Local Municipality has entered in a Memorandum of Understanding to transfer of this company to Ugu District Municipality as from 01 July 2014.

All thirteen members serving on the board of directors of the municipal entity are nominated by the municipality's executive committee (13/13 = 100.00%).

14. Long-term liabilities

At amortised cost

Annuity loans	145 553 238	163 446 870	145 553 238	163 446 870
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The average annuity loans period varying from 1 to 14 (2015: 1 to 15) years and at interest rates varying from 2,65% to 11,51% (2015: 2,65% to 11,5%) per annum. Annuity loans are not secured.

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

Non-current liabilities

At amortised cost	125 825 541	144 531 365	125 825 541	144 531 365
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Current liabilities

At amortised cost	19 727 697	18 915 505	19 727 697	18 915 505
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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
15. Finance lease obligation				
Minimum lease payments due				
- within one year	-	3 161 125	-	3 161 125
	-	3 161 125	-	3 161 125
less: future finance charges	-	(97 339)	-	(97 339)
Present value of minimum lease payments	-	3 063 786	-	3 063 786
Present value of minimum lease payments due				
- within one year	-	3 063 785	-	3 063 785

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

The average lease term was 0 years (2015: 1 year) respectively and the average effective borrowing rate was 6% (2015: 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.

All the finance leases were fully settled during the current financial period 2015/16.

16. Payables from exchange transactions

Trade payables	35 535 970	21 853 925	34 785 640	20 410 887
Other creditors	92 903 477	94 899 073	92 903 477	96 705 073
Retentions	36 769 880	25 530 232	36 769 880	25 477 004
Projects	332 811	332 811	332 811	332 811
Staff bonuses	11 605 395	10 538 790	11 605 395	10 538 790
	177 147 533	153 154 831	176 397 203	153 464 565

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

17. VAT payable

Tax refunds payables	-	498 300	-	855 061
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VAT for Municipality and South Coast Development Agency is payable on the payments basis. Once cash has been received from customers/receivables, VAT is payable over to SARS. However Ugu South Coast Tourism VAT is payable on the invoice basis. When the invoice is raised an amount of VAT is payable 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.

18. Consumer deposits

Water	20 606 607	20 034 005	20 606 607	20 034 005
Guarantees held in lieu of water deposits	495 780	495 780	495 780	495 780

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19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National government grants	3 649 968	12 411 978	3 649 968	12 411 978
Provincial government grants	-	604 676	-	604 676
Other spheres of government	5 079 952	8 349 163	5 079 952	8 349 163
	8 729 920	21 365 817	8 729 920	21 365 817

The nature and extent of government grants recognised in the consolidated financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

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.

Refer to appendix "F" for more detail on conditional grants.

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Figures in Rand	2016	2015	2016	2015

20. Provisions

Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Current portion of post-retirement medical aid benefits liability	944 676	81 960	1 026 636
Current portion of long-service awards	871 315	1 510 278	2 381 593
Performance bonus provision	703 709	434 173	1 137 882
Leave pay provision	17 749 075	3 420 427	21 169 502
	20 268 775	5 446 838	25 715 613

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Leave encashed during period	Reduction due to re-measurement or settlement without cost to entity	Total
Current portion of post-retirement medical aid benefits liability	881 832	-	62 844	944 676
Current portion of long-service awards	594 544	-	276 771	871 315
Performance bonus provision	333 762	-	369 947	703 709
Leave pay provision	14 759 433	(33 367)	3 023 009	17 749 075
	16 569 571	(33 367)	3 732 571	20 268 775