

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
8. Receivables from exchange transactions				
Gross balances				
Water rates	39 448 907	33 517 928	39 448 907	33 517 928
Water	159 112 650	133 741 989	159 112 650	133 741 989
Sewerage	61 408 041	52 387 299	61 408 041	52 387 299
Other trade	6 696 293	6 245 494	5 466 626	5 460 375
	266 665 891	225 892 710	265 436 224	225 107 591
Less: Allowance for impairment				
Water rates	(24 184 196)	(20 865 280)	(24 184 196)	(20 865 280)
Water	(102 222 236)	(58 827 715)	(102 222 236)	(58 827 715)
Sewerage	(40 239 667)	(11 224 857)	(40 239 667)	(11 224 857)
Other trade	(3 732 107)	(3 732 107)	(3 732 107)	(3 732 107)
	(170 378 206)	(94 649 959)	(170 378 206)	(94 649 959)
Net balance				
Water rates	15 264 711	12 652 648	15 264 711	12 652 648
Water	56 890 414	74 914 274	56 890 414	74 914 274
Sewerage	21 168 374	41 162 442	21 168 374	41 162 442
Other trade	2 964 186	2 513 387	1 734 519	1 728 268
	96 287 685	131 242 751	95 058 018	130 457 632
Water rates				
Current (0 -30 days)	3 029 748	2 808 935	3 029 748	2 808 935
31 - 60 days	77 718	3 910	77 718	3 910
61 - 90 days	57 418	16 310	57 418	16 310
+90 days	12 099 827	9 823 493	12 099 827	9 823 493
	15 264 711	12 652 648	15 264 711	12 652 648
Water				
Current (0 -30 days)	14 119 066	22 884 008	14 119 066	22 884 008
31 - 60 days	4 408 069	3 689 465	4 408 069	3 689 465
61 - 90 days	3 483 731	4 083 216	3 483 731	4 083 216
+90 days	34 879 548	44 257 585	34 879 548	44 257 585
	56 890 414	74 914 274	56 890 414	74 914 274
Sewerage				
Current (0 -30 days)	8 446 128	6 885 203	8 446 128	6 885 203
31 - 60 days	2 525 068	2 099 131	2 525 068	2 099 131
61 - 90 days	2 377 970	1 971 654	2 377 970	1 971 654
+90 days	7 819 208	30 206 454	7 819 208	30 206 454
	21 168 374	41 162 442	21 168 374	41 162 442
Other trade				
+90 days	2 964 186	2 513 387	1 734 519	1 728 268

The management of the municipality is of the opinion that the carrying trade value of receivables approximate their fair values.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
8. Receivables from exchange transactions (continued)				
Reconciliation of allowance for impairment				
Balance at beginning of the year	(94 649 959)	(91 461 900)	(94 649 959)	(91 461 900)
Contributions to allowance	(85 629 566)	(10 717 442)	(85 629 566)	(10 717 442)
Debt impairment written off against allowance	9 901 319	9 609	9 901 319	9 609
Reversal of allowance	-	7 519 774	-	7 519 774
	(170 378 206)	(94 649 959)	(170 378 206)	(94 649 959)

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

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	50 603 362	163 663 753	36 989 962	152 373 720
Short-term deposits	222 079 555	8 292 741	222 079 555	8 292 741
Other cash and cash equivalents	18 706	11 681	4 910	4 910
Bank overdraft	(26 152 189)	(3 343 474)	(26 152 189)	(3 343 474)
	246 549 434	168 624 701	232 922 238	157 327 897
Current assets	272 701 623	171 968 175	259 074 427	160 671 371
Current liabilities	(26 152 189)	(3 343 474)	(26 152 189)	(3 343 474)
	246 549 434	168 624 701	232 922 238	157 327 897

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:

Credit rating				
Long-term (AAA) Short-term (F1+)	60 777 571	167 875 328	47 164 170	156 585 295
Long-term (AA) Short-term (F1+)	120 018 266	17 465	120 018 266	17 465
Long-term (A+) Short-term (F1)	65 000 000	-	65 000 000	-
Other	734 892	720 227	734 892	720 227
	246 530 729	168 613 020	232 917 328	157 322 987

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

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 406 668 6529 (Primary Bank Account):	83 756	106 422	417 315	(16 321 139)	5 568	4 544
ABSA BANK - Port Shepstone - Account Number 406 668 6472 (General Bank Account):	3 223 172	(1 522 481)	470 667	(5 017 457)	(3 343 474)	(3 195 209)
ABSA BANK - Port Shepstone - Account Number 406 668 6294 (Collection Account):	83 317	897 611	742 351	59 381	873 676	716 280
ABSA BANK - Port Shepstone - Account Number 406 671 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 406 660 3763 (Salaries Account):	(56 150)	259 244	136 729	(56 150)	140 753	57 474
ABSA BANK - Port Shepstone - Account Number 406 757 0977 (Sanlam 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 406 668 6367 (MIG Project Account):	(4 690 825)	120 005	379 597	(4 690 825)	120 005	379 597
ABSA BANK - Port Shepstone - Account Number 407 187 0797 (Disaster Account):	-	199 600	200 370	-	199 600	200 370
ABSA BANK - Port Shepstone - Account Number 407 198 0239 (Market Account):	-	371 245	371 998	-	371 245	371 998
ABSA BANK - Port Shepstone - Account Number 407 626 7341 (EFF Bank Account):	-	1 640	2 346	-	1 640	2 346
ABSA BANK - Port Shepstone - Account Number 407 755 1917 (Conditional Grants Account):	32 765 471	145 892 168	52 656 911	32 765 471	145 892 168	52 656 911
Total	36 314 216	153 348 464	61 945 822	10 837 773	149 030 246	55 831 021

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

10. Investment property

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 403 251	-	29 403 251	14 600 000	-	14 600 000

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

10. Investment property (continued)

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 403 251	-	29 403 251	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 - Economic entity - 2015

	Opening balance	Transfers received	Fair value adjustments	Total
Investment property	14 600 000	19 003 251	(4 200 000)	29 403 251

Reconciliation of investment property - Economic entity - 2014

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

Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Transfers received	Fair value adjustments	Total
Investment property	14 600 000	19 003 251	(4 200 000)	29 403 251

Reconciliation of investment property - Controlling entity - 2014

		Opening balance 25 000 000	Fair value adjustments (10 400 000)	Total
Investment property				14 600 000
Fair value of investment properties	29 451 206	14 600 000	29 451 206	14 600 000

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

10. Investment property (continued)

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	1 283 662	1 726 310
Direct operating expenses	(784 341)	(824 534)	(784 341)	(824 534)
	499 321	901 776	499 321	901 776

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment

Economic entity	2015					2014				
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation
Buildings	181 659 884	(33 381 441)	148 278 443	174 744 924	(31 148 267)	143 596 657				
Infrastructure	7 614 996 482	(3 586 425 419)	4 028 571 063	7 304 469 558	(3 434 662 909)	3 869 806 649				
Community	-	-	-	115 714 417	(18 730 980)	96 983 437				
Other property, plant and equipment	143 117 470	(103 058 815)	40 058 655	131 451 368	(92 290 463)	39 160 905				
Total	7 939 773 836	(3 722 865 675)	4 216 908 161	7 726 380 267	(3 576 832 619)	4 149 547 648				
Controlling entity	2015					2014				
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation
Buildings	181 659 884	(33 381 441)	148 278 443	174 744 924	(31 148 267)	143 596 657				
Infrastructure	7 614 996 482	(3 586 425 419)	4 028 571 063	7 304 469 558	(3 434 662 909)	3 869 806 649				
Community	-	-	-	115 714 417	(18 730 980)	96 983 437				
Other property, plant and equipment	141 924 495	(102 576 911)	39 347 584	130 411 822	(91 876 836)	38 534 986				
Total	7 938 580 861	(3 722 383 771)	4 216 197 090	7 725 340 721	(3 576 418 992)	4 148 921 729				

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

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

	Opening balance	Difference	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	143 596 657	-	8 794 374	-	-	(1 879 415)	(2 233 173)	-	148 278 443
Infrastructure	3 869 806 649	4 053 027	306 473 896	-	-	-	(151 762 509)	-	4 028 571 063
Community	96 983 437	-	-	-	-	(17 123 836)	(3 564 353)	(76 295 248)	-
Other property, plant and equipment	39 160 904	(1 216 591)	10 900 892	197 994	(21 266)	2 785	(8 966 063)	-	40 058 655
	4 149 547 647	2 836 436	326 169 162	197 994	(21 266)	(19 000 466)	(166 526 098)	(76 295 248)	4 216 908 161

Reconciliation of property, plant and equipment - Economic entity - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	141 960 967	3 860 565	-	-	(2 224 875)	143 596 657
Infrastructure	3 735 458 075	283 378 648	-	-	(149 030 074)	3 869 806 649
Community	102 329 964	-	-	-	(5 346 527)	96 983 437
Other property, plant and equipment	38 478 944	12 528 748	(41 257)	(10 657)	(11 794 874)	39 160 904
	4 018 227 950	299 767 961	(41 257)	(10 657)	(168 396 350)	4 149 547 647

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

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	143 596 657	-	8 794 374	-	(1 879 415)	(2 233 173)	-	148 278 443
Infrastructure	3 869 806 649	4 053 027	306 473 896	-	-	(151 762 509)	-	4 028 571 063
Community	96 983 437	-	-	-	(17 123 836)	(3 564 353)	(76 295 248)	-
Other property, plant and equipment	38 534 986	(2 692 475)	12 471 707	(1 851)	-	(8 964 783)	-	39 347 584
	4 148 921 729	1 360 552	327 739 977	(1 851)	(19 003 251)	(166 524 818)	(76 295 248)	4 216 197 090

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	141 960 967	3 860 565	-	(2 224 875)	143 596 657
Infrastructure	3 735 458 075	283 378 647	-	(149 030 073)	3 869 806 649
Community	102 329 964	-	-	(5 346 527)	96 983 437
Other property, plant and equipment	37 885 191	12 333 212	(10 657)	(11 672 760)	38 534 986
	4 017 634 197	299 572 424	(10 657)	(168 274 235)	4 148 921 729

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

Pledged as security

The municipality's obligations under Finance Leases (see Note 15) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

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
Community	Straight line	5 to 30 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.

Ugu Sports and Leisure

Cost	115 714 416	-	115 714 416	-
Accumulated depreciation and impairment losses	(18 730 980)	-	(18 730 980)	-
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)				
Cost	1 927 370	-	1 927 370	-
Total assets transferred from PPE to Investment Property				
Cost	117 641 785	-	117 641 785	-
Accumulated depreciation and impairment losses	(98 590 580)	-	(98 590 580)	-
Total transfer to investment property (See note 10)	19 051 205	-	19 051 205	-

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

12. Intangible assets

Economic entity	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	(25 510 335)	6 274 486	29 304 877	(22 364 466)	6 940 411
Website and software	66 384	(19 150)	47 234	39 576	(15 099)	24 477
Other intangible assets	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Total	34 510 365	(25 529 485)	8 980 880	32 003 613	(22 379 565)	9 624 048

Controlling entity	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
Other intangible assets	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Total	34 443 981	(25 510 336)	8 933 645	31 964 037	(22 364 465)	9 599 572

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
Total	9 624 049	2 486 918	27 888	(1 920)	(3 156 055)	8 980 880

Reconciliation of intangible assets - Economic entity - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	7 655 381	2 389 363	(31 068)	(3 073 264)	6 940 412
Website and software	20 034	13 658	(2 594)	(6 621)	24 477
Servitudes	2 579 373	79 787	-	-	2 659 160
Total	10 254 788	2 482 808	(33 662)	(3 079 885)	9 624 049

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
Total	9 599 572	2 479 944	(3 145 870)	8 933 646

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

12. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 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
	10 234 754	2 469 150	(31 068)	(3 073 264)	9 599 572

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

Pledged as security

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

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

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38 and SIC 32, are the following:

- (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:

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying value of servitudes: sewerage distribution	1 486 723	1 486 723	1 486 723	1 486 723
Carrying value of servitudes: water reticulation	1 172 437	1 172 437	1 172 437	1 172 437
Total carrying amount of intangible assets with indefinite useful lives	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.

Notes to the Consolidated Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2015	2014	2015	2014
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
South Coast Development Agency NPC	Ugu District Municipality	100,00 %	- %	100	-
				200	100
Grants allocated to the entities:					
Ugu South Coast Tourism (Pty) Ltd				11 043 743	10 517 850
South Coast Development Agency NPC				5 000 000	-
				16 043 743	10 517 850

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; and

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	163 446 870	180 426 363	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 detail on external loans.

Non-current liabilities				
At amortised cost - Annuity loans	144 531 365	162 157 394	144 531 365	162 157 394
Current liabilities				
At amortised cost - Annuity loans	18 915 505	18 268 969	18 915 505	18 268 969

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
15. Finance lease obligation				
Minimum lease payments due				
- within one year	3 161 125	3 828 217	3 161 125	3 828 217
- in second to fifth year inclusive	-	3 161 125	-	3 161 125
	3 161 125	6 989 342	3 161 125	6 989 342
less: future finance charges	(97 339)	(421 061)	(97 339)	(421 061)
Present value of minimum lease payments	3 063 786	6 568 281	3 063 786	6 568 281
Present value of minimum lease payments due				
- within one year	3 063 785	3 504 496	3 063 785	3 504 496
- in second to fifth year inclusive	-	3 063 785	-	3 063 785
	3 063 785	6 568 281	3 063 785	6 568 281
Non-current liabilities	-	3 206 864	-	3 206 864
Current liabilities	3 063 785	3 361 417	3 063 785	3 361 417
	3 063 785	6 568 281	3 063 785	6 568 281

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

The average lease term was 1 (2014: 2) years and the average effective borrowing rate was 6,6% (2014: 6,6%).

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 economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

16. Payables from exchange transactions

Trade payables	21 853 925	20 903 553	20 410 887	19 712 203
Other creditors	91 123 840	54 262 882	92 923 840	54 262 882
Retentions	25 530 233	18 419 769	25 477 004	18 419 769
Projects	4 298 520	332 810	4 298 520	332 810
Staff bonuses	10 671 278	9 828 670	10 538 790	9 664 818
	153 477 796	103 747 684	153 649 041	102 392 482

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

17. VAT pay able

Tax refunds payables	494 751	-	855 061	-
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VAT is payable on the payments 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.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
18. Consumer deposits				
Water	20 034 005	19 724 662	20 034 005	19 724 662
Guarantees held in lieu of water deposits	495 780	495 780	495 780	495 780
19. Unspent government grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
National government grants	12 411 978	20 190 917	12 411 978	20 190 917
Provincial government grants	604 676	3 056 149	604 676	3 056 149
Other spheres of government	8 349 163	25 086 023	8 349 163	25 086 023
	21 365 817	48 333 089	21 365 817	48 333 089

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.

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

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

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
20. Provisions				
Reconciliation of provisions - Economic entity - 2015				
	Opening Balance	Leave encashed during period	Increase / (decrease) in contributions to provision	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	333 672	-	237 549	571 221
Leave pay provision	14 759 433	(33 367)	2 918 616	17 644 682
	16 569 481	(33 367)	3 495 780	20 031 894
Reconciliation of provisions - Economic entity - 2014				
	Opening Balance	Leave pay provision	Increase / (decrease) in contributions to provision	Total
Current portion of post-retirement medical aid benefits liability	854 208	-	27 624	881 832
Current portion of long-service awards	931 680	-	(337 136)	594 544
Performance bonus provision	-	-	333 762	333 762
Leave pay provision	15 485 176	(21 832)	(703 911)	14 759 433
	17 271 064	(21 832)	(679 661)	16 569 571
Reconciliation of provisions - Controlling entity - 2015				
	Opening Balance	Leave pay provision	Increase / (decrease) in contributions to provision	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	-	237 459	571 221
Leave pay provision	14 589 341	(33 367)	2 818 399	17 374 373
	16 399 479	(33 367)	3 395 473	19 761 585
Reconciliation of provisions - Controlling entity - 2014				
	Opening Balance	Leave pay provision	Increase / (decrease) in contributions to provision	Total
Current portion of post-retirement medical aid benefits liability	854 208	-	27 624	881 832
Current portion of long-service awards	931 680	-	(337 136)	594 544
Performance bonus provision	-	-	333 762	333 762
Leave pay provision	15 268 299	(21 832)	(657 126)	14 589 341
	17 054 187	(21 832)	(632 876)	16 399 479

Notes to the Consolidated Financial Statements

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

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 the medical aid funds, with which the municipality is associated, a member is entitled to continue as a 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:

	Number of employees	Number of employees	Number of employees	Number of employees
In-service members (employees)	510	494	510	494
Continuation members	52	49	52	49
Total	562	543	562	543

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

In-service members	7 936 377	6 588 857	7 936 377	7 936 377
Continuation members	8 258 404	7 817 113	8 258 404	7 817 113
	16 194 781	14 405 970	16 194 781	15 753 490

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 R746 952 (30 June 2014: R633 146 and R610 859 respectively).

Key assumptions used

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

Discount rates	8,81%	8,87%	8,81%	8,87%
Health care cost inflation	7,95%	8,11%	7,95%	8,11%
Net effective discount rate	0,80%	0,70%	0,80%	0,70%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

21. Retirement benefit liabilities (continued)

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

Balance at beginning of the year	14 405 969	15 047 528	14 405 969	15 047 528
Current service costs	610 859	633 146	610 859	633 146
Interest cost	1 239 557	1 197 476	1 239 557	1 197 476
Benefits paid	(881 832)	(854 208)	(881 832)	(854 208)
Actuarial loss / (gain)	820 228	(1 617 973)	820 228	(1 617 973)
Balance at end of the year	16 194 781	14 405 969	16 194 781	14 405 969

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

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

The history of experienced adjustments is as follows:

	2015	2014	2013	2012	2011	2010
Present value of defined benefit obligation	16 194 781	14 405 969	22 229 850	19 731 792	22 877 435	20 526 171
Deficit	16 194 781	14 405 969	22 229 850	19 731 792	22 877 435	20 526 171
Experienced adjustments on plan	729 000	(583 000)	(488 790)	(6 769 737)	1 949 195	(214 812)
	16 923 781	13 822 969	21 741 060	12 962 055	24 826 630	20 311 359

Other assumptions

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

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

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

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
22. Other long-term employee benefits				
Provision for long-service awards	13 234 057	11 076 109	13 234 057	11 076 109

The movement in non-current provisions are reconciled as follows:

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

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 cost for the year ending 30 June 2015 is estimated to be R1 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%	8,16%	8,21%
Cost inflation rate	7,17%	7,28%	7,17%	7,28%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	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	11 670 653	9 372 427
Current service cost	1 244 950	1 107 699	1 244 950	1 107 699
Interest cost	933 835	674 101	933 835	674 101
Benefits paid	(594 544)	(931 680)	(594 544)	(931 680)
Actuarial losses / (gains)	850 478	1 448 106	850 478	1 448 106
Present value of fund obligation at end of the year	14 105 372	11 670 653	14 105 372	11 670 653

The history of experienced adjustments is as follows:

Present value of defined benefit obligation	2015 14 105 372	2014 11 670 653	2013 9 150 868	2012 9 765 467	2011 9 366 466	2010 6 870 116
Deficit	14 105 372	11 670 653	9 150 868	9 765 467	9 366 466	6 870 116
Unrecognised actuarial gains/ (losses)	910 954	1 671 011	(1 664 673)	(991 516)	870 061	755 438
Total post-retirement benefit	15 016 326	13 341 664	7 486 195	8 773 951	10 236 527	7 625 554

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

22. Other long-term employee benefits (continued)

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

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	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)	192 800	(171 600)
Effect on defined benefit obligation	4 400	(5 900)	4 400	(5 900)
	197 200	(177 500)	197 200	(177 500)
2014	One percentage point increase	One percentage point decrease	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)	172 398	(152 506)
Effect on defined benefit obligation	928 953	(832 228)	928 953	(832 228)
	1 101 351	(984 734)	1 101 351	(984 734)

The municipality expects to make a contribution of R2 434 719 (2014: R2 178 800) to the defined benefit plans during the next financial year.

23. Service charges

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

24. Rental of facilities and equipment

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

25. Other revenue

Revaluation reserve / Assets acquired at no cost	1 999 189	2 688 032	810 785	2 688 032
Administration fees	371 606	296 377	83 100	54 326
Building plan fees	113 946	73 148	113 946	73 148
Connection fees	1 977 049	1 630 010	1 977 049	1 630 010
Other revenue	2 061 990	822 962	1 635 787	337 574
Atmospheric emissions licenses	163 600	320 440	163 600	320 440
Reconnection fees	595 481	562 230	595 481	562 230
Tender deposits	234 972	194 387	128 829	194 387
Water rates certificates	836 191	231 646	836 191	231 646
Developers fees	8 636 202	2 298 475	8 636 202	2 298 475
	16 990 226	9 117 707	14 980 970	8 390 268

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
26. Interest received				
Interest revenue				
Short-term investments	6 323 233	-	6 323 233	-
Bank	9 662 772	10 970 336	9 182 726	10 628 189
Interest charged on trade and other receivables	3 490 009	3 192 401	3 490 009	3 192 401
	19 476 014	14 162 737	18 995 968	13 820 590

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
27. Government grants and subsidies				
Operating grants				
National equitable share	264 864 935	236 862 268	264 864 935	236 862 268
Levies replacement	54 816 000	50 290 000	54 816 000	50 290 000
Other grants	1 936 728	1 022 031	1 936 728	1 022 031
	321 617 663	288 174 299	321 617 663	288 174 299
Capital grants				
National: MIG grant	265 189 000	275 304 000	265 189 000	275 304 000
National: FMG grant	1 251 468	1 233 819	1 251 468	1 233 819
National: DEAT grant	-	164 702	-	164 702
National: Local Government grant	56 295 629	7 452 346	56 295 629	7 452 346
National: DWAF grant	47 545 597	55 740 460	47 545 597	55 740 460
Provincial: Department of Cooperative Governance and Traditional Affairs grant	25 998 847	29 411 030	25 998 847	29 411 030
Provincial: Department of Public Works grant	1 041 576	883 496	1 041 576	883 496
Provincial: Human Settlement and Rural Development grant	-	4 000 000	-	4 000 000
Provincial: Department of Transport grant	2 944 356	1 765 019	2 944 356	1 765 019
Development Bank of Southern Africa	523 957	385 855	523 957	385 855
	400 790 430	376 340 727	400 790 430	376 340 727
	722 408 093	664 515 026	722 408 093	664 515 026
Equitable Share				
Current-year receipts	319 680 935	287 152 268	319 680 935	287 152 268
Conditions met transferred to revenue: operating expenses	(319 680 935)	(287 152 268)	(319 680 935)	(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.

National: Municipal Infrastructure Grant (MIG)

Current-year receipts	265 189 000	275 304 000	265 189 000	275 304 000
Conditions met - transferred to revenue: operating expenses	(5 029 963)	(59 905 245)	(5 029 963)	(59 905 245)
Conditions met - transferred to revenue: capital expenses	(260 159 037)	(215 398 755)	(260 159 037)	(215 398 755)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

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). No funds were withheld.

National: Finance Management Grant (FMG)

Balance unspent at beginning of year	1 468	(14 713)	1 468	(14 713)
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
27. Government grants and subsidies (continued)				
Conditions met - transferred to revenue: operating expenses	(1 251 468)	(1 233 819)	(1 251 468)	(1 233 819)
	-	1 468	-	1 468

Conditions still to be met - remain liabilities (see note 19).

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).

National: Economic Affairs and Tourism Grant (DEAT)

Balance unspent at beginning of year	430 396	595 098	430 396	595 098
Conditions met - transferred to revenue: operating expenses	-	(164 702)	-	(164 702)
	430 396	430 396	430 396	430 396

Conditions still to be met - remain liabilities (see note 19).

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".

National: Local Government Grant

Balance unspent at beginning of year	17 262 272	11 556 420	17 262 272	11 556 420
Current-year receipts	33 433 000	22 147 000	33 433 000	22 147 000
Conditions met - transferred to revenue: operating expenses	(727 002)	-	(727 002)	-
Conditions met - transferred to revenue: capital expenses	(42 288 841)	(6 468 159)	(42 288 841)	(6 468 159)
Correction of prior year error - Conditions met - transferred to revenue: operating expenses	-	(7 568 286)	-	(7 568 286)
Transfers withheld during the year	(2 473 431)	(2 404 703)	(2 473 431)	(2 404 703)
	5 205 998	17 262 272	5 205 998	17 262 272

Conditions still to be met - remain liabilities (see note 19).

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.

National: Department of Water Affairs and Forestry Grant (DWAF)

Balance unspent at beginning of year	1 973 316	7 609 474	1 973 316	7 609 474
Current-year receipts	57 450 838	50 104 303	57 450 838	50 104 303
Conditions met - transferred to revenue: operating expenses	(47 545 598)	(55 740 461)	(47 545 598)	(55 740 461)
	11 878 556	1 973 316	11 878 556	1 973 316

Conditions still to be met - remain liabilities (see note 19).

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.

Provincial: Department of Cooperative Governance and Traditional Affairs Grant

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
27. Government grants and subsidies (continued)				
Balance unspent at beginning of year	25 076 273	25 538 853	25 076 273	25 538 853
Current-year receipts	4 310 000	21 931 000	4 310 000	21 931 000
Conditions met - transferred to revenue: operating expenses	(4 001 950)	(2 958 702)	(4 001 950)	(2 958 702)
Conditions met - transferred to revenue: capital expenses	(22 034 160)	(19 434 878)	(22 034 160)	(19 434 878)
	3 350 163	25 076 273	3 350 163	25 076 273

Conditions still to be met - remain liabilities (see note 19).

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.

Provincial: Department of Public Works Grant

Balance unspent at beginning of year	116 505	431 565	116 505	431 565
Current-year receipts	1 368 000	1 000 000	1 368 000	1 000 000
Conditions met - transferred to revenue: operating expenses	(1 041 576)	(883 495)	(1 041 576)	(883 495)
Conditions met - transferred to revenue: capital expenses	-	(431 565)	-	(431 565)
Transfers withheld during the year	(116 505)	-	(116 505)	-
	326 424	116 505	326 424	116 505

Conditions still to be met - remain liabilities (see note 19).

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

Department of Human Settlement and Public Works

Current-year receipts	-	4 000 000	-	4 000 000
Conditions met - transferred to revenue: operating expenses	-	(4 000 000)	-	(4 000 000)
	-	-	-	-

Provincial: Department of Transport Grant

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

Conditions still to be met - remain liabilities (see note 19).

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.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
27. Government grants and subsidies (continued)				
Development Bank of Southern Africa				
Balance unspent at beginning of year	562 624	1 391 580	562 624	1 391 580
Conditions met - transferred to revenue: operating expenses	(524 042)	(709 256)	(524 042)	(709 256)
Conditions met - transferred to revenue: capital expenses	-	(119 700)	-	(119 700)
	38 582	562 624	38 582	562 624

Conditions still to be met - remain liabilities (see note 19).

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.

Other Government: Industrial Development Corporation

Balance unspent at beginning of year	45 020	45 020	45 020	45 020
Conditions met - transferred to revenue: operating expenses	(45 020)	-	(45 020)	-
	-	45 020	-	45 020

Conditions still to be met - remain liabilities (see note 19).

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 Sponsors: NPC

Balance unspent at beginning of year	555 497	555 497	555 497	555 497
Conditions met - transferred to revenue: operating expenses	(426 448)	-	(426 448)	-
	129 049	555 497	129 049	555 497

Other Sponsors: National Lottery

Balance unspent at beginning of year	1 472 362	2 494 392	1 472 362	2 494 392
Conditions met - transferred to revenue: operating expenses	(1 465 712)	(1 022 030)	(1 465 712)	(1 022 030)
	6 650	1 472 362	6 650	1 472 362

28. Municipal grants

Hibiscus Coast Municipality	1 600 000	1 400 000	-	-
Vulamehlo Municipality	395 000	369 600	-	-
Umdoni Municipality	220 000	270 000	-	-
Umzumbe Municipality	380 000	330 000	-	-
Umuziwabantu Municipality	300 000	221 760	-	-
Ezinqoleni Municipality	100 000	63 000	-	-
Grants - other	1 600 000	-	-	-
	4 595 000	2 654 360	-	-

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
29. Employee related costs				
Basic	157 967 073	141 852 869	152 331 712	138 814 209
Commissions	7 810 364	6 826 209	7 810 364	6 826 209
Bonus	13 067 350	11 423 586	12 816 436	11 174 386
Medical aid - company contributions	11 906 019	10 388 715	11 735 441	10 259 222
UIF	2 307 700	1 273 806	1 333 376	1 257 045
SDL	2 154 418	1 941 272	2 124 027	1 914 542
Leave pay provision charge	3 445 550	3 276 260	3 430 713	3 205 316
Contribution long service benefits	3 029 263	2 298 226	3 029 263	2 298 226
Other short term costs	66 586	62 725	66 586	62 725
Defined contribution plans	30 125 916	26 998 301	30 042 517	26 941 830
Travel, motor car, accommodation, subsistence and other allowances	1 515 543	955 161	1 479 930	909 439
Overtime payments	23 912 209	20 977 298	23 711 547	20 810 648
Long-service awards	2 309 605	3 249 806	2 309 605	3 249 806
Acting allowances	1 692 004	1 735 626	1 692 004	1 735 626
Car allowance	12 229 539	11 782 464	12 229 539	11 782 464
Housing benefits and allowances	1 301 105	1 063 897	1 278 248	1 045 326
	274 840 244	246 106 221	267 421 308	242 287 019
Remuneration of municipal manager				
Annual Remuneration	915 394	911 446	915 394	911 446
Car, entertainment, housing, subsistence and other allowances	292 746	227 778	292 746	227 778
Performance Bonuses	122 029	-	122 029	-
Contributions to UIF, Medical and Pension Funds	226 747	207 088	226 747	207 088
Backpay	36 376	-	36 376	-
	1 593 292	1 346 312	1 593 292	1 346 312
Remuneration of chief finance officer				
Annual Remuneration	571 446	513 083	571 446	513 083
Car, entertainment, housing, subsistence and other allowances	462 926	453 050	462 926	453 050
Performance Bonuses	70 578	-	70 578	-
Contributions to UIF, Medical and Pension Funds	44 812	-	44 812	-
Backpay	25 206	-	25 206	-
	1 174 968	966 133	1 174 968	966 133
Corporate and human resources (corporate services)				
Annual Remuneration	488 530	570 892	488 530	570 892
Car, entertainment, housing, subsistence and other allowances	583 136	520 822	583 136	520 822
Performance Bonuses	80 660	-	80 660	-
Contributions to UIF, Medical and Pension Funds	24 602	12 199	24 602	12 199
Backpay	25 206	-	25 206	-
	1 202 134	1 103 913	1 202 134	1 103 913

Remuneration of general manager: Infrastructure and Economic Development

Annual Remuneration	782 655	760 636	782 655	760 636
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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
29. Employee related costs (continued)				
Car, entertainment, housing, subsistence and other allowances	307 040	276 077	307 040	276 077
Performance Bonuses	60 495	-	60 495	-
Contributions to UIF, Medical and Pension Funds	12 946	11 580	12 946	11 580
Backpay	25 206	-	25 206	-
	1 188 342	1 048 293	1 188 342	1 048 293

Remuneration of Senior Manager: Strategy and Shared Services

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

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

Remuneration of general manager: Water Services

Annual Remuneration	549 045	464 872	549 045	464 872
Car, entertainment, housing, subsistence and other allowances	461 140	174 405	461 140	174 405
Performance Bonuses	27 985	-	27 985	-
Contributions to UIF, Medical and Pension Funds	113 990	16 129	113 990	16 129
Backpay	27 985	-	27 985	-
	1 180 145	655 406	1 180 145	655 406

Included in employee costs are the following amounts paid to 57 employees of the company:

Remuneration of chief executive officer (Ugu South Coast Tourism) (Outgoing)

Annual Remuneration	-	69 111	-	-
Performance Bonuses	-	92 148	-	-
Contributions to UIF, Medical and Pension Funds	-	3 062	-	-
Leave pay	-	116 415	-	-
Cellphone allowance	-	1 464	-	-
	-	282 200	-	-

Remuneration of chief executive officer (Ugu South Coast Tourism) (New)

Annual Remuneration	847 920	733 333	-	-
Performance Bonuses	104 000	-	-	-
Contributions to UIF, Medical and Pension Funds	11 304	8 969	-	-
Cellphone allowance	17 806	15 400	-	-
	981 030	757 702	-	-

Remuneration of general manager: Finance and Human Resources (Ugu South Coast Tourism)

Annual Remuneration	476 955	420 044	-	-
Performance Bonuses	56 400	39 211	-	-
Contributions to UIF, Medical and Pension Funds	6 897	6 177	-	-
Cellphone allowance	15 263	14 285	-	-
	555 515	479 717	-	-

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

29. Employee related costs (continued)

Remuneration of general manager: Development (Ugu South Coast Tourism)

Annual Remuneration	59 248	390 877	-	-
Performance Bonuses	-	39 211	-	-
Contributions to UIF, Medical and Pension Funds	1 174	6 014	-	-
Leave pay	48 371	-	-	-
Cellphone	2 544	14 285	-	-
	111 337	450 387	-	-

Remuneration of chief executive officer (South Coast Development Agency)

Annual Remuneration	629 515	-	-	-
Contributions to UIF, Medical and Pension Funds	100 024	-	-	-
Travel and housing allowance	135 684	-	-	-
	865 223	-	-	-

Remuneration of general manager: Finance and Human Resources (South Coast Development Agency)

Annual Remuneration	489 742	-	-	-
Contributions to UIF, Medical and Pension Funds	54 472	-	-	-
Travel and housing allowance	136 076	-	-	-
	680 290	-	-	-

Remuneration of general manager: Projects (South Coast Development Agency)

Annual Remuneration	477 819	-	-	-
Contributions to UIF, Medical and Pension Funds	49 805	-	-	-
Travel and housing allowance	154 122	-	-	-
	681 746	-	-	-

30. Remuneration of councillors

Mayor	343 056	343 056	343 056	343 056
Deputy mayor	261 568	261 568	261 568	261 568
Executive committee members	1 848 352	1 508 267	1 848 352	1 508 267
Speaker	258 918	258 918	258 918	258 918
Councillors / board members	1 849 646	1 329 130	1 393 608	1 175 230
Company contributions to UIF, medical, and pension funds	505 583	479 129	505 583	479 129
Other allowances (Cellphone, housing, transport etc.)	4 078 836	3 757 912	4 078 836	3 757 912
	9 145 959	7 937 980	8 689 921	7 784 080

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

30. Remuneration of councillors (continued)

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. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

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

The following additional personal support is provided by the municipality:

- (i) The Mayor has one full-time bodyguard and one full-time driver.
- (ii) The Deputy Mayor has one full-time aide, fulfilling various personal duties.
- (iii) The Speaker has one full-time driver.

For services as directors

EJ Crutchfield - (Ugu South Coast Tourism)	37 350	38 000	-	-
- (South Coast Development Agency)	70 146	-	-	-
HR Kelly - (Ugu South Coast Tourism)	24 900	20 900	-	-
PT Jeffreys - (Ugu South Coast Tourism)	18 675	26 600	-	-
J Harris - (Ugu South Coast Tourism)	20 750	22 800	-	-
ZP Ngubane - (Ugu South Coast Tourism)	20 750	11 400	-	-
C Davenport - (Ugu South Coast Tourism)	14 525	17 100	-	-
WV Mzulwini - (Ugu South Coast Tourism)	18 675	17 100	-	-
S Mdikiza - (South Coast Development Agency)	44 700	-	-	-
S Nzimande - (South Coast Development Agency)	38 425	-	-	-
S Dloomo - (South Coast Development Agency)	44 687	-	-	-
C van der Slikke - (South Coast Development Agency)	45 500	-	-	-
N Zamisa - (South Coast Development Agency)	56 954	-	-	-
	456 037	153 900	-	-

In terms of Section 124(1) of the Municipal Finance Act (Act No. 56 of 2003), the accounting officer certifies that the salaries, allowances and benefits of the directors as disclosed in this note within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

31. Depreciation and amortisation

Property, plant and equipment	166 526 098	166 514 660	166 379 131	166 392 545
Intangible assets	3 156 056	3 079 885	3 145 871	3 073 264
	169 682 154	169 594 545	169 525 002	169 465 809

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

32. Impairment of assets

Impairments				
Property, plant and equipment	76 295 248	2 796 989	76 295 248	2 796 989
Trade and other receivables	85 629 566	12 743 170	85 629 566	12 743 170
	161 924 814	15 540 159	161 924 814	15 540 159

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
33. Finance costs				
Non-current borrowings	12 247 515	15 155 903	12 247 515	15 155 903
Other interest paid	565 214	661 744	565 192	661 744
	12 812 729	15 817 647	12 812 707	15 817 647
34. Debt impairment				
Bad debts written off	17 799	25 601	-	-
35. Bulk purchases				
Water	52 626 127	46 954 224	52 626 127	46 954 224

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk water is purchased from the Umgeni Water Board and eThekweni Municipality.

36. Contracted services

Other contractors	-	3 578	-	3 578
Cleaning services	1 956 632	1 868 658	1 956 632	1 868 658
Professional services	-	-	-	-
- Chemistry	3 726 602	4 044 040	3 726 602	4 044 040
- Dam safety	353 654	15 500	353 654	15 500
- Engineering services	1 066 057	1 575 458	1 066 057	1 575 458
- Other professional services	2 055 553	1 820 589	2 055 553	1 820 589
Security services	-	-	-	-
-Alarm monitoring	4 039	4 470	4 039	4 470
- Cash banking	148 999	147 097	148 999	147 097
- General security	10 473 316	10 128 322	10 436 343	10 100 010
Pest control	179 548	69 474	79 427	-
	19 964 400	19 677 186	19 827 306	19 579 400

37. Grants and subsidies paid

Low income subsidy	13 529 477	44 472 813	29 573 219	54 990 663
Community projects	17 891 638	19 920 144	17 891 638	19 920 144
Other grants and subsidy	54 195	253 000	54 195	253 000
Other	23 216 449	46 845 873	23 216 449	46 845 873
	54 691 759	111 491 830	70 735 501	122 009 680

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 primarily 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.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
38. General expenses				
Accounting fees	1 973	36 865	-	-
Advertising	1 949 161	1 673 563	126 222	173 342
Auditors remuneration	2 976 641	2 413 045	2 384 650	2 111 074
Accommodation seminars and travelling	758 319	379 332	469 675	368 387
Bank charges	595 300	559 667	560 932	540 887
Cleaning	395 265	277 264	377 323	259 421
Commission paid	1 223 803	1 147 363	1 223 803	1 147 363
Consultant information technology support	310 026	163 730	-	90 343
Consulting and professional fees	813 569	3 255 488	761 984	3 250 238
Consumables	90 438	152 659	90 438	152 659
Electricity	49 474 129	46 317 546	49 382 977	46 244 979
Entertainment	435 043	409 811	-	-
Events and programmes	4 350 383	3 589 438	1 004 459	980 439
Fuel and oil	11 622 121	10 225 715	11 601 355	10 198 419
Gardening services	1 144 161	758 642	1 144 161	758 642
Insurance	1 533 849	1 575 065	1 487 131	1 542 165
Kwanaloga subscriptions	1 847 144	1 864 124	1 847 144	1 864 124
Loose / small tools	555 375	297 333	555 375	297 333
Licences	5 141 014	3 768 060	5 140 113	3 767 607
Marketing	234 205	172 021	28 013	58 066
Magazines, books and periodicals	148	745	148	745
Materials	3 663 500	5 820 636	3 663 500	5 820 636
Other general expenses	2 254 216	2 039 116	1 584 629	1 880 701
Postage and courier	1 641 388	1 623 838	1 639 821	1 622 345
Printing and stationery	1 162 017	753 989	1 074 418	681 767
Public participation	1 162 244	1 902 025	1 162 244	1 902 025
Property transfers	907 800	902 324	907 800	902 324
Research and development costs	32 800	164 541	32 800	164 541
Refreshments	200 365	159 574	167 741	135 585
Sports and recreation	1 351 268	-	1 351 268	-
Subscriptions and membership fees	39 485	14 075	27 703	2 496
Telephone and fax	3 168 876	3 026 587	2 779 683	2 772 598
Transport and freight	12 622 709	9 946 627	12 545 138	9 853 172
Training	3 533 060	2 477 482	2 608 989	1 624 658
Uniforms and protective clothing	1 353 593	1 157 918	861 310	691 679
Vehicle tracking	92 875	1 038 340	89 269	1 035 830
Workmen's compensation insurance	38 972	1 333 283	21 250	1 324 610
	118 677 235	111 397 831	108 703 466	104 221 200
39. Fair value adjustments				
Investment property (Fair value model)	(4 200 000)	(10 400 000)	(4 200 000)	(10 400 000)

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
40. Cash generated from operations				
Surplus	151 616 965	248 815 474	147 001 261	246 093 429
Adjustments for:				
Depreciation and amortisation	171 709 530	171 476 235	171 552 378	171 347 499
(Loss) gain on sale of assets and liabilities	(862 083)	1 378 271	(883 418)	1 334 421
Loss on disposal of intangible asset	-	-	-	31 068
Fair value adjustments	4 200 000	10 400 000	4 200 000	10 400 000
Impairment deficit	161 924 814	15 540 159	161 924 814	15 540 159
Debt impairment	17 799	25 601	-	-
Movements in operating lease assets and accruals	29 958	(13 985)	19 692	12 316
Movements in retirement benefit assets and liabilities	1 725 968	(7 851 505)	1 725 968	(7 851 505)
Movements in current provisions	3 462 323	(708 217)	3 362 106	(654 709)
Movements in Non-current provisions	2 157 948	2 635 362	2 157 948	2 635 362
Changes in working capital:				
Inventories	(6 357 053)	(1 130 627)	(6 357 053)	(1 130 627)
Receivables from exchange transactions	(52 424 768)	(7 948 548)	(50 229 951)	(9 708 550)
Other receivables from non-exchange transactions	(37 120 978)	(4 816 720)	(37 058 794)	(4 816 720)
Payables from exchange transactions	49 730 111	(16 678 954)	51 256 559	(17 284 040)
VAT	6 669 991	10 328 455	6 924 796	10 328 455
Unspent conditional grants and receipts	(26 967 272)	(2 442 865)	(26 967 272)	(2 442 865)
Consumer deposits	309 343	345 516	309 343	345 516
	429 822 596	419 353 652	428 938 377	414 179 209

41. Acquisition of Municipal entity

On 1 July 2014, Ugu District Municipality acquired 100% of the net assets of South Coast Development Agency NPC

Property, plant and equipment	197 994	-
Intangible assets	27 888	-
Receivables from exchange transactions	222 076	-
Bank and Cash	1 729 684	-
Payables from exchange transactions	(818 153)	-
Provisions	(170 953)	-
Net assets acquired	1 188 536	-
Purchase consideration	100	-
	1 188 636	-
Cash balance of Municipal Entity	1 729 684	-
Purchase consideration settled in cash	(100)	-
Cash flow on acquisition of municipal entity	1 729 584	-

42. Financial instruments disclosure

Categories of financial instruments

Controlling entity - 2015

Financial assets

In accordance with GRAP 104.13 for the financial assets for the municipality are classified as follows:

At fair value	At amortised cost	Total
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Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
Financial instruments disclosure (continued)				
Long-term receivables	-	-	-	-
- Relocation loans	-	-	2 661	2 661
- Sundry loans	-	-	305 361	305 361
Receivables from Exchange Transactions	-	-	-	-
Sewerage	-	-	50 183 184	50 183 184
Other trade receivables	-	-	1 734 518	1 734 518
Water	-	-	110 186 253	110 186 253
Water rates	-	-	18 583 628	18 583 628
Receivables from Non-exchange Transactions	-	-	-	-
Payments made in advance	-	-	4 353 985	4 353 985
Government subsidy claims	-	-	11 562 424	11 562 424
Insurance claims	-	-	122 367	122 367
Municipal entities	-	-	50 979	50 979
Sundry deposits	-	-	808 432	808 432
Sundry debtors	-	-	342 497 865	342 497 865
Cash and Cash Equivalents	-	-	-	-
Call deposits	-	36 344 664	-	36 344 664
Notice deposits	-	-	185 734 892	185 734 892
Bank balances	-	15 855 230	-	15 855 230
Cash floats and advances	-	4 910	-	4 910
Current-portion of Long-term Receivables	-	-	-	-
Relocation loans	-	-	9 567	9 567
Sundry loans	-	-	3 600	3 600
		52 204 804	726 139 716	778 344 520

Financial liabilities

In accordance with GRAP 104.13 for the financial liabilities for the municipality are classified as follows:

	At fair value	At amortised cost	Total
Annuity Loans	-	163 440 870	163 440 870
Trade and other payables from exchange transactions	-	156 441 249	156 441 249
Finance lease liability	-	3 063 785	3 063 785
Bank overdraft	5 017 457	-	5 017 457
	5 017 457	322 945 904	327 963 361

Controlling entity - 2014

Financial assets

In accordance with GRAP 104.13 for the financial assets for the municipality are classified as follows:

	At fair value	At amortised cost	Total
Relocation costs	-	7 111	7 111
Sundry loans	-	293	293
Sewerage	-	41 051 351	41 051 351
Other trade receivables	-	1 737 876	1 737 876
Water	-	76 727 859	76 727 859
Water rates	-	12 190 842	12 190 842
Payments made in advance	-	1 920 995	1 920 995
Government subsidy claims	-	236 950	236 950
Insurance claims	-	122 367	122 367
Municipal entities	-	66 846	66 846
Sundry deposits	-	893 075	893 075

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
Financial instruments disclosure (continued)				
Sundry debtors		-	549 836	549 836
Call deposits		7 535 227	-	7 535 227
Notice deposits		-	757 514	757 514
Bank balances		152 373 720	-	152 373 720
Cash floats and advances		4 910	-	4 910
Relocation loans		-	28 442	28 442
Sundry loans		-	3 600	3 600
		159 913 857	136 294 957	296 208 814

Financial liabilities

In accordance with GRAP 104.13 for the financial liabilities for the municipality are classified as follows:

	At fair value	At amortised cost	Total
Annuity loans	-	180 426 363	180 426 363
Finance lease liability	-	3 063 785	3 063 785
Payables from exchange transactions	-	133 948 939	133 948 939
Finance lease liability	-	3 361 417	3 361 417
Bank overdraft	3 343 474	-	3 343 474
	3 343 474	320 800 504	324 143 978

Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate such value:

Cash and short-term investments:

The carrying amount approximates the fair value because of the short maturity of these instruments.

Long-term investments

The fair value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables

The management of the municipality is of the opinion that the carrying value of trade and other receivables recorded at amortised cost in the annual financial statements approximate their fair values. The fair value of trade receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other financial assets and liabilities

The fair value of other financial assets and financial liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

Financial instruments disclosure (continued)

Long-term liabilities

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the annual financial statements to approximate their fair values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No financial instruments of the municipality were reclassified during the year

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in note 17, bank, cash and cash equivalents and equity, comprising accumulated Surplus as disclosed in Note 3 and the statement of changes in net assets.

Gearing ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
Financial instruments disclosure (continued)				
The gearing ratio at the year-end was as follows:				
Debt	166 510 655	186 994 645	166 510 655	186 994 645
Cash and cash equivalents	(232 922 238)	(157 327 897)	(232 922 238)	(157 327 897)
Net debt/(asset)	(66 411 583)	29 666 748	(66 411 583)	29 666 748
Equity	4 187 219 951	3 973 182 731	4 170 906 764	3 961 485 248
Net debt to equity ratio	- %	0,76 %	- %	0,76 %

Debt is defined as long-term and short-term liabilities, as detailed in Note 17.

Equity includes all funds and reserves of the municipality, disclosed as net assets in the statement of financial performance and net debt as described above.

Financial risk management objectives

The accounting officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function..

Further quantitative disclosures are included throughout these annual financial statements.

Significant risks

It is the policy of the municipality to disclose information that enables the user of its annual financial

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

The municipality has exposure to the following risks from its operations in financial instruments:

- ☐ Credit risk;
- ☐ Liquidity risk; and
- ☐ Market risk.

Risks and exposures are disclosed as follows:

Market risk

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

Financial instruments disclosure (continued)

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 to the annual financial statements.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 42 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	185 715 629	-	-	-	-	185 715 629
Variable interest rate instruments	18 915 505	-	-	-	-	18 915 505
Fixed interest rate instruments	3 063 785	-	-	-	-	3 063 785
	207 694 919	-	-	-	-	207 694 919
30 June 2014	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	140 377 050	-	-	-	-	140 377 050
Variable interest rate instruments	3 281 879	-	-	-	-	3 281 879
Fixed interest rate instruments	13 014 267	13 789 267	27 578 533	88 053 182	176 338 319	318 773 568
	156 673 196	13 789 267	27 578 533	88 053 182	176 338 319	462 432 497

Municipality

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

Financial instruments disclosure (continued)

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

30 June 2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	154 045 729	-	-	-	-	154 045 729
Variable interest rate instruments	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	170 633 398	-	-	-	-	170 633 398
30 June 2014	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	224 435 449	-	-	-	-	224 435 449
Variable interest rate instruments	160 666 976	-	-	-	-	160 666 976
Fixed interest rate instruments	732 428	-	-	-	-	732 428
	385 834 853	-	-	-	-	385 834 853
30 June 2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	224 435 449	-	-	-	-	224 435 449
Variable interest rate instruments	160 666 976	-	-	-	-	160 666 976
Fixed interest rate instruments	732 428	-	-	-	-	732 428
	385 834 853	-	-	-	-	385 834 853
Heading	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	141 538 885	-	-	-	-	141 538 885
Variable interest rate instruments	71 038 800	-	-	-	-	71 038 800
Fixed interest rate instruments	708 687	-	-	-	-	708 687
	213 286 372	-	-	-	-	213 286 372

Municipality

The municipality has access to financing facilities, the total unused amount which is R9,268 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio, within 20-25% limits increasing it to 25%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

Effective interest and repricing analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	185 734 892	-	-	-	-	185 734 892
Call deposits	36 344 664	-	-	-	-	36 344 664
Bank balances and cash	10 842 683	-	-	-	-	10 842 683

Notes to the Consolidated Financial Statements

			Economic entity		Controlling entity	
Figures in Rand			2015	2014	2015	2014
. Financial instruments disclosure (continued)						
Total variable rate instruments	47 187 347	-	-	-	-	47 187 347
30 June 2014	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	708 687	-	-	-	-	708 687
Call deposits	8 292 741	-	-	-	-	8 292 741
Bank balances and cash	152 374 235	-	-	-	-	152 374 235
	160 666 976	-	-	-	-	160 666 976

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

Investments/ bank, cash and cash equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of council's credit control and debt collection policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

Financial instruments disclosure (continued)

- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.
- There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term receivables and other debtors are individually evaluated annually at statement of financial position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and Location	2015	2014	2015	2014
Ukusa River Estate Development	1 273 600	656 512	1 273 600	656 512
GJ Crookes Hospital	-	582 323	-	582 323
Ithala Development Finance Corporation	734 982	563 852	734 982	563 852
San Lameer Estate Management	-	498 633	-	498 633
SA Botlink (Pty) Ltd	-	436 951	-	436 951
Smithchem (Pty) Ltd	978 989	-	978 989	-
Blue Marlin Hotel	950 284	-	950 284	-
Lourens De Jager Coetzer	680 477	-	680 477	-
	4 618 332	2 738 271	4 618 332	2 738 271

Except as detailed in the following table, the carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2015	2014	2015	2014
Investments	-	-	200	100
Long-term receivables	321 188	39 446	321 188	39 446
Consumer debtors	265 802 043	226 046 586	264 231 971	225 155 966
Other debtors	1 660 186	10 162 944	1 204 252	9 769 194
Bank, cash and cash equivalents	272 701 624	173 697 859	259 074 427	160 671 371
	540 485 041	409 946 835	524 832 038	395 636 077

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

. Financial instruments disclosure (continued)

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer debtors				
Household	77,00 %	75,00 %	77,00 %	75,00 %
Industrial/Commercial	18,00 %	17,00 %	18,00 %	17,00 %
National and Provincial Government	4,00 %	5,00 %	4,00 %	5,00 %
Other debtors	1,00 %	3,00 %	1,00 %	3,00 %
	100,00 %	100,00 %	100,00 %	100,00 %
Bank and cash balances				
ABSA Bank	60 777 571	167 875 328	47 164 171	156 585 295
First National Bank of SA Limited	45 018 266	17 465	45 018 266	17 465
Nedbank	30 000 000	-	30 000 000	-
Investec Bank	65 000 000	-	65 000 000	-
Ithala Bank	734 892	720 227	734 892	720 227
Standard Bank	45 000 000	-	45 000 000	-
Cash equivalents	18 707	11 681	4 910	4 910
	246 549 436	168 624 701	232 922 239	157 327 897

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
43. Commitments				
Authorised capital expenditure				
Approve and contracted for:-				
<input type="checkbox"/> Property, plant and equipment	474 702 180	733 477 962	474 702 180	733 477 962
<input type="checkbox"/> Other	7 308 871	21 248 606	7 308 871	21 248 606
	482 011 051	754 726 568	482 011 051	754 726 568
Approved but not yet contracted for:-				
<input type="checkbox"/> Property, plant and equipment	60 641 465	27 066 730	60 641 465	27 066 730
<input type="checkbox"/> Other	6 050 023	-	6 050 023	-
	66 691 488	27 066 730	66 691 488	27 066 730
Total capital commitments				
Already contracted for but not provided for	482 011 051	754 726 568	482 011 051	754 726 568
Not yet contracted for and authorised by accounting officer	66 691 488	27 066 730	66 691 488	27 066 730
	548 702 539	781 793 298	548 702 539	781 793 298
This expenditure will be financed from:				
Government grants	535 343 645	688 604 111	535 343 645	688 604 111
Own resources	13 358 894	93 189 187	13 358 894	93 189 187
	548 702 539	781 793 298	548 702 539	781 793 298
Authorised operational expenditure				
Already contracted for but not provided for				
<input type="checkbox"/> Other operating expenditure	4 187 216	1 863 548	-	-
Total operational commitments				
Already contracted for but not provided for	4 187 216	1 863 548	-	-
Total commitments				
Total commitments				
Authorised capital expenditure	548 702 539	781 793 298	548 702 539	781 793 298
Authorised operational expenditure	4 187 216	1 863 548	-	-
	552 889 755	783 656 846	548 702 539	781 793 298

The amount of commitments that was disclosed in the audited 2013/14 financial statement has been remeasured. Therefore the amount that was previously disclosed in has been replaced with a recalculated amount.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
44. Contingent assets and contingent liabilities				
Guarantees:				
i) Hibiscus Coast Municipality: The Municipality issued a bank guarantee in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the Municipality.	10 000	10 000	10 000	10 000
(ii) Eskom: The Municipality issued a bank guarantee in favour of Eskom to cover deposits on the electricity accounts of the Municipality.	2 852 000	2 852 000	2 852 000	2 852 000
(iii) South African Post office: The municipality issued a bank guarantee in favour of South African Post office.	200 000	200 000	200 000	200 000
	3 062 000	3 062 000	3 062 000	3 062 000
Court proceedings				
(i) Dispute on Expenditure Claimed: Council was involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 142, with interest estimated at R192 432, in respect of functions performed on behalf of Ezingoleni Municipality / Horseshoe Farm. The Municipality entered an Appearance to Defend the matter and was awaiting the enrollment of the matter for trial. The Municipality has since been advised that the Plaintiff has abandoned the Claim and their attorneys have closed their file. Municipal attorney has also been instructed to close file on this matter.	-	419 574	-	419 574
(ii) Alleged Breach of Contract: Council has been involved in a court case with Thumbprint Events Management, where it is alleged that the Municipality has unilaterally repudiated a contract. Applicant is claiming unpaid invoices and damages in terms of what would have been due to them had the contract not been repudiated by the Municipality. The Municipality is defending this action and awaits a court date. The total claim is valued at R875 258. 46 plus 30% of envisaged gate takings for two events and 25% of sale of floor space for two events (excluding VAT). The Municipality is currently negotiating a settlement with the Applicant and the matter is expected to be finalised by 30 September 2015.	875 248	875 248	875 248	875 248
(iii) Dispute on Damage Caused to Farmland: The Municipality has been issued with a Court Order instructing it to immediately cease the nuisance caused on Mr Meuller's property at Lot 2007 Uvongo through the discharge of final sewer effluent into a tributary of the Unvongo River on his land, thereby causing a ravine on his land and rendering it unfarmable to him. He is further claiming for damages caused through non-useability of his land, damages for loss of profit as a result of the damage caused to his property and the subdivision and transfer of the damaged land to the Municipality. The Municipality has instructed Engineers implementing the project to make an offer to purchase to the Applicant for damaged land. The Municipality awaits the response of the Plaintiff.	100 000	100 000	100 000	100 000

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
44. Contingent assets and contingent liabilities (continued)				
(iv) Cession Agreement: JZZ Engineering is claiming from the municipality as per a prescribed claim against a cession agreement entered into. The possible liability amounts to R153 900, plus costs. The Plaintiff has formally withdrawn from the matter. The Municipality is pursuing costs incurred from Plaintiff.	-	153 900	-	153 900
(v) Cession Agreement: Premier Attraction is claiming from the municipality for allegedly not honouring a cession agreement in their favour to the value of R122 682.24 plus costs. The Municipality is awaiting the matter to be set down for a Trial date in the High Court.	122 682	122 682	122 682	122 682
(vi) Cession Agreement: Premier Attraction is claiming from the municipality for allegedly not honouring a cession agreement in their favour to the value of R122 682.24 plus costs. The Municipality is awaiting the matter to be set down for a Trial date in the High Court.	6 659 282	6 659 282	6 659 282	6 659 282
(vii) Dispute regarding Encroachment on Property: The Municipality is enjoined with Umzumbe Municipality in litigation with MP & RV Coco regarding alleged illegal encroachment by the Municipalities. The applicants are wanting rehabilitation of their land. Costs are not yet determinable.	-	-	-	1
(viii) The parent municipality of the entity mandated consultants to assist in regularising their Value Added Taxation affairs. Upon conclusion of the said assignment, an ancillary finding was communicated to the parent, by the consultants, in that the grant funding charged out by the entity should indeed be Vatable. The entity has never levied Value Added Taxation on grants. The directors do not agree with the opinion of the consultants and have initiated steps to obtain a direct ruling from the South African Revenue Services. In any case, there is no loss to the fiscus as any possible effects are inter-governmental with all output directly corresponding with equal and opposite inputs on the governmental partner. Furthermore, the entity has been audited directly and specifically by the South African Revenue Services on its grants and no findings were made.	-	-	-	1
	7 757 212	8 330 686	7 757 212	8 330 688
Contingent assets				
i) Legal claim against Ingqondo and Nzwakele Construction for alleged fraud and undue enrichment from contracts awarded by the municipality.	-	4 714 038	-	4 714 038

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

45. Related parties

Relationships

Accounting Officer

100% Owned Company (Ugu District Municipality Entity)

100% Owned Company (Ugu District Municipality Entity)

Henderson (Ugu Councillor)

Refer to accounting officer's report note

Ugu South Coast Tourism (Pty) Ltd

South Coast Development Agency

Barry Botha & Breytenbach Inc

The municipality procured goods and/or services from the following companies, which are considered to be related parties:

Related party transactions

Purchases from (sales to) related parties

Ugu South Coast Tourism (Pty) Ltd

South Coast Development Agency NPC

Barry Botha & Breytenbach Inc

Ugu South Coast Tourism (Pty) Ltd	11 043 743	10 517 850
South Coast Development Agency NPC	5 000 000	-
Barry Botha & Breytenbach Inc	105 550	74 200
	16 149 293	10 592 050

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

46. Prior period errors

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

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
46. Prior period errors (continued)				
Post Employee Benefits				
Reported Amount	-	23 599 788	-	23 599 788
Correction of error	-	(10 075 651)	-	(10 075 651)
Restated Closing Balance	-	13 524 137	-	13 524 137

The prior year error relates to Post Employment Benefits for Actuarial Valuation of the Post-employment Medical subsidy liability. Misstatement was made by the Actuaries in the calculation of the Post-employment benefits.

Receivables from non-exchange transactions

Reported Amount	-	4 884 296	-	3 705 426
Correction of error	-	9 740 266	-	9 740 266
Restated Closing Balance	-	14 624 562	-	13 445 692

The error in the receivables from non-exchange transaction is due to VAT amount that was paid over to SARS as result of misstatement in the amount of vat output in the prior years. Therefore this amount was receivable from SARS and therefore it was accounted as non-exchange receivable not a vat receivable.

Payables

Reported Amount	-	135 305 164	-	133 948 941
Correction of error	-	(31 556 458)	-	(31 556 458)
Restated Closing Balance	-	103 748 706	-	102 392 483

The prior year error relates to Sundry Accruals that were not accrued in the 2013/14 financial period.

Provisions

Reported Amount	-	19 104 429	-	18 934 337
Correction of error	-	(2 534 859)	-	(2 534 859)
Restated Closing Balance	-	16 569 570	-	16 399 478

The leave pay provision was not calculated correctly and that was audit finding in 2013/14 financial period. The necessary adjustments were made to leave pay provision retrospectively.

Value Added Tax

Reported Amount	-	23 389 639	-	23 284 043
Correction of error	-	(17 214 308)	-	(17 214 308)
Restated Closing Balance	-	6 175 331	-	6 069 735

The vat review was done by KPMG and number of missatements were noted in the prior period where vat on the manual adjustments were incorrectly calculated. It was also noted that some of the vat input was claimed on invoices from non-vat vendors. All these missstatements were corrected retrospectively and therefore a prior period error adjustments were made.

Receivables from exchange transactions

Reported Amount	-	132 411 278	-	132 411 278
Correction of error	-	(1 953 645)	-	(1 953 645)
Restated Closing Balance	-	130 457 633	-	130 457 633

Correction error was due to adjustment of consumer debtors not billed in the prior year.

Property , Plant and Equipment	Year	Land & Buildings	Movables	Community	Infrastructure	Total
Reported Amount	2013/14	475 943 385	40 813 135	96 500 913	1 632 128 938	2 245 587 685

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

46. Prior period errors (continued)						
Correction of error	2013/14	(332 298 772)	(2 278 149)	482 523	2 213 884 013	1 879 789 615
Restated Closing Balance		143 644 613	38 534 986	96 983 436	3 846 012 951	4 125 377 300

The correction in the prior year error on Land and Buildings, due to properties in the FAR (Fixed Asset Register) that was never owned by the municipality. Infrastructure restatement is due to pipeline that was never included in the financial records and valuation of infrastructure assets.

Income		Reported	Correction of error	Restated
Other revenue		9 066 792	(676 523)	8 390 269
Expenditure		Reported	Correction of error	Restated
Grants Expenditure		109 761 913	(240 909)	109 521 004
General expenses (Salga Expenses)		4 157 174	(2 293 050)	1 864 124
General expenses (Insurance)		2 776 679	(1 234 514)	1 542 165
Depreciation and amortisation		66 668 665	102 797 144	169 465 809
		183 364 431	99 028 671	282 393 102
Statement of financial position				
Property, plant and equipment	-	1 879 789 615	-	1 879 789 615
Receivables from non-exchange transactions	-	9 740 266	-	9 740 266
Receivables from exchange transactions	-	(1 953 645)	-	(1 953 645)
Value Added Tax	-	(17 214 308)	-	(17 214 308)
Provisions	-	2 534 859	-	2 534 859
Trade payables	-	31 556 458	-	31 556 458
Post employee benefit	-	10 075 651	-	10 075 651
	-	1 914 528 896	-	1 914 528 896

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
46. Prior period errors (continued)				
Statement of Financial Performance				
Other revenue	-	676 523	-	676 523
Grants expenditure	-	(240 909)	-	(240 909)
General Expenses (Salga Expenses)	-	(2 293 050)	-	(2 293 050)
General expenses (Insurance)	-	(1 234 514)	-	(1 234 514)
Depreciation and amortisation	-	102 797 144	-	102 797 144
	-	99 705 194	-	99 705 194

The following balances has been reclassified in the Statement of Financial Performance. This balances have been reclassified because in the previous period it has been either reported in the incorrect Financial Statement Line Item (FSLI) or it has been considered to be more appropriate to achieve fair presentation.

All the balances that has been reclassified together with the corresponding figures for the 2013/14 financial period. There is no effect on the profits as a results of reclassification.

Refer to reconciliation of balances previously reported and reclassified below:

1. Fair value adjustment of Service Charges	Amount Previously Reported	Amount Reported	Reclassified Amount
Interest Income	32 597 604	13 820 590	(18 777 014)
Service Charges	314 783 607	333 560 621	18 777 014
	347 381 211	347 381 211	-
2. Fair Value Adjustment on Investment Property	Amount Previously Reported	Amount Reported	Reclassified Amount
Impairment loss	25 940 159	15 540 159	(10 400 000)
Fair value adjustment	-	10 400 000	10 400 000
	25 940 159	25 940 159	-
3. Rentals on Operating Lease	Amount Previously Reported	Amount Reported**	Reclassified Amount
General Expenses	109 761 913	107 748 769	(2 013 144)
Lease Rentals on Operating Lease	-	2 013 144	2 013 144
	109 761 913	109 761 913	-

** The balance has been shown before taking into account all the prior period correction of error adjustments. Please refer to Income Statement correction of error above.

47. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (see Note 44).

48. Going concern

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

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

49. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to the reporting date.

50. Unauthorised expenditure

Opening balance	36 582 590	10 826 295	36 582 590	10 826 295
Unauthorised expenditure for the year	271 724 889	25 756 295	271 724 889	25 756 295
	308 307 479	36 582 590	308 307 479	36 582 590

Incident

Budgeted amounts exceeded:

Disciplinary steps/ criminal proceedings: To be condoned by Executive Committee

MIG projects	-	25 756 295	-	25 756 295
Personnel (Employee Costs)	8 200 248	-	8 200 248	-
Depreciation and amortisation	107 529 959	-	107 529 959	-
Impairment loss	140 905 659	-	140 905 659	-
Repairs and maintenance	12 932 246	-	12 932 246	-
Fair value adjustment	4 200 000	-	4 200 000	-
	273 768 112	25 756 295	273 768 112	25 756 295

The amount of unauthorised expenditure has been retated as result of misstatement in the prior period. It was note that the amount of bulk purchases R 3 493 027 was never an unauthorised expenditure as per inspection of the prior year audited annual financial statements. Therefore this balance has been restated in the current financial period.

51. Fruitless and wasteful expenditure

Opening balance	2 690 035	2 029 536	2 690 035	2 028 291
Obtained from business combination	54 228	-	-	-
Fruitless and wasteful expenditure	522 802	661 744	522 368	661 744
Approved/ condoned by the council/ board	(54 662)	(1 245)	-	-
	3 212 403	2 690 035	3 212 403	2 690 035

Fruitless and wasteful expenditure as results of the following:

Interest on late payments – R522 368 (2014: R661 744).

Disciplinary steps/ criminal proceedings:

A report will be adopted by the executive committee, condoning the "fruitless and wasteful expenditure" for the current year.

Disciplinary action is in progress for the prior year's fruitless and wasteful expenditure

52. Irregular expenditure

Opening balance	163 341 418	65 579 301	163 341 418	65 539 301
Add: Irregular Expenditure - assumed from business combinations	2 428 582	-	-	-
Add: Irregular Expenditure - current year	10 892 731	102 516 155	10 171 927	102 516 155
Less: Amounts written-off	(134 516 113)	(40 000)	(131 380 727)	-
Less: Amounts recoverable (not written-off)	-	(4 714 038)	-	(4 714 038)
	42 146 618	163 341 418	42 132 618	163 341 418

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
52. Irregular expenditure (continued)				
Details of irregular expenditure – current year - Economic entity				
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	Disciplinary steps taken/criminal proceedings A report will be adopted by the Executive Committee, writing-off the "Irregular Expenditure".			10 091 951
Expenditure according to the provisions of Regulation 36 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writing-off the "Irregular Expenditure".			800 780
				10 892 731
Details of irregular expenditure – current year - Controlling entity				
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	Disciplinary steps taken/criminal proceedings A report will be adopted by the Executive Committee, writing-off the "Irregular Expenditure".			10 091 951
Expenditure according to the provisions of Regulation 36 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writing-off the "Irregular Expenditure".			79 976
				10 171 927

Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which wrote-off the various cases.

Note: S36 deviations have been disclosed separately from the Irregular expenditure note. Refer to note 56.

Notes to the Consolidated Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2015	2014	2015	2014
52. Irregular expenditure (continued)					
Department				Economic Entity	Controlling Entity
Corporate Services	15 February 2015	NRP Agencies cc	Extension of a contract	16 471	16 471
Corporate Services	15 February 2015	NRP Agencies cc	Extension of a contract	7 174	7 174
Corporate Services	15 February 2015	NRP Agencies cc	Extension of a contract	12 125	12 125
Corporate Services	15 February 2015	NRP Agencies cc	Extension of a contract	18 636	18 636
Corporate Services	15 February 2015	NRP Agencies cc	Extension of a contract	9 910	9 910
Corporate Services	15 February 2015	NRP Agencies cc	Extension of a contract	15 660	15 660
Ugu South Coast Tourism	30 June 2015		Supplu from a service provider without a tax clearance certificate	14 000	-
South Coast Development Agency	30 June 2015		Preference points system not used	706 804	-
				800 780	79 976

Furthermore, the municipality has made the following awards to persons in service of Government institutions contrary to the provisions of paragraphs 44 of the Municipal Supply Chain Management Regulations:

Company Name	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
African Tide Trading CC	AT Xaba	Eskom Holdings Ltd	-	362 502
Sihloniphe Business Trading Primary CO - OP LTD	NM Mkhanyawo	South African Police Service	-	2 475
Thubalam Trading	RI Dzegwa	EC: Roads & Public Works	4 246 326	9 877 508
Trentyre Pty Ltd	NP Mona	Komatiland Forests	-	136 397
Arch Actuarial Cons	C Weiss	Human Science Research Council	8 436	17 100
Business Connexion	NN Kekana	Gauteng Film Commission	453 281	41 580
Business Zone 628 Cc	R Sookdhev	KZN: Education	-	26 525
Isibonelo Civils Cc	BP Muthwa	South African Social Security Agency	-	74 015
Eaton Electric South Africa Pty Ltd	FC Campbell Jr	South African Weather Service	21 314	11 031
Macsteel Fluid Control	DD Mokgatle	State Diamond Trader	129 760	26 694
Makhayelihle Investments Pty Ltd	K Makhaye	Ethekwini Metro	-	5 836

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
52. Irregular expenditure (continued)				
Minolco (Pty) Ltd	KR Mthimunye	State Information Technology Agency	86 809	68 820
Mott Macdonald South Africa Pty Ltd	AM Naidu	Construction Industry Development Board	-	865 337
Musakhe Trading	NP Chiliza	KZN: Health	150 000	30 000
Nashua Communications	D Nchoba	Nat: Arts & Culture	1 063 205	99 063
Smec South Africa (Pty) Ltd	K Pillay	Passenger Rail Agency of SA	-	584 563
Waco Africa (Pty) Ltd T/A Sani	TS Setshedi	Tshwane University Of Technology	1 060 372	8 593 792
Wole Trading Enterprise Cc	BG Masondo	KZN: Health	-	71 000
Gezinsila Labour & Protection Services	PA Mfeka	Transnet Tfr	674 342	-
Lamsta Suppliers And Projects	MZ Ndabankulu	EC: Rural Dev & Agrarian Reform	485 768	-
Iphiko Lempilo Supplies Pty Ltd	TZ Nong	KZN: Health	72 000	-
Illovo Sugar Ltd	M. Hankinson	Transnet Group	439 169	-
St Michaels Sands Hotel	YS. Song	Ithala Development Finance Corporation Ltd	16 600	-
Bigen Africa Services (Pty) Ltd	J. Botha	Bank Of Southern Africa	656 097	-
Pricewaterhousecoopers Combined Systems Pty Ltd	PJ. Mothibe	Independent Regulatory Board For Auditors	112 363	-
Consolidated African Technolog	SS. Ntsaluba	National Energy Regulator Of South Africa	141 075	-
CQS Technology Holdings	IB. Skosana	Transnet Group	275 035	-
			10 091 952	20 894 238

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 038 851 (2 038 851)	2 118 324 (2 118 324)	2 038 851 (2 038 851)	2 118 324 (2 118 324)
Amount paid - current year	-	-	-	-

No amounts were outstanding at the end of the financial year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

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

Audit fees

Opening balance	368 161	204 159	368 161	204 159
Current year subscription / fee	2 384 650	2 059 806	2 384 650	2 059 806
Amount paid - current year	(2 384 650)	(1 691 645)	(2 384 650)	(1 691 645)
Amount paid - previous years	(368 161)	(204 159)	(368 161)	(204 159)
	-	368 161	-	368 161

No amounts were outstanding at the end of the financial year.

PAYE and UIF

Current year subscription / fee	40 340 203	35 783 740	40 340 203	35 783 740
Amount paid - current year	(40 340 203)	(35 783 740)	(40 340 203)	(35 783 740)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

Pension and Medical Aid Deductions

Current year subscription / fee	56 522 612	51 160 355	56 522 612	51 160 355
Amount paid - current year	(56 522 612)	(51 160 355)	(56 522 612)	(51 160 355)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor VL Ntanza	1 138	1 219	2 357
Councillor TN Dzingwa	754	1 824	2 578
Councillor NA Madlala	116	-	116
Councillor NH Gumede	1 794	-	1 794
Councillor ST Gumede	111	779	890
Councillor SB & SP Cele	-	5 072	5 072
Councillor ST & PY Gumede	422	3 115	3 537
Councillor SM Mohamed	819	-	819
	5 154	12 009	17 163
30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ST Gumede	106	339	445
Councillor TN Dzingwa	1 623	726	2 349
Councillor VL Ntanza	9 595	4 884	14 479
Councillor IM Mavundla	97	-	97
Councillor NH Gumede	2 969	7 246	10 215
Councillor MA & ZP Chiliza	180	283	463
Councillor SP & PY Gumede	2 169	565	2 734
Councillor Y Nair	2 889	-	2 889
	19 628	14 043	33 671

Subsequent to year end the following Councillors settled their accounts:

30 June 2015				Amount Settled
Councillor TN Dzingwa	-	-	-	2 578
Councillor NA Madlala	-	-	-	116
Councillor NH Gumede	-	-	-	1 794
Councillor ST Gumede	-	-	-	111
Councillor SB & SP Cele	-	-	-	5 072
Councillor ST & PY Gumede	-	-	-	2 000
	-	-	-	11 671

54. Multi-employer retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up of the Retirement, Superannuation and Provident Funds.

Notes to the Consolidated Financial Statements

54. Multi-employer retirement benefit information (continued)

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

Defined benefits schemes

Retirement fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,5 (31 March 2011: shortfall of R382,3) million, with a funding level of 82,0% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 15,85% (Total employer contribution of 34,22%) and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 15,85% with effect from 1 July 2012 for an indefinite period of time. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% of pensionable salaries to meet the shortfall within the 8 year period provided for in the scheme. It was expected that the deficit will be fully funded by 2020.

This surcharge is payable until 31 March 2020. It is necessary that the basic employer contribution be increased by 3,63% to 21,63% and the surcharge be increased to 9,5% and extended by a further 8 years to 31 March 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for an indefinite period of time.

It is intended that the fund merge with the retirement fund in the near future.

Defined contribution schemes

Municipal councillors pension fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2012.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

54. Multi-employer retirement benefit information (continued)

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 446,8) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the actuaries, the fund was in a sound financial condition as at 30 June 2015.

Provident fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 293,4 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

55. Water losses

Water losses				
30 June Unaccounted water losses	28 211 242	20 333 005	28 211 242	20 333 005

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/ repaired as soon as they are reported.

A five-year strategic non-revenue water reduction plan was adopted and implemented by the Executive Committee in May 2008. The below-mentioned technical information was derived as part of the implementation plan:

Volumes in ML/Year	ML/Year	ML/Year	ML/Year	ML/Year
System input volume	41 229	40 458	41 229	40 458
Billed authorised consumption	28 992	31 464	28 992	31 464
Unbilled authorised consumption	326	838	326	838
Apparent losses	3 487	1 679	3 487	1 679
Real losses	8 423	6 477	8 423	6 477
Estimated non-revenue water	12 237	8 994	12 237	8 994
	94 694	89 910	94 694	89 910

56. S36 Deviation from supply chain management regulations

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

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

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

56. S36 Deviation from supply chain management regulations (continued)

Department				Economic Entity	Controlling Entity
Corporate Services	29 August 2015	Bates Delta	S36(ii)	190 000	190 000
Corporate Services	31 July 2014	Brian Thompson	S36(ii)	190 000	190 000
Corporate Services	29 August 2014	Union Motors	S36(ii)	190 000	190 000
Corporate Services	15 September 2014	Bates Delta	S36(ii)	190 000	190 000
Corporate Services	29 August 2014	Brian Thompson	S36(ii)	190 000	190 000
Water Services	15 August 2014	Royal Haskoningdhv Pty Ltd	S36(ii)	3 814 351	3 814 351
Treasury	15 February 2015	CQS Technology Holdings	S36(ii)	121 713	121 713
Ugu South Coast Tourism	30 June 2015	Services contracted by a sole supplier	S36(ii)	484	-
		Quotations not received due it being impractical to get three quotes		1 898 950	-
South Coast Development Agency	30 June 2015	Services contracted by a sole supplier	S36(ii)	141 470	-
				6 926 968	4 886 064

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

EXTRACT FROM THE DRAFT MINUTES OF THE MEETING OF THE UGU DISTRICT MUNICIPAL COUNCIL HELD ON 24 MARCH 2016

2014/2015 Draft Annual Report and Oversight Report

The Chairperson of the Municipal Public Accounts Committee (MPAC) took members through the item.

Following which,

It was unanimously

RESOLVED:

- (a) That the 2014/2015 Draft Annual Report and Oversight Report be and is hereby **NOTED**.
- (b) That the Oversight Report for the 2014/2015 Financial Year be and is hereby **ADOPTED**.
- (c) That the Annual Report of the Ugu District Municipality for the 2014/2015 Financial Year with the reservations as included in the comments in the Oversight Report as referred to in part (1) of this resolution be and is hereby **APPROVED**.
- (d) That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
- (e) That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.

CERTIFIED A TRUE COPY OF THE ORIGINAL



VP TSAKO
GENERAL MANAGER: CORPORATE SERVICES

2004/2015 Draft Annual Report

The Acting Speaker explained to members that the purpose of the report was for Council to note the Draft Annual Report and to approve same for public comments.

Cllr Snashall raised a concern that when the item was discussed at the meeting of the Municipal Public Accounts Committee (MPAC), the financial statements was not part of the Annual Report.

In response, Cllr Moosa Bux explained to Council that at that stage, the financial statements could not form part of the Annual Report given that the Auditor-General only reported on the financial statements at this meeting.

He pointed out that now the financial statements would form part of the Annual Report and would be made available to the public for comments.

He further explained to Council that Cllr Snashall would be given three opportunities to comment on the Annual Report namely:

- As a member of MPAC;
- As a member of Council; and
- As a member of the Public.

Cllr Mavundla then moved for the acceptance of the recommendations and was seconded by Cllr Manyoni.

Following which ,

It was unanimously

RESOLVED:

- (a) That the 2014/2015 Draft Annual Report: Ugu District Municipality be and is hereby **NOTED**.
- (b) That the 2014/2015 Draft Annual Report: Ugu District Municipality be and is hereby **APPROVED** for public comments.

CERTIFIED A TRUE COPY OF THE ORIGINAL



VP TSAKO
GENERAL MANAGER: CORPORATE SERVICES

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This image shows a full page of blank, lined paper. It features approximately 28 horizontal blue or grey lines spaced evenly apart, typical of notebook paper. The lines extend across the entire width of the page, leaving small margins at the top and bottom. There are no vertical lines, text, or other markings on the page.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.