

# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

A contingent asset is disclosed where an inflow of economic benefits or service potential is probable. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

### 1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

#### *Commitments are disclosed for:*

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.  
Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statement. Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than

### 1.20 Revenue from exchange transactions

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.



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### **1.20 Revenue from exchange transactions (continued)**

Interest revenue is recognised using the effective interest rate method. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service.

It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality. In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalent is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the most clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods and services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair values of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred, Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

### **1.21 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.



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## Accounting Policies

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

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donations is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expense of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, Irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipality Finance Management (Act No.56 of 2006) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### Measurement

Revenue from property rates is measured on accrual basis.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Fines constitute both fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with GRAP 1.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

### 1.22 Comparative figures

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



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Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.22 Comparative figures (continued)

When the presentation or classification items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. When material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- Expenditure that has not been budgeted for or
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.24 Fruitless and wasteful expenditure

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

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

### 1.25 Irregular expenditure

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

### 1.26 Change in Accounting Policies, Estimates and correction of error

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in the policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period which retrospective restatement is practicable.

Change in accounting estimates are applied prospectively in accordance with GRAP 3 requirements

Correction of errors is applied retrospectively in the period in which the error occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### 1.27 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amount are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actuals amounts. Budget information is presented on the accrual basis and is based on the same period as the actual amount, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amount.

The comparable information includes the following:



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## Accounting Policies

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### 1.27 Budget information (continued)

- The approved and final budget amounts.
- Actual amounts and final budget amounts.

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanation for material differences between the final budget amount and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

### 1.28 Related parties

The municipality resolved to adopt the disclosure requirements as per GRAP 20- "Related Party Disclosures".

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

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

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

### 1.29 Events after reporting date

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

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

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

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

### 1.30 Unspent Conditional Grants and receipts

Revenue received from conditional grants and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

## Notes to the Financial Statements

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Figures in Rand	2016	2015
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**UBUHLEBEZWE MUNICIPALITY**

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Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 2016

**NOTES TO THE FINANCIAL STATEMENTS****2. Investment Property**

INVESTMENT PROPERTY	
Carrying Amount at 30 June 2015	18,067,567.98
Cost	13,622,139.00
Accumulated depreciation and impairment losses	-808,501.00
Cost Previously not recognised	- 300,000.00
Cost Previously not recognised	7,516,845.19
Accumulated depreciation not previously accounted for and / or incorrectly accounted for.	270,000.00
Restated Carrying Value as at 1 July 2015	20,300,483
Restated Cost	20,838,984
Restated Accumulated depreciation and impairment losses	-538,501
Current Year Movements	
Acquisitions/ Transfers /Donations	294,666.57
Transfers	
Depreciation	- 216,115.04
Carrying Amount at 30 June 2016	20,379,034.72
Cost	21,133,650.76
Accumulated depreciation and impairment losses	- 754,616.04

*Investment property consist of Land and other Municipal Buildings held for rentals.*

**Investment property pledged as security**

No investment property is pledged as security

**UBUHLEBEZWE MUNICIPALITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**INVESTMENT PROPERTY**

<b>Carrying Amount at 30 June 2014</b>	<b>18,067,567.98</b>
Cost	17,922,139.00
Accumulated depreciation and impairment losses	-336,452.00
 Cost Previously not recognised	 300,000.00
Accumulated depreciation not previously accounted for and / or incorrectly accounted for. -	260,000.00
 <b>Restated Carrying Value as at 1 July 2014</b>	 <b>17,625,687</b>
Restated Cost	18,222,139
Restated Accumulated depreciation and impairment losses	-596,452
 <b>Current Year Movements</b>	
Acquisitions	
Transfers	- 4,600,000.00
Depreciation	- 212,049.00
 <b>Carrying Amount at 30 June 2015</b>	 <b>12,813,638.00</b>
Cost	13,622,139.00
Accumulated depreciation and impairment losses	- 808,501.00

***Investment property consist of Land and other Municipal Buildings held for rentals.***

**Investment property pledged as security**  
 No investment property is pledged as security



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**NOTES TO THE FINANCIAL STATEMENTS**

	Buildings	Infrastructure Assets	Community Assets	Work in Progress	Specialised Vehicles	Furniture & Equipment	Computer Equipment	Plant & Equipment	Vehicles	Leases	Other Assets	TOTAL OTHER ASSETS	Total
<b>Carrying Amount at 30 June 2015</b>	<b>18,067,567.98</b>	<b>85,975,129.46</b>	<b>74,810,622.97</b>	<b>51,624,424.92</b>	<b>4,827,424.29</b>	<b>2,252,997.97</b>	<b>1,334,502.14</b>	<b>1,929,197.60</b>	<b>3,370,230.62</b>	<b>186,533.26</b>	<b>294,781.70</b>		<b>244,673,412.92</b>
Cost	28,193,336.82	218,398,487.37	108,948,536.50	51,624,424.92	6,078,077.52	4,498,044.01	2,726,219.05	3,740,166.34	6,145,851.00	1,490,412.00	527,909.00		432,371,464.53
Accumulated depreciation and impairment losses	-10,125,768.84	-132,423,357.91	-34,137,913.53	-	-1,250,653.23	-2,245,046.04	-1,391,716.91	-1,810,968.74	-2,775,620.38	-1,303,878.74	-233,127.30		-187,698,051.61
Cost Previously not recognised			69,852.12	- 7,586,697.31									
Accumulated depreciation not previously accounted for and / or incorrectly accounted for	- 2,818.72	- 390,079.64			- 74.14		4,865.57	- 542.62	7,400.52	27,758.15	- 1,887.00	- 1,961.14	
<b>Restated Carrying Value as at 1 July 2015</b>	<b>18,064,749</b>	<b>85,585,050</b>	<b>74,880,475</b>	<b>44,037,728</b>	<b>4,827,424</b>	<b>2,252,924</b>	<b>1,339,368</b>	<b>1,928,655</b>	<b>3,377,631</b>	<b>214,291</b>	<b>292,895</b>	<b>14,018,897</b>	<b>236,801,190</b>
Restated Cost	28,193,337	218,398,487	109,018,389	44,037,728	6,078,078	4,498,044	2,726,219	3,740,166	6,145,851	1,490,412	527,909	23,716,267	424,854,619
Restated Accumulated depreciation and impairment losses	-10,128,588	-132,813,438	-34,137,914	-	-1,250,653	-2,245,120	-1,386,851	-1,811,511	-2,768,220	-1,276,121	-235,014	-9,697,370	-188,053,429
<b>Current Year Movements</b>													
Acquisitions	108,900.00	8,082,551.45	6,740,250.40		131,440.20	2,665,871.41	32,889.67	424,455.23	693,655.20			3,948,311.71	18,880,013.56
Work in Progress Additions				68,444,673.73									68,444,673.73
Work in Progress Donations	-	172,229.06		- 6,128,647.25									-
Capital Work in Progress Brought into use		2,646,988.70	7,134,551.67	- 9,781,540.37									-
Depreciation	- 937,329.68	- 9,906,854.19	- 4,218,409.13	-	- 593,318.20	- 867,819.39	- 370,613.84	- 322,578.23	- 1,038,053.89	- 156,220.53	- 115,277.87	- 3,307,661.42	- 18,526,474.95
<b>Carrying value of disposals</b>													
Cost/Revaluation													
Accumulated depreciation and impairment losses													
<b>Carrying value of write off</b>													
Cost/Revaluation													
Accumulated depreciation and impairment losses													
<b>Carrying Amount at 30 June 2016</b>	<b>17,236,319.58</b>	<b>86,235,506.72</b>	<b>84,536,868.03</b>	<b>96,572,213.72</b>	<b>4,365,546.29</b>	<b>4,050,975.85</b>	<b>1,001,643.54</b>	<b>2,030,531.98</b>	<b>3,033,232.45</b>	<b>58,070.88</b>	<b>177,616.83</b>	<b>14,659,546.94</b>	<b>299,298,525.88</b>
Cost	28,302,236.82	228,955,798.46	122,893,190.69	96,572,213.72	6,209,517.72	7,163,915.42	2,759,108.72	4,164,621.57	6,839,506.20	1,490,412.00	527,909.00	27,664,578.63	505,878,430.32
Accumulated depreciation and impairment losses	- 11,065,917.24	- 142,720,291.74	- 38,356,322.66	-	- 1,843,971.43	- 3,112,939.57	- 1,757,465.18	- 2,134,089.59	- 3,806,273.75	- 1,432,341.12	- 350,292.17	- 13,005,031.69	- 206,579,904.44

No assets of the municipality have been ceded. An annual review of useful lives of assets and an impairment test were performed at year end. Municipal Assets with a closing Cost of R3 573 688.59 were carried at zero book value as at 30 June 2016.



**UBUHLEBEZWE MUNICIPALITY**

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**NOTES TO THE FINANCIAL STATEMENTS**

UBUHLEBEZWE MUNICIPALITY (Registration number KZN 434) Trading as UBUHLEBEZWE LOCAL MUNICIPALITY Financial Statements for the year ended June 2015																							
NOTES TO THE FINANCIAL STATEMENTS																							
Property, plant and equipment																							
	Buildings		Infrastructure Assets		Community Assets		Work in Progress		Specialised Vehicles		Furniture & Equipment		Computer Equipment		Plant & Equipment		Vehicles		Leases		Other Assets		Total
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Reconciliation of Carrying Value																							
as at 1 July 2014	21,262,913	55,664,689	76,415,348	28,768,072	4,014,637	1,828,766	1,455,986	1,600,150	3,399,712	477,323	308,156	195,195,752											
Cost/Revaluation	32,219,871	179,481,228	116,454,123	28,768,072	5,053,803	3,508,678	2,315,103	3,251,525	5,525,079	1,490,412	430,859	378,498,753											
Accumulated depreciation and impairment	-10,956,958	-123,816,539	-40,038,775	-	-1,039,166	-1,679,912	-859,117	-1,651,375	-2,125,367	-1,013,089	-122,703	-183,303,001											
Fair Value of Cost not previously recorded / incorrectly accounted for	590,000	2,575,990	-7,505,587	-2,362,598	-	225,329	382,169	32,721	-	-	-	-											
Accumulated depreciation not previously accounted for and / or incorrectly accounted for	-240,333	-1,363,824	11,244,893	-123,842	-285,179	49,970	-	-	14,479	-	-	9,296,162											
Other adjustment - Fully depreciated assets	-	-	-	-	-	-	-	-	-	-	-	-											
Restated Carrying Value as at 1 Ju	21,612,580	56,876,855	80,154,654	26,405,474	4,014,637	1,930,253	1,552,976	1,682,841	3,414,191	477,323	308,156	196,429,939											
Cost	32,009,871	182,057,218	108,948,537	26,405,474	5,053,803	3,734,007	2,687,272	3,284,246	5,525,079	1,490,412	430,859	372,436,778											
Accumulated depreciation and impairment	-11,197,291	-125,180,363	-28,793,882	-	-1,039,166	-1,803,754	-1,144,296	-1,601,405	-2,110,888	-1,013,089	-122,703	-174,006,839											
Acquisitions	513,520	11,874,576	49,685,644	-24,466,693	-	-	-351,165	-349,122	-813,057	-290,790	-110,424	-16,414,528											
Capital Work in Progress Brought int	-	24,466,693	-	-	-	-	-	-	-	-	-	-											
Depreciation	-983,255	-7,242,985	-5,344,031	-	-16,208	-1,450	-6,241	-8,141	-	-	-	-											
Carrying value of disposals	-	-	-	-	-294,042	-20,526	-75,649	-147,700	-	-	-	-											
Cost/Revaluation	-	-	-	-	277,834	19,075	69,408	139,559	-	-	-	-											
Accumulated depreciation and impairment	-	-	-	-	-	-	-45,223	-	-172,268	-	-	-											
Carrying value of write off	-172,268	-	-	-	-	-	-79,559	-	-320,593	-	-	-											
Cost/Revaluation	-5,130,054	-	-	-	-	-	-	-	148,325	-	-	-											
Accumulated depreciation and impairment	2,034,778	-	-	-	-	-	-	-	-	-	-	-											
as at 30 June 2015	18,067,568	85,975,129	74,410,623	51,624,425	4,827,424	2,252,998	1,334,502	1,929,198	3,370,231	186,533	294,782	244,673,413											
Cost	28,193,337	218,398,487	108,948,537	51,624,425	6,078,078	4,498,044	2,726,219	3,740,166	6,145,851	1,490,412	527,909	432,371,465											
Accumulated depreciation and impairment	-10,125,769	-132,423,358	-34,137,914	-	-1,250,653	-2,245,046	-1,391,717	-1,810,969	-2,775,620	-1,303,879	-233,127	-187,698,052											
The carrying amounts of assets and an impairment test were performed at year end.																							

No assets of the municipality have been coded. An annual review of useful lives of assets and an impairment test were performed at year end.

Included in the assets stated above is a carrying amount of R 468 482.25 relating to assets that could not be verified and are currently under investigation.

The municipality has movable assets with the cost of R 1 349 270.70, which have been fully depreciated and are still in use.

## Notes to the Financial Statements

Figures in Rand

### 4. Intangible assets

	2016	2015	
Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
881,020	-	881,020	-
		881,020	881,020

Computer software, other

### Reconciliation of intangible assets - 2016

Opening balance	Total
881,020	881,020

Computer software, other

### Reconciliation of intangible assets - 2015

Opening balance	Additions	Total
480,240	400,780	881,020

Computer software, other

### 5. Heritage assets

	2016		2015	
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses
4,791,660	-	4,791,660	4,791,659	-
				4,791,659

Historical monuments

### Reconciliation of heritage assets 2016



## Notes to the Financial Statements

Figures in Rand

### 5. Heritage assets (continued)

Historical monuments

Opening balance	Total
4,791,660	4,791,660

### Reconciliation of heritage assets 2015

Historical monuments

Opening balance	Additions	Total
2,849,000	1,942,660	4,791,660

### Change in accounting estimate

Disclose the nature and effect of a change in an accounting estimate in the current period.

The nature and effect of the changes in the accounting estimates is as follows:

### Depreciation : Community assets

According to initial estimated useful life  
 According to re-estimated useful life  
 Reduction in depreciation

5,344,031  
4,157,173  
**1,186,858**

Notes to the Financial Statements

2016

2015

6 EMPLOYEE BENEFIT OBLIGATIONS

6.1 Retirement benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans

6.2 Post-employment medical benefits

The municipality operates on 3 accredited medical aid schemes, namely Bonitas, Keyhealth, and Samwumed.

Pensioners continue on the option they belonged to on the day of their retirement. Independent valuers, Zaqen Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2016.

The post-retirement medical obligations at 30 June 2016 quantified the present value of unfunded obligations at R3,917,000. The Current-service costs for the year ending 30 June 2016 is estimated at R273 000. The principal actuarial assumptions used included a discount rate of Yield Curve, and a health care cost inflation rate of CPI + 1.

The movement in the liability recognised in the balance sheet is as follows:

The principal actuarial assumptions used were as follows:

Balance at beginning of the year	3,836,000	3,761,000
Current service cost	270,000	283,000
Interest cost	346,000	342,000
Benefit payments	-124,510	-111,000
Actuarial (gains)/losses	-410,490	-439,000
Expected Employer Benefit Payments	-	-
Closing Accrued Liability	<u>3,917,000</u>	<u>3,836,000</u>

6.3 The amounts recognised in the Statement of Financial Position were as follows:

Current service cost	270,000	283,000
Interest cost	346,000	342,000
Actuarial (gains)/losses	-410,490	-439,000
	205,510	186,000
Benefit payments	-124,510	-111,000
Transitional Liability	<u>81,000</u>	<u>75,000</u>