NDLAMBE LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2015

Legal form of entity	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set ot in the Constitution. (Act no 108 of 1996)
Nature of business and principal activities	Local Government
Accounting Officer	R Dumezweni
Business address	47 Campbell Street Port Alfred 6170
Postal address	P O Box 13 Port Alfred 6170
Bankers	First National Bank
Auditors	Auditor General
Jurisdiction	The Ndlambe Municipality includes the following areas: Port Alfred Bathhurst Alexandria Kenton-on-sea Cannon-Rocks

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

Abbreviations

AGSA	Office of the Auditor General of South Africa
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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

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

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

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

The annual financial statements set out on pages 4 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

R Dumezweni
Municipal Manager

Statement of Financial Position as at 30 June 2015

Figures in South African Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	858 933	799 751
Receivables from non-exchange transactions	4	11 149 541	11 653 797
Receivables from exchange transactions	5	24 914 299	12 975 022
Cash and cash equivalents	6	28 720 873	21 271 191
Operating lease asset		43 852	43 852
		65 687 498	**46 743 613**
Non-Current Assets			
Investment property	8	190 640 951	158 469 319
Property, plant and equipment	9	602 126 211	607 593 346
Intangible assets	10	439 291	377 572
Heritage assets	11	16	16
Other financial assets	12	144 979	134 689
		793 351 448	**766 574 942**
Total Assets		**859 038 946**	**813 318 555**
Liabilities			
Current Liabilities			
Consumer deposits	14	1 700 733	1 634 933
Payables	15	43 072 083	36 159 764
Unspent conditional grants and receipts	16	9 182 638	4 844 705
VAT payable	17	4 999 049	3 165 630
Financial liabilities - DBSA	18	4 370 239	3 895 811
Operating lease liability	7	26 105	44 671
Employee benefit obligation	19	1 590 000	1 513 000
Provisions	20	1 696 616	1 135 349
		66 637 463	**52 393 863**
Non-Current Liabilities			
Financial liabilities - DBSA	18	15 404 512	19 777 482
Employee benefit obligation	19	47 775 000	46 181 000
Provisions	20	22 454 111	25 794 329
		85 633 623	**91 752 811**
Total Liabilities		**152 271 086**	**144 146 674**
Net Assets		**706 767 860**	**669 171 881**
Net Assets			
Accumulated surplus		706 767 860	669 171 881

* See Note 45 & 46

Statement of Financial Performance

Figures in South African Rand	Note(s)	2015	2014 Restated*
Revenue			
Property rates	21	68 591 944	58 501 296
Service charges	22	96 266 690	80 824 571
Government grants & subsidies	23	104 534 447	118 720 370
Rendering of services (burial fees)		179 577	192 000
Rental of facilities and equipment		1 192 233	1 068 217
Licences and permits		3 957 916	3 498 356
Rental income		4 038	6 044
Other income	24	2 816 797	2 473 049
Interest received - investment	25	7 416 151	6 435 934
Public contributions and donations		33 926 611	-
Fines, Penalties and Forfeits		606 110	432 880
Total revenue	26	**319 492 514**	**272 152 717**
Expenditure			
Employee related costs	27	(99 901 692)	(89 225 585)
Remuneration of councillors	28	(5 608 728)	(5 173 279)
Depreciation and amortisation	29	(35 209 392)	(37 323 128)
Impairment loss/ Reversal of impairments		(195 312)	-
Finance costs	30	(2 461 170)	(3 416 999)
Lease rentals on operating lease		(2 453 603)	(2 262 606)
Debt Impairment	31	(16 731 643)	(15 553 627)
Repairs and maintenance		(12 188 952)	(7 635 683)
Bulk purchases	33	(46 757 968)	(41 082 589)
Contracted services		(18 394 706)	(14 577 866)
Renewable Energy Programmes		(3 875 721)	(522 049)
Transfers and Subsidies	34	(865 294)	(823 190)
General Expenses	35	(39 565 673)	(40 010 040)
Total expenditure		**(284 209 854)**	**(257 606 641)**
Operating surplus		**35 282 660**	**14 546 076**
Loss on disposal of assets and liabilities		(501 924)	-
Fair value adjustments	36	2 815 242	(1 629 357)
		2 313 318	**(1 629 357)**
Surplus for the year		**37 595 978**	**12 916 719**

* See Note 45 & 46

Statement of Changes in Net Assets

Figures in South African Rand	Note(s)	Accumulated surplus	Total net assets
Opening balance as previously reported		615 120 511	615 120 511
Adjustments			
Change in accounting policy	45	16	16
Prior period errors	46	41 134 635	41 134 635
Balance at 01 July 2013 as restated*		**656 255 162**	**656 255 162**
Changes in net assets			
Surplus for the year		12 916 719	12 916 719
Total changes		12 916 719	12 916 719
Restated* Balance at 01 July 2014		**669 171 882**	**669 171 882**
Changes in net assets			
Surplus for the year		37 595 978	37 595 978
Total changes		37 595 978	37 595 978
Balance at 30 June 2015		**706 767 860**	**706 767 860**

* See Note 45 & 46

Cash Flow Statement

Figures in South African Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Rates and Services		143 859 153	134 855 613
Government Grants and Subsidies		104 534 447	118 720 370
Interest income		7 416 151	6 435 934
Other receipts		3 422 907	2 905 929
		259 232 658	262 917 846
Payments			
Employee costs		(105 510 419)	(94 398 865)
Suppliers		(111 157 741)	(112 474 392)
Finance costs		(2 461 170)	(3 416 999)
		(219 129 330)	(210 290 256)
Net cash flows from operating activities	37	**40 103 328**	**52 627 590**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(28 545 206)	(55 825 577)
Purchase of other intangible assets	10	(209 898)	(131 041)
Net cash flows from investing activities		**(28 755 104)**	**(55 956 618)**
Cash flows from financing activities			
Movement in Long term Liabilities		(3 898 542)	(3 370 976)
Net cash flows from financing activities		**(3 898 542)**	**(3 370 976)**
Net increase/(decrease) in cash and cash equivalents		**7 449 682**	**(6 700 004)**
Cash and cash equivalents at the beginning of the year		21 271 191	27 971 195
Cash and cash equivalents at the end of the year	6	**28 720 873**	**21 271 191**

* See Note 45 & 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in South African Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	123 761 000	-	**123 761 000**	96 266 690	**(27 494 310)**	48.1
Rendering of services	1 223 000	1 185 000	**2 408 000**	179 577	**(2 228 423)**	48.2
Rental of facilities and equipment	1 167 000	-	**1 167 000**	1 192 233	**25 233**	
Licences and permits	2 298 000	1 010 000	**3 308 000**	3 957 916	**649 916**	48.3
Rental income	5 440	-	**5 440**	4 038	**(1 402)**	48.4
Other income - (rollup)	17 542 560	(4 497 000)	**13 045 560**	2 816 797	**(10 228 763)**	48.5
Interest received - investment	8 709 000	(2 914 000)	**5 795 000**	7 416 151	**1 621 151**	48.6
Gains on disposal of assets	512 000	-	**512 000**	-	**(512 000)**	48.7
Total revenue from exchange transactions	**155 218 000**	**(5 216 000)**	**150 002 000**	**111 833 402**	**(38 168 598)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	75 468 000	-	**75 468 000**	68 591 944	**(6 876 056)**	47.8
Transfer revenue						
Government grants & subsidies	94 803 000	6 380 000	**101 183 000**	104 534 447	**3 351 447**	47.9
Public contributions and donations	-	-	**-**	33 926 611	**33 926 611**	47.10
Fines, Penalties and Forfeits	680 000	-	**680 000**	606 110	**(73 890)**	47.11
Total revenue from non-exchange transactions	**170 951 000**	**6 380 000**	**177 331 000**	**207 659 112**	**30 328 112**	
Total revenue	**326 169 000**	**1 164 000**	**327 333 000**	**319 492 514**	**(7 840 486)**	
Expenditure						
Personnel	(91 203 000)	(2 648 000)	**(93 851 000)**	(99 901 692)	**(6 050 692)**	47.12
Remuneration of councillors	(5 377 000)	(461 000)	**(5 838 000)**	(5 608 728)	**229 272**	47.13
Alternative energy programmes	-	-	**-**	(3 875 721)	**(3 875 721)**	
Depreciation and amortisation	(1 342 000)	(1 731 000)	**(3 073 000)**	(35 209 392)	**(32 136 392)**	47.14
Impairment loss/ Reversal of impairments	-	-	**-**	(195 312)	**(195 312)**	47.15
Finance costs	(2 201 000)	-	**(2 201 000)**	(2 461 170)	**(260 170)**	47.16
Lease rentals on operating lease	(2 890 742)	877 920	**(2 012 822)**	(2 453 603)	**(440 781)**	47.17
Bad debts written off	-	(7 800 000)	**(7 800 000)**	(16 731 643)	**(8 931 643)**	47.18
Repairs and maintenance	(10 574 000)	1 828 000	**(8 746 000)**	(12 188 952)	**(3 442 952)**	47.19
Bulk purchases	(12 095 000)	(31 279 000)	**(43 374 000)**	(46 757 968)	**(3 383 968)**	47.20
Contracted Services	(11 505 000)	(3 396 000)	**(14 901 000)**	(18 394 706)	**(3 493 706)**	47.21
Transfers and Subsidies	(1 025 000)	50 000	**(975 000)**	(865 294)	**109 706**	47.22
Loss on disposal of assets	(188 000)	-	**(188 000)**	-	**188 000**	47.23
General Expenses	(187 758 258)	76 778 080	**(110 980 178)**	(39 565 673)	**71 414 505**	47.24
Total expenditure	**(326 159 000)**	**32 219 000**	**(293 940 000)**	**(284 209 854)**	**9 730 146**	
Operating surplus	**10 000**	**33 383 000**	**33 393 000**	**35 282 660**	**1 889 660**	
Loss on disposal of assets and liabilities	-	157 520	**157 520**	(501 924)	**(659 444)**	47.25

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in South African Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustments	-	-	**-**	2 815 242	**2 815 242**	47.26
	-	**157 520**	**157 520**	**2 313 318**	**2 155 798**	
Surplus before taxation	**10 000**	**33 540 520**	**33 550 520**	**37 595 978**	**4 045 458**	
Refer to Note 48						

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. They are significantly affected by a number of factors, including economic.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 & 20 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	50 Years
Plant and machinery	15 Years
Motor vehicles	5 - 15 Years
Office equipment	3 - 5 Years
IT equipment	3 - 5 Years
Community	10 -30 Years
Electricity Network	20 -30 Years
Roads	20 Years
Wastewater network	20 Years
Water network	20 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 Years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

1.8 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents (funds and call accounts)	Financial asset at fair value
Cash and cash equivalents (notice accounts)	Financial asset measured at amortised cost
Other financial assets	Financial asset at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables	Financial liability measured at amortised cost
DBSA Loan	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

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

Accounting Policies

1.10 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality uses:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

1.11 Impairment of cash-generating assets (continued)

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

Redesignation

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Defined contribution plans

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

1.14 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.14 Provisions and contingencies (continued)

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

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

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

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

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

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

1.16 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

1.16 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

1.16 Revenue from non-exchange transactions (continued)

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

1.23 Conditional grants and receipts

Receipts of conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.24 Unconditional grants and receipts

Receipts of unconditional grants, donations and funding are recognised as revenue on receipt.

1.25 Budget information

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

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

Accounting Policies

1.25 Budget information (continued)

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

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

1.26 Related parties

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

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

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

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

1.27 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.

1.28 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognized elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for.

1.29 Material Losses (Water and Electricity)

Water and electrity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tarriff rate.

The unit tarriff rate, in the case of electricty being the lower rate of Kwh as charged per council and in the case of water the lowest rate per Kl (Incl VAT).

Figures in South African Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 109 - Accounting by Principals and Agents	Unknown	The impact of the amendment is not material.
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	Unknown	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	Unknown	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Unknown	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

Figures in South African Rand	2015	2014

3. Inventories

Electrical spares	1 354	1 651
Game	54 000	54 000
Maintenance materials	174 283	101 152
Water	82 251	75 127
Stores, materials and fuels	547 045	567 821
	858 933	**799 751**

No inventories were written down to net realisable value.

Game is held for recreational purposes in a form of viewing of game at the reserves by the public. These animals are held for the enjoyment of the public and not for resale. It is not the intention of the municipality to trade in wildlife and as such these animals have not been recognised as Biological assets.

Game is measured at the lower of cost or current replacement cost.

4. Receivables from non-exchange transactions

Rates	30 050 381	20 046 420
Provision for Impairment - Non exchange receivables	(22 728 885)	(11 980 169)
Deposits	70 500	70 500
Recoverable legal expenses	207 437	207 437
Staff taxes to SARS refundable	281 121	359 275
Recoverable fruitless and wasteful expenditure	119 058	119 058
Environmental levies	3 149 929	2 831 276
	11 149 541	**11 653 797**

The depsits are made up of an amount of R58 000 paid to Eskom for street lighting and R12 500 paid to Kenton on Sea Garage for a petrol deposit

Fruitless and wasteful expenditure comprises of an amount refundable from NG Ngesi, former Municipal Manager, for the acknowledgement of debt made by him for laptops paid for by the muniicpality but never delivered.

Receivables from non-exchange transactions past due but not impaired

Trade and other receivables which are past due but are not considered to be impaired as at 30 June 2015, R10 294 241 (2014: R4 155 582) were past due but not impaired.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(11 980 169)	(13 426 187)
Contributions to allowance for impairment	(11 919 661)	1 446 018
Bad Debts written off against allowance	1 170 975	-
	(22 728 855)	**(11 980 169)**

None of the financial assets have been renegotiated in the past financial year.

Figures in South African Rand	2015	2014

5. Receivables from exchange transactions

Gross balances		
Electricity	12 145 690	10 865 586
Water	20 068 390	18 691 738
Waste water	1 222 814	965 120
Sewerage	9 096 887	8 462 788
Refuse	10 491 522	9 836 184
Housing rental	284 660	263 149
Service charges and other	11 994 486	12 271 153
	65 304 449	**61 355 718**
Less: Allowance for impairment		
Impairment allowance	(40 390 150)	(48 380 696)
Net balance		
Electricity	12 145 690	10 865 586
Water	20 068 390	18 691 738
Waste water	1 222 814	965 120
Sewerage	9 096 887	8 462 788
Refuse	10 491 522	9 836 184
Housing rental	284 660	263 149
Service charges and other	11 994 486	12 271 153
Impairment allowance	(40 390 150)	(48 380 696)
	24 914 299	**12 975 022**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(48 380 696)	(42 649 175)
Contributions to allowance for impairment	(4 811 952)	(5 731 521)
Bad Debts written off against allowance	12 802 498	-
	(40 390 150)	**(48 380 696)**

None of the financial assets have been renegotiated in the last year.

Consumer debtors past due but not impaired

Consumer debtors past due but are not considered to be impaired as at 30 June 2015, R14 380 932 (2014: R 20 963 926) were past due but not impaired.

Consumer debtors impairment process

In estimating the provision for debt impairment a means test was performed. The test entailed plotting each debtor's outstanding amount (including their payment history over the past financial year) and physical address on a GIS system. The following type of debtors were eliminated from the calculation:

- Indigents - these were impaired in full
- All government related debt - these should all be recoverable
- Debtors paying within 30 days - these were not considered to be doubtful
- Debtors settling their accounts monthly, although late - these were not considered to be doubtful
- Debtors with properties in affluent suburbs - these debtors are able to settle their accounts and were not considered to be doubtful

The outstanding amounts after the elimination of the above were considered to be impaired and were included in the provision for bad debt impairment.

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	5 111	5 111
Bank balances	10 196 893	5 968 459
Short-term deposits	18 518 869	15 297 621
	28 720 873	**21 271 191**

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
FIRST NATIONAL BANK - General Account - Current	3 993 015	6 496 669	6 554 457	8 363 961	4 597 511	5 552 609
FIRST NATIONAL BANK - Housing Account - Current	1 152 054	5 153 010	681 816	1 606 071	1 152 188	5 153 010
FIRST NATIONAL BANK - Revolving Account - Current	178 760	15 003 219	17 678 986	226 861	178 760	15 003 219
FIRST NATIONAL BANK CRR Call Acc	3 450 668	1 928 284	451 554	3 450 068	1 928 284	451 554
FIRST NATIONAL BANK Fixed Deposit Acc (DBSA)	3 124 438	5 909 686	5 614 251	3 124 438	5 909 686	5 614 251
FIRST NATIONAL BANK Call Account (Eskom)	3 139 594	-	-	3 139 594	-	-
STANDARD BANK Notice Account	145 361	138 465	132 621	145 361	138 465	132 621
INVESTEC BANK Internal Funds (502) Call Acc	1 950 924	90 251	-	1 950 924	90 251	-
INVESTEC BANK FMG (503) Call Account	101 924	-	-	101 924	-	-
INVESTEC BANK Essential oils (504) Call Acc	319 056	695 969	-	319 056	695 969	-
INVESTEC BANK Vuna Awards (505) Call Acc	2 840	9 469	-	2 840	9 469	-
INVESTEC BANK Chicory (506) Call Acc	1 194 637	1 267 250	-	1 194 637	1 367 250	-
INVESTEC BANK MSIG (507) Call Acc	706	414 700	-	706	414 700	-
INVESTEC BANK DME (509) Call Acc	3 133	322 629	-	3 133	322 629	-
INVESTEC BANK IDP Process (510) Call Acc	18 036	18 037	-	18 064	18 064	-
INVESTEC BANK EC Sport (511) Call Acc	3 272 562	2 495 678	-	3 272 562	2 495 678	-
INVESTEC BANK LG SETA (512) Call Acc	16 771	399 210	-	16 771	399 210	-
INVESTEC BANK Fire Officer (513) Call Acc	3 387	300 622	-	3 387	300 622	-
INVESTEC BANK EPWP (514) Call Acc	44 664	68 476	-	44 664	68 476	-
INVESTEC BANK LED Section Ass (515) Call Acc	4 730	45 144	-	4 730	45 144	-
INVESTEC BANK MIG Sewer (517) Call Acc	1 209 299	842 481	-	1 209 299	842 481	-
INVESTEC BANK MIG Sport Field (518) Call Acc	12 473	8 509	-	12 473	8 509	-
INVESTEC BANK IDP Support (519) Call Acc	-	15 309	-	-	15 309	-

Figures in South African Rand | 2015 | 2014

6. Cash and cash equivalents (continued)

INVESTEC BANK South Seas (520) Call Acc	-	208 542	-	-	208 542	-
INVESTEC BANK Water Cons Audit (521) Call Acc	192	7 062	-	192	7 062	-
INVESTEC BANK PMU (522) Call Acc	4 381	1 195	-	-	-	-
INVESTEC BANK Prep Water Meter (523) Call Acc	200 082	-	-	200 082	-	-
INVESTEC BANK LED Initiative (524) Call Acc	131 608	-	-	131 608	-	-
INVESTEC BANK Greenest Town (525) Call Acc	167 401	-	-	167 401	-	-
Total	**23 842 696**	**41 839 866**	**31 113 685**	**28 710 807**	**21 214 259**	**31 907 264**

The municipality has a guarantee with FNB in favour of the Department of Mineral and Energy Affairs for an amount of R45 622.

The municipality has a guarantee with Eskom in favour of the Department of Minerals and Energy Affars for an amount of R1 024 929.

7. Operating lease asset & liability

	2015	2014
Current assets	43 852	43 852
Current liabilities	(26 105)	(44 671)
	17 747	**(819)**

Operating lease liabilities result from operating leases where the municipality is the lessor and have straight lined the rental income over the period of the lease in accordance with GRAP 13.

Operating lease assets result from operating leases where the municipality is the lessee and have straight lined the rental expenditure over the period of the lease in accordance with GRAP 13.

8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	157 280 000	-	157 280 000	157 280 000	-	157 280 000
Buildings	34 247 903	(886 952)	33 360 951	1 541 601	(352 282)	1 189 319
Total	**191 527 903**	**(886 952)**	**190 640 951**	**158 821 601**	**(352 282)**	**158 469 319**

Reconciliation of investment property - 2015

	Opening balance	Additions	Depreciation	Total
Land	157 280 000	-	-	157 280 000
Buildings	1 189 319	32 706 302	(534 670)	33 360 951
	158 469 319	**32 706 302**	**(534 670)**	**190 640 951**

Figures in South African Rand

8. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Land	157 280 000	-	157 280 000
Buildings	1 241 059	(51 740)	1 189 319
	158 521 059	**(51 740)**	**158 469 319**

Pledged as security

No investment property is pledged as security.

Note that the 2014/15 additions figure represents assets donated to the municipality and as thus is not reflected as a cash outflow on the Cash Flow Statement.
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.

Rental revenue received on Investment properties

Amounts recognised in surplus and deficit for the year.

	2015	2014
Rental revenue from investment property	49 270	35 002
Direct operating expenses from non-rental generating property	49 388	-

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	82 260 691	-	82 260 691	82 260 691	-	82 260 691
Buildings	106 389 287	(27 948 373)	78 440 914	93 350 208	(25 411 833)	67 938 375
Plant and machinery	9 366 749	(4 118 778)	5 247 971	8 601 827	(3 116 493)	5 485 334
Motor vehicles	28 070 802	(18 285 083)	9 785 719	26 285 608	(16 275 142)	10 010 466
Office equipment	6 835 453	(4 487 058)	2 348 395	5 832 275	(4 150 772)	1 681 503
Work in progress	33 562 801	-	33 562 801	75 730 812	-	75 730 812
Wastewater network	148 747 262	(40 601 846)	108 145 416	137 843 292	(36 874 588)	100 968 704
Water network	159 385 259	(106 320 566)	53 064 693	158 035 907	(96 389 033)	61 646 874
Roads	396 580 691	(239 387 172)	157 193 519	388 664 959	(229 623 521)	159 041 438
IT equipment	4 229 979	(2 665 569)	1 564 410	4 625 667	(2 646 212)	1 979 455
Electricity network	138 550 210	(68 038 528)	70 511 682	105 553 843	(64 704 149)	40 849 694
Total	**1 113 979 184**	**(511 852 973)**	**602 126 211**	**1 086 785 089**	**(479 191 743)**	**607 593 346**

Figures in South African Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP Transfer In/(Out)	Depreciation	Impairment loss	Total
Land	82 260 691	-	-	-	-	-	82 260 691
Buildings	67 938 375	3 992 139	-	9 046 940	(2 536 540)	-	78 440 914
Plant and machinery	5 485 334	847 556	(14 667)	-	(1 070 252)	-	5 247 971
Motor vehicles	10 010 466	1 790 387	(1 574)	-	(2 013 560)	-	9 785 719
Office equipment	1 681 503	1 075 196	(8 870)	-	(399 434)	-	2 348 395
IT equipment	1 979 455	181 967	(84 955)	-	(512 057)	-	1 564 410
Electricity network	40 849 694	33 333	-	32 963 035	(3 334 380)	-	70 511 682
Work in progress	75 730 812	17 634 748	-	(59 802 759)	-	-	33 562 801
Roads	159 041 438	993 690	(345 599)	8 599 874	(11 095 884)	-	157 193 519
Wastewater network	100 968 704	2 320 109	(53 568)	8 739 948	(3 829 777)	-	108 145 416
Water network	61 646 874	896 390	-	452 962	(9 736 221)	(195 312)	53 064 693
	607 593 346	**29 765 515**	**(509 233)**	**-**	**(34 528 105)**	**(195 312)**	**602 126 211**

Notes to the Annual Financial Statements

Figures in South African Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	WIP Transferred In/(Out)	Depreciation	Total
Land	82 260 691	-	-	-	82 260 691
Buildings	70 387 219	-	179 897	(2 628 741)	67 938 375
Plant and machinery	2 222 010	3 926 897	-	(663 573)	5 485 334
Motor vehicles	12 839 785	470 246	-	(3 299 565)	10 010 466
Office equipment	2 231 839	224 769	-	(775 105)	1 681 503
IT equipment	1 635 957	937 689	-	(594 191)	1 979 455
Electricity network	42 246 320	-	1 702 841	(3 099 467)	40 849 694
Work in progress	114 112 561	41 171 549	(79 553 298)	-	75 730 812
Roads	142 621 671	6 253 477	21 736 278	(11 569 988)	159 041 438
Wastewater network	48 665 913	2 292 792	53 582 180	(3 572 181)	100 968 704
Water network	69 962 802	548 158	2 352 102	(11 216 188)	61 646 874
	589 186 768	**55 825 577**	**-**	**(37 418 999)**	**607 593 346**

Pledged as security

No assets have been pledged as security.

Note that the 2014/15 additions figure for Property, plant and Equipment contains movebale assets donated to the municipality and as thus is not reflected as a cash outflow on the Cash Flow Statement.

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.

Figures in South African Rand | 2015 | 2014

10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	780 605	(341 314)	439 291	577 531	(199 959)	377 572

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	377 572	209 898	(1 562)	(146 617)	439 291

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	334 891	131 041	(88 360)	377 572

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

Reconciliation of heritage assets 2015

	Opening balance	Total
Conservation areas	16	16
Historical buildings	-	-
	16	**16**

Reconciliation of heritage assets 2014

	Opening balance	Total
Conservation areas	16	16

Age and/or condition of heritage assets

To the extent that it provides useful and relevant information, entities are encouraged to provide information that will enable users to appreciate the age and/or condition of heritage assets.

The following information relating to age and/or condition of heritage assets is provided for better appreciation:

Figures in South African Rand	2015	2014

11. Heritage assets (continued)

Restrictions on heritage assets

The heritage assets, disclose below have restrictions in terms of their disposal due to the fact that they are registered with the national heritage council and therefore cannot and will not be disposed of in the course of operations of the municipality.

Carrying value of heritage assets with restrictions:

	2015	2014
Conservation areas Disposal restriction due to registration at National Heritage council	16	16

12. Other financial assets

	2015	2014
Designated at fair value		
Listed shares Old Mutual shares are held at fair value determined as the quoted market value.	144 979	134 689
Total other financial assets	**144 979**	**134 689**
Non-current assets		
Designated at fair value	144 979	134 689

13. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	32 453 525	32 453 525
Other receivables from non-exchange transactions	5 225 325	5 225 325
Cash and cash equivalents	23 424 332	23 424 332
	61 103 182	**61 103 182**

Financial liabilities

2014

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	134 689	-	134 689
Trade and other receivables from exchange transactions	-	13 175 684	13 175 684
Other receivables from non-exchange transactions	-	12 828 035	12 828 035
Cash and cash equivalents	21 278 517	-	21 278 517
	21 413 206	**26 003 719**	**47 416 925**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	23 673 293	23 673 293
Trade and other payables from exchange transactions	29 609 923	29 609 923
	53 283 216	**53 283 216**

14. Consumer deposits

Electricity	1 465 899	1 445 159
Water	234 834	189 774
	1 700 733	**1 634 933**

15. Payables

Trade payables	19 511 184	15 143 261
Payments received in advance	2 966 963	2 728 981
Accrued leave pay	4 273 091	4 255 431
13th cheque accrual	2 361 487	2 050 152
Accrued expense	4 546 427	5 078 082
Deposits received	794 615	799 001
Other payables	21 411	29 587
Unidentified direct deposits	872 579	641 696
Retention monies	1 493 370	465 416
SALA Pension Fund	3 005 133	3 297 603
Human Settlements	3 225 823	1 670 554
	43 072 083	**36 159 764**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
IDC Chicory	1 175 026	1 260 627
DWAF: ACIP	2 335	2 334
SBDM: Drought Relief grants	34 222	34 222
MIG	4 394 669	6
MSIG	-	-
LED: Essential Oils	348 697	727 993
LED: Section Assistant	528	30 377
LED: Vuna Awards	2 839	9 469
EC Sports/Arts and culture	2 950 743	2 022 336
LG SETA	14 192	328 409
SBDM: Fire Officers grant	-	249 227
CBDM: IDP Dev Support	18 029	18 029
DME	506	38 506
SBDM: IDP Support	(15 468)	(15 468)
EPWP: Public Works	(7 630)	(8 839)
FMG	-	25
LED: Initiative	127 058	-
Flood Disaster Damage grant	(54 706)	(54 706)
EC: Eco: 2nd Place Greenest Town	166 280	-
SBDM: Drinking Water Safety Plan	14 641	14 641
SBDM: T&C Brickworks Project	10 485	39 487
SBDM: Drought Relief	-	-
DWAF: Water and Sewer Audit	192	1 850
SBDM: South Seas Poultry Project	-	146 180
IDC: Ndlambe Economic Dev Infra	-	-
	9 182 638	**4 844 705**

The liability relates to unfulfilled conditions and other contingencies attached to government assistance that has been recognised. Expenditure on grants was made in terms of the relevant conditions and no grant funding was witheld during the year

See note 23 for reconciliation of grants from National/Provincial Government.

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

17. VAT payable

VAT refunds payable	4 999 049	3 165 630

18. Financial liabilities - DBSA

At amortised cost		
DBSA Loan 102198 10 years @ 10.89%	1 681 127	3 193 347
DBSA Loan 101161/2 20 years @12.34%	6 015 077	6 309 339
DBSA Loan 13478/101 20 years @17%	3 183 327	3 492 670
DBSA Loan 101855 10 years @ 9.68%	1 322 598	2 526 061
DBSA Loan 102557/1 15 years @ 8.81%	7 572 622	8 151 876
	19 774 751	**23 673 293**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

18. Financial liabilities - DBSA (continued)

Total other financial liabilities	**19 774 751**	**23 673 293**
Non-current liabilities		
At amortised cost	15 404 512	19 777 482
Current liabilities		
At amortised cost	4 370 239	3 895 811

19. Employee benefit obligations

Defined benefit plan

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Post retirement medical aid plan

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance of defined benefit obligation-wholly unfunded	(47 694 000)	(50 794 000)
Benefits paid During the year	1 494 000	1 427 000
Current service costs*	(2 730 000)	(3 214 000)
Interest Costs*	(4 321 000)	(4 078 000)
Actuarial Loss/(Gain)	3 886 000	8 965 000
Present value of the defined benefit obligation-wholly unfunded	**(49 365 000)**	**(47 694 000)**
Non-current liabilities	(47 775 000)	(46 181 000)
Current liabilities	(1 590 000)	(1 513 000)
	(49 365 000)	**(47 694 000)**

The municipality's based estimate of the contributions expected to be paid to the plan after reporting date is 2015: R1 590 000. (2014: R1 513 000)

Net expense recognised in the statement of financial performance - Employee costs

Current service cost	2 730 000	3 214 000
Interest cost	4 321 000	4 078 000
Actuarial (gains) / losses	(3 886 000)	(8 965 000)
Benefits paid	(1 494 000)	(1 427 000)
	1 671 000	**(3 100 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield Curve	8.94 %
Expected rate of return on assets	Difference between Nominal and Yield Curve	7.05 %
Expected rate of return on reimbursement rights	CPI + 1%	8.05 %
Actual return on reimbursement rights	Yield Curve Based	0.82 %

Figures in South African Rand 2015 2014

19. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on defined benefit obligation	57 856 000	42 530 000
Effect on Interest costs	5 397 000	3 933 000
Effect on Service costs	3 736 000	2 408 000

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	(49 365 000)	(47 694 000)	(50 794 000)	(49 642 001)	(44 409 051)

Notes to the Annual Financial Statements

Figures in South African Rand

20. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Fair Value adjustment	Current service costs	Interest costs	Benefits paid	Actuarial gain	Total
Environmental rehabilitation	21 426 678	(2 804 951)	-	-	-	-	18 621 727
Long service awards	5 503 000	-	683 000	441 000	(230 312)	(867 688)	5 529 000
	26 929 678	**(2 804 951)**	**683 000**	**441 000**	**(230 312)**	**(867 688)**	**24 150 727**

Reconciliation of provisions - 2014

	Opening Balance	Fair Value adjustment	Current service costs	Interest costs	Benefits paid	Actuarial gain	Total
Environmental rehabilitation	19 414 544	2 012 134	-	-	-	-	21 426 678
Long service awards	4 256 082	-	213 974	535 178	(619 000)	1 116 766	5 503 000
	23 670 626	**2 012 134**	**213 974**	**535 178**	**(619 000)**	**1 116 766**	**26 929 678**

Non-current liabilities	22 454 111	25 794 329
Current liabilities	1 696 616	1 135 349
	24 150 727	**26 929 678**

Environmental rehabilitation provision

Ndlambe Municipality operates 10 landfill sites which by law will have to be permitted and closed in accordance with the “Minimum Requirements” and in accordance with the Environment Conservation Act. (Act 73 of 1989). Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes.

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

20. Provisions (continued)

Long service awards

Ndlambe offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of percentage of their annual salary as well as additional leave days to employees at the end of the specified time period.

21. Property rates

Rates received

Property rates	68 591 944	58 501 296

Valuations

All	12 714 132 910	11 923 847 933

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis.

22. Service charges

Sale of electricity	51 136 163	45 181 990
Sale of water	26 159 037	18 397 835
Sewerage and sanitation charges	7 211 264	5 889 748
Refuse removal	11 610 448	10 879 478
Other service charges	149 778	475 520
	96 266 690	**80 824 571**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

23. Government grants and subsidies

Revenue - Conditions met on operating portion of grant expenditure		
Unconditional Equitable Share Grant	57 263 000	56 552 421
Unconditional:Equitable share: Cllrs&Ward Contributions	3 447 000	2 730 000
Financial Management Grant	1 447 622	1 275 281
Municipal Systems Improvement Grant(MSIG)	934 000	866 502
Sarah Baartman District Municipality(SBDM) Grants	-	267 166
Department of Water Affairs Grants (DWA)	-	42 923
LGSETA Grants	351 825	120 863
Municipal Infrastructure Grant	1 077 871	998 150
Health subsidies	1 303 820	1 321 066
LED Grants	1 635 644	2 886 500
Library Grant (DESRAC)	1 252 508	994 928
Accelerated Community Infrastructure Programme	214 024	-
SBM Unconditional Grant Revenue	115 550	-
	69 042 864	**68 055 800**
Revenue - Conditions met on capital portion of grants		
Financial Management Grant (Capital)	352 403	633 013
Municipal Systems Improvement Grant(MSIG)(Capital)	-	23 498
Sarah Baartman District Mun(SBDM) Grants(Capital)	748 486	52 468
Department of Water Affairs Grants (DWA)(Capital)	-	16 384
Municipal Infrastructure Grant (Capital)	24 099 475	33 260 348
Intergrated National Elect Grant(INEG)(Capital)	1 038 000	4 461 494
Library Grant (DESRAC) (Capital)	556 085	1 736 290
Accelerated Community Infrastructure Prog(Capital)	7 564 622	1 745 902
Disaster Floods Grant (Capital)	-	7 752 783
Expanded Public Works Prog Grant (EPWP) (Capital)	998 792	982 390
Ec Econ Greenest Town	133 720	-
	35 491 583	**50 664 570**
	104 534 447	**118 720 370**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	43 689 587	58 830 252
Unconditional grants received	56 929 809	58 780 392
	100 619 396	**117 610 644**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In the current financial year, an amount of R4,2 million was withheld from Equitable Share, this was due to a misclassification error made in the prior period published Annual Financial Statements. This classification error has been corrected in the 2014/15 comparative figures as disclosed in note 46, as the grant was fully utilised as at 30 June 2014.

IDC Chicory

Balance unspent at beginning of year	1 260 627	1 314 469
Current year receipts	-	-
Conditions met - transferred to revenue	(85 601)	(53 842)
	1 175 026	**1 260 627**

Conditions still to be met - remain liabilities (see note 15). Funding conditions were for the production of chicory, the funding is used for that as we do soil preparations for the upcoming chicory planting season that will be in October.

Figures in South African Rand	2015	2014

23. Government grants and subsidies (continued)

DWA (ACIP)

Balance unspent at beginning of year	2 334	-
Current-year receipts	7 778 646	1 748 236
Conditions met - transferred to revenue	(7 778 645)	(1 745 902)
	2 335	**2 334**

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

SBDM: Drought Relief grants

Balance unspent at beginning of year	34 222	50 606
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(16 384)
	34 222	**34 222**

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

MIG

Balance unspent at beginning of year	6	-
Current-year receipts	30 799 000	25 853 000
Conditions met - transferred to revenue	(25 175 689)	(25 497 578)
Unspent amount withheld by National Treasury	-	(355 416)
Retention	(1 228 648)	-
	4 394 669	**6**

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

MSIG

Balance unspent at beginning of year	-	74 714
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Unspent amount withheld by National Treasury	-	(74 714)
	-	**-**

Conditions on MSIG grant are met.

LED: Essential Oils

Balance unspent at beginning of year	727 993	1 193 849
Current-year receipts	-	-
Conditions met - transferred to revenue	(379 296)	(465 856)
	348 697	**727 993**

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

Funding conditions were to plant essential Oils with special focus on Rose Geranium,Chamomile and Lavender, however this proved to be un-viable and change of scope was requested from the funder (DEDEA) for a more economic viable activity, chicory was identified and as in the same way with IDC Chicory, funding will be used in soil preparations for the upcoming planting season of chicory in October.

Figures in South African Rand	2015	2014

23. **Government grants and subsidies (continued)**

LED: Section Assistant

Balance unspent at beginning of year	30 377	87 990
Current-year receipts	112 000	117 275
Conditions met - transferred to revenue	(141 849)	(174 888)
	528	**30 377**

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

LED: Vuna Awards

Balance unspent at beginning of year	9 469	9 469
Current-year receipts	-	-
Conditions met - transferred to revenue	(6 630)	-
	2 839	**9 469**

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

The conditions were that funds are spent on SMME / Enterprise development targeting women business enterprises. The remain balance will be spent on sourcing fabric for the sewing pro

EC Sports/Arts and Culture

Balance unspent at beginning of year	2 022 336	2 059 478
Current-year receipts	2 737 000	2 737 000
Conditions met - transferred to revenue	(1 808 593)	(2 774 142)
	2 950 743	**2 022 336**

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

LG SETA

Balance unspent at beginning of year	328 409	394 796
Current-year receipts	37 608	54 476
Conditions met - transferred to revenue	(351 825)	(120 863)
	14 192	**328 409**

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

SBDM: Fire Officers grant

Balance unspent at beginning of year	249 227	415 577
Current-year receipts	375 000	375 000
Conditions met - transferred to revenue	(624 227)	(541 350)
	-	**249 227**

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

SBDM: IDP Dev Support

Balance unspent at beginning of year	18 029	83 109
Conditions met - transferred to revenue	-	(65 080)
	18 029	**18 029**

Figures in South African Rand 2015 2014

23. Government grants and subsidies (continued)

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

DME

	2015	2014
Balance unspent at beginning of year	38 506	282 802
Current-year receipts	1 000 000	4 500 000
Conditions met - transferred to revenue	(1 038 000)	(4 461 494)
Unspent amount withheld by National Treasury	-	(282 802)
	506	**38 506**

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

SBDM: IDP Support

	2015	2014
Balance unspent at beginning of year	(15 468)	-
Current-year receipts	-	205 000
Conditions met - transferred to revenue	-	(220 468)
	(15 468)	**(15 468)**

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

EPWP: Public Works

	2015	2014
Balance unspent at beginning of year	(8 839)	(26 449)
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(998 791)	(982 390)
	(7 630)	**(8 839)**

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

FMG

	2015	2014
Balance unspent at beginning of year	25	158 319
Current-year receipts	1 800 000	1 750 000
Conditions met - transferred to revenue	(1 800 025)	(1 908 294)
	-	**25**

The FMG grant conditions are met

LED: Initiative

	2015	2014
Balance unspent at beginning of year	-	-
Current-year receipts	350 000	-
Conditions met - transferred to revenue	(222 942)	-
	127 058	**-**

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

Funding was for economic initiatives that seek to improve the livelihood and economic material of the local people. The funding remaining will be used to used in line with this condition, considering that it is such initiatives that create employment in the area.

Figures in South African Rand 2015 2014

23. Government grants and subsidies (continued)

Flood Disaster Damage grant

	2015	2014
Balance unspent at beginning of year	(54 706)	3 604 387
Current-year receipts	-	15 353 000
Conditions met - transferred to revenue	-	(15 407 706)
Unspent amount withheld by National Treasury	-	(3 604 387)
	(54 706)	**(54 706)**

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

EC: Eco 2nd Place Greenest Town

	2015	2014
Balance unspent at beginning of year	-	-
Current-year receipts	300 000	-
Conditions met - transferred to revenue	(133 720)	-
	166 280	**-**

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

SBDM: Drinking Water Safety Plan

	2015	2014
Balance unspent at beginning of year	14 641	48 727
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(34 086)
	14 641	**14 641**

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

SBDM: T&C Brickworks Project

	2015	2014
Balance unspent at beginning of year	39 487	-
Current-year receipts	-	250 000
Conditions met - transferred to revenue	(29 002)	(210 513)
	10 485	**39 487**

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

Bricks Project/ T&C Bricks, the funding was for the sourcing of the brick machinery which was acquired and the balance was for inputs like crusher dust, sand and cement. The balance is being used for this purpose.

Figures in South African Rand	2015	2014

23. Government grants and subsidies (continued)

DWAF: Water and Sewer Audit

Balance unspent at beginning of year	1 850	1 000 000
Conditions met - transferred to revenue	(1 658)	(998 150)
	192	**1 850**

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

SBDM: South Seas Poultry Project

Balance unspent at beginning of year	146 180	-
Current-year receipts	-	231 397
Conditions met - transferred to revenue	(146 180)	(85 217)
	-	**146 180**

Conditions on South Seas grant are met.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (2014/2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. Other income

Admission fees	19 629	38 247
Building plan fees	1 036 886	839 508
Camping fees	157 996	170 868
Encroachments	2 485	2 490
Event application fees	13 673	8 143
Sundry fees	20 220	13 278
Sale of game	450 541	-
Insurance claim refund	248 869	435 971
Refuse bags sold	19 503	16 139
River usage	182 233	129 080
Sundry income	389 997	367 423
Subdivisions	51 870	41 717
Town planning income	171 030	336 038
Valuation rolls	51 865	74 147
	2 816 797	**2 473 049**

25. Investment revenue

Interest revenue

Bank	1 630 826	1 480 933
Interest charged on trade and other receivables	5 785 325	4 955 001
	7 416 151	**6 435 934**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

26. Revenue

Service charges	96 266 690	80 824 571
Property rates	68 591 944	58 501 296
Government grants & subsidies	104 534 447	118 720 370
Rental of facilities and equipment	1 192 233	1 068 217
Burial services	179 577	192 000
Licences and permits	3 957 916	3 498 356
Rental income	4 038	6 044
Other income	2 816 797	2 473 049
Interest received - investment	7 416 151	6 435 934
Public contributions and donations	33 926 611	-
Fines, Penalties and Forfeits	606 110	432 880
	319 492 514	**272 152 717**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	96 266 690	80 824 571
Burial services	179 577	192 000
Rental of facilities and equipment	1 192 233	1 068 217
Licences and permits	3 957 916	3 498 356
Rental income	4 038	6 044
Other income	2 816 797	2 473 049
Interest received - investment	7 416 151	6 435 934
	111 833 402	**94 498 171**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	68 591 944	58 501 296
Transfer revenue		
Government grants & subsidies	104 534 447	118 720 370
Public contributions and donations	33 926 611	-
Fines, Penalties and Forfeits	606 110	432 880
	207 659 112	**177 654 546**

Figures in South African Rand	2015	2014

27. Employee related costs

Basic	63 354 366	57 503 911
Bonus	311 336	170 777
Allowances	3 102 437	2 595 238
Post-employment benefits	13 066 610	8 473 927
Medical aid - company contributions	6 761 734	5 929 342
UIF	629 692	849 128
WCA	292 926	381 422
SDL	791 859	714 946
Leave pay provision charge	17 660	681 094
Overtime payments	7 233 434	6 425 827
Car allowance	2 692 424	2 541 634
Housing benefits and allowances	360 194	360 639
Group insurance	321 827	449 762
Industrial levy	39 899	35 433
Casuals	925 294	2 112 505
	99 901 692	**89 225 585**

Remuneration of Municipal Manager

Annual Remuneration	883 767	853 711
Car Allowance	175 986	175 980
Performance Bonuses	66 645	37 439
Telephone allowance	15 535	15 540
Other (Allowance, UIF, Medical, Pension, etc)	189 972	189 205
13th Cheque	67 399	65 332
Leave pay	71 259	54 605
	1 470 563	**1 391 812**

Remuneration of Chief Finance Officer

Annual Remuneration	672 391	632 351
Car Allowance	180 861	180 861
Performance Bonuses	11 104	10 396
Telephone allowance	21 304	21 304
Other (Allowance, UIF, Medical, Pension, etc)	227 776	181 842
13th Cheque	50 775	49 091
Leave pay	50 997	72 266
	1 215 208	**1 148 111**

Remuneration of the Director: Infrastructural Development

Annual Remuneration	369 218	546 673
Car Allowance	164 000	231 000
Performance Bonuses	20 000	31 115
Telephone allowance	27 000	30 000
Other (Allowance, UIF, Medical, Pension, etc)	168 767	211 129
13th Cheque	40 156	62 187
Leave pay	18 360	20 754
	807 501	**1 132 858**

Remuneration of the Director: Corporate Services

Annual Remuneration	630 331	655 172
Car Allowance	144 000	144 000
Performance Bonuses	20 027	18 754

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

27. Employee related costs (continued)

Telephone allowance	12 000	12 000
Other (Allowance, UIF, Medical, Pension, etc)	166 625	176 568
13th Cheque	47 837	47 107
Leave pay	46 515	58 240
	1 067 335	**1 111 841**

Remuneration of the Director: Community and Protection Services

Annual Remuneration	578 204	604 380
Car Allowance	180 000	180 000
Performance Bonuses	29 990	37 448
Telephone allowance	24 000	22 000
Other (Allowance, UIF, Medical, Pension, etc)	173 439	163 423
13th Cheque	43 531	70 170
Leave pay	44 544	46 341
	1 073 708	**1 123 762**

28. Remuneration of councillors

Councillors (refer to table below)	5 608 728	5 173 279

Councillors

Executive Mayor	760 179	719 562
Speaker	336 946	317 012
Executive Member: S.B Funde	316 158	291 845
Executive Member: M. Mateti	316 158	291 845
Executive Member: L.R Schenk	317 364	216 339
K.C Ncamiso	295 964	276 855
G.G Cannon	236 375	216 339
T.L.E Khoathani	235 506	215 801
Z. Ngxingo	235 506	215 801
N.T Donile	236 375	216 339
J.P Guest	236 375	216 339
T. Mazana	236 375	216 339
J.M Cowley	236 375	-
M.J Tarentaal	236 375	216 339
S. Venene	236 097	215 955
N. Xhasa	236 375	216 339
C. Meterlekamp	236 375	216 339
P.P Faxi	236 157	216 339
M.E Msimang	235 506	215 048
K. Daweti	197 619	-
R.K Purdon	-	268 199
T. Stander	-	198 308
	5 610 160	**5 173 282**

In-kind benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of a separate Council owned vehicle for official duties.

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

29. Depreciation and amortisation

Property, plant and equipment	34 528 105	37 183 028
Investment property	534 670	51 740
Intangible assets	146 617	88 360
	35 209 392	**37 323 128**

30. Finance costs

Non-current borrowings	2 461 170	2 965 770
Current bank account interest expense	-	451 229
	2 461 170	**3 416 999**

31. Debt impairment

Contribution to debt impairment provision	16 731 643	15 553 627

32. Auditors' remuneration

Fees	4 297 564	3 771 560

33. Bulk purchases

Electricity	36 222 137	31 925 730
Water	10 535 831	9 156 859
	46 757 968	**41 082 589**

34. Grants and subsidies paid

Other subsidies		
Grants and subsidies paid	856 424	823 190
Grants in Aid	8 870	-
	865 294	**823 190**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

35. General expenses

Administration	51 348	122 177
Advertising	170 295	192 809
Auditors remuneration	4 297 564	3 771 560
Bank charges	367 066	610 552
Boat decals	7 018	46 251
Bursaries	79 320	83 036
Campaigns	175 555	52 009
Chemicals	1 316 852	1 017 253
Commission paid	419 495	337 928
Communication programmes	9 144	25 530
Consulting and professional fees	884 014	1 097 907
Donations	134 656	61 913
Election expenses	945	72 171
Electricity	8 467 339	7 752 336
Entertainment	47 918	99 305
Enviromental levy expense	642 761	351 729
Flowers	1 134	700
Fuel and oil	4 658 640	5 485 394
Hiring expenses	42 986	526 878
IT support	45 338	39 590
Insurance	1 864 104	1 917 384
Job creation	1 879 704	569 603
LED SMME Support	744 503	366 074
Motor vehicle licensing	287 922	244 958
Other expenses	1 205 418	1 670 551
PMS review process	99 219	45 023
Postage and courier	369 080	527 299
Printing and stationery	970 288	930 993
Publicity	-	3 160
Refuse	81 787	398 472
Security (Guarding of municipal property)	1 054 628	1 021 570
Sewerage and waste disposal	229 905	140 184
Special Programmes	175 501	50 718
Staff welfare	42 630	32 187
Stock/Fuel loss	60 783	380 850
Subscriptions and membership fees	996 228	87 259
Telephone and fax	1 832 807	1 697 928
Tourism development	436 000	371 494
Training	1 201 345	823 712
Transport (Workshop)	79 983	88 610
Transport and freight	13 366	2 516
Travel - local	1 763 818	2 469 203
Uniforms	862 911	800 771
Valuation expenses	251 018	1 257 085
Water services authority expenditure	1 160 415	2 172 500
Water testing	82 922	192 908
	39 565 673	**40 010 040**

36. Fair value adjustments

Other financial assets		
• Old Mutual shares	10 290	27 195
• Other financial assets (NRB FV Adj)	-	355 583
Other financial liabilities		
• Other financial liabilities (Held for trading)	2 804 952	(2 012 135)
	2 815 242	**(1 629 357)**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

37. Cash generated from operations

	2015	2014
Surplus	37 595 978	12 916 719
Adjustments for:		
Depreciation and amortisation	35 209 392	37 323 128
Loss (gain) on sale of assets and liabilities	501 924	-
Fair value adjustments	(2 815 242)	1 629 357
Impairment deficit	195 312	-
Debt impairment	16 731 643	15 553 627
Movements in retirement benefit assets and liabilities	1 671 000	(3 100 000)
Movement in provisions	36 291	(689 738)
Receipt of assets - Non-exchange	(33 926 611)	-
Changes in working capital:		
Inventories	(59 182)	184 938
Receivables from non-exchange transactions	(11 415 405)	(6 709 487)
Decrease/(increase) in receivables from exchange transactions	(16 751 259)	(1 677 372)
(Increase)/Decrease in Other receivables from exchange transactions	(10 290)	(50 996)
Payables	6 912 319	8 847 933
(Decrease)/Increase in VAT	1 833 419	(848 011)
Unspent conditional grants and receipts	4 337 933	(10 796 205)
Consumer deposits	65 800	(974)
(Decrease)/Increase in Lease Liability	(9 694)	44 671
	40 103 328	**52 627 590**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

38. Commitments

Authorised capital expenditure

Approved and contracted		
• Property, plant and equipment	29 679 257	-
Authorised by accounting officer, but not yet contracted for		
• Property, plant and equipment	4 394 669	-
Total capital commitments		
Approved and contracted	29 679 257	-
Authorised by accounting officer, but not yet contracted for	4 394 669	-
	34 073 926	**-**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	168 225	501 968
- in second to fifth year inclusive	183 206	168 225
	351 431	**670 193**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	418 958	451 178
- in second to fifth year inclusive	1 309 132	1 583 361
- later than five years	338 436	483 166
	2 066 526	**2 517 705**

Certain of the municipality's buildings are held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

Figures in South African Rand	2015	2014

39. Contingent liabilities

Est. Late Bethe vs Ndlambe LM- Defamation claim - Legal procedings have been instituted agains the municipality with regards to a defamation claim instituted by the Est Late of Mr. Bethe. The claim against the municipality is for R1 000 000 although the outflow is not considered likely due to the claimant having passed away.

Badenhorst vs Ndlambe LM - A legal claim was instituted against the municipality as the claimant maintains that he is not provided with access to his plot by the municipality. The claim was is to the extent of R800 000 and there is no indication of the timing of the potential outflow.

Ndanza Pty(Ltd) vs Ndlambe LM - The claimant has instituted legal procedings against the municipality to re-institute tender processes. The financial effect of this cannot be estimated.

Campbell and Shelton vs Ndlambe LM- The claimant has instituted procedings to suspend all approvals for building development on wetland area in Port Alfred. The financial effect of this cannot be determined.

KOSRA vs Ndlambe LM - Legal procedings have been instituted against the municipality regarding the state of the landfill site at Kenton-on-Sea and to put measures in place to rectify the state of the landfill. The financial effect of this cannot be estimated as the financial claim has not been made.

Litigation is in the process against the municipality relating to various matters. The total estimated potential liability to the municipality at 30 June 2015 is R1 800 000 (2014: R3 300 000).

Contingent assets

Legal procedings have been ongoing in the last number of years relating to royalties payable to council for the Kowie Quarry. The procedings however have not yielded any outcome or resulted in any financial inflows to the municipality. As the matter is still sub judice any amount receivable cannot be assessed as being virtually certain and therefore the amount has not been disclosed as a contingent asset.

40. Going concern

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

41. Unauthorised expenditure

Opening balance	16 435 547	-
Unauthorised expenditure incurred during the year	28 009 385	16 435 547
	44 444 932	**16 435 547**

Figures in South African Rand	2015	2014

41. Unauthorised expenditure (continued)

EXPENDITURE PER VOTE	2015 Actual	2015 Budget	2015 Variance	2015 Unauthorised
EXECUTIVE AND COUNCIL	38 632 375	27 750 250	10 882 125	10 882 125
MUNICIPAL MANAGER	8 501 006	8 155 065	345 941	345 941
FINANCE BUDGET AND TREASURY	14 940 018	20 541 976	(5 601 958)	-
FINANCE - SUPPLY CHAIN	1 237 850	1 275 364	(37 514)	-
CORPORATE SERVICES	9 328 207	9 119 618	208 589	208 589
WASTE MANAGEMENT	6 234 538	26 029 274	(19 794 736)	-
COMMUNITY AND SOCIAL SERVICES	28 763 447	33 240 962	(4 477 515)	-
HOUSING	6 165 554	6 828 211	(662 657)	-
ELECTRICITY	60 198 143	68 846 125	(8 647 982)	-
WATER	38 853 701	39 684 173	(830 472)	-
WASTE WATER MANAGEMENT	18 682 382	16 911 917	1 770 465	1 770 465
TECHNICAL	50 359 313	35 557 048	14 802 265	14 802 265
	-	-	-	-
	281 896 534	**293 939 983**	**(12 043 449)**	**28 009 385**

EXPENDITURE PER VOTE	2014 Actual	2014 Budget	2014 Variance	2014 Unauthorised
EXECUTIVE AND COUNCIL	30 792 277	30 328 233	464 044	464 044
MUNICIPAL MANAGER	8 012 036	10 181 837	(2 169 801)	-
FINANCE BUDGET AND TREASURY	15 287 658	20 995 361	(5 707 703)	-
FINANCE - SUPPLY CHAIN	936 380	1 174 120	(237 740)	-
CORPORATE SERVICES	10 461 691	11 547 755	(1 086 064)	-
WASTE MANAGEMENT	11 225 671	21 572 116	(10 346 445)	-
COMMUNITY AND SOCIAL SERVICES	26 067 201	29 055 936	(2 988 735)	-
HOUSING	5 119 878	6 171 239	(1 051 361)	-
ELECTRICITY	52 548 598	56 962 046	(4 413 448)	-
WATER	34 828 646	36 105 572	(1 276 926)	-
WASTE WATER MANAGEMENT	14 605 595	19 406 645	(4 801 050)	-
TECHNICAL	49 350 364	33 378 861	15 971 503	15 971 503
	-	-	-	-
	259 235 995	**276 879 721**	**(17 643 726)**	**16 435 547**

The above unauthorised expenditure has been calculated on the determination of a "vote" as defined the MFMA which states - "vote" means -
(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

42. Irregular expenditure

	2015	2014
Opening balance	158 652 204	79 405 021
Add: Irregular Expenditure - current year (Supply Chain Management regulations not adhered to)	39 666 606	79 247 183
	198 318 810	**158 652 204**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

42. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Supply Chain Management Regulation and/or Policy deviations	Items have been referred to MPAC for investigation and the need for crimial procedings to be determined	37 555 754
- Lack of supportin documentation - Deviations not in accordance with S36 of SCM regulations	Goods and/or services were received in all instances and none of these payments were made in vain.	

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Opening balance	870 662	335 486
Current year subscription / fee	1 029 231	892 489
Amount paid - current year	(900 898)	(357 313)
	998 995	**870 662**

Non-compliance with MFMA

During the year the following instance of non-compliance with the MFMA occurred:

- Suppliers not paid in 30 days;
- Reporting to Organisations of State & AGSA not submitted within timeframes;
- Spending without council approved budgeted;
- Not adhering SCM regulations;
- Systems and Procedures not effective and efficient; and
- Staff not reaching the required competencies.
- Systems not established in terms of Section 44 to resolve disputes with organs of State

Audit fees

	2015	2014
Opening balance	120 682	-
Write off	(103 795)	-
Expense - current year	6 481 287	4 558 286
Expense paid	(6 048 495)	(4 437 605)
	449 679	**120 681**

PAYE and UIF

	2015	2014
Amount paid - current year	9 944 987	9 118 864

Pension and Medical Aid Deductions

	2015	2014
Amount paid - current year	26 135 432	23 012 703

VAT

	2015	2014
VAT payable	4 999 049	3 165 630

VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted by the due date throughout the year.

Figures in South African Rand	2015	2014

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

Councillors' arrear consumer accounts

Councillors did not have any arrear accounts outstanding or outstanding for more than 90 days at 30 June 2015:

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
S Venene	538	3 183	3 721
C I Cannon	1 555	4 043	5 598
P Faxi	296	160	456
E Khoathani	964	5 444	6 408
M Msimang	361	2 218	2 579
T Stander	2 907	-	2 907
	6 621	**15 048**	**21 669**

Supply chain management regulations - Deviations

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

Incident		
Section 36(1)(a)(i) - Emergency	411 386	-
Section 36(1)(a)(ii) - Sole Supplier	435 047	-
Section 36(1)(a)(v) - Impractical / Impossible (other)	29 654 195	31 145 337
	30 500 628	**31 145 337**

44. Related parties

Related party balances

Receivables		
Department of Roads & Public Works	3 872 202	1 002 686
Department of Health	656 970	113 393
Department of Agriculture	84 041	6 113
Department of Education	477 715	259 029

Related party transactions

Revenue		
Department of Health	565 436	534 337
Provincial Department of Roads & Public Works	789 547	1 476 465
National Department of Public Works	1 083 893	1 059 039
Department of Education	308 724	332 546
Department of Agriculture	95 163	95 455

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

45. Changes in accounting policy

Reconciliation of effect of accounting policy changes on accumulated surplus

Accumulated suplus as previously reported		615 120 511
Heritage Assets recognition - GRAP 103		16
Effect of prior period errors refer to note 46		41 134 635
Accumulated surplus restated		656 255 162

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of an accounting policy based on the following standards:

- GRAP 103 - Heritage Assets
  - The Transitional provisions allowed for Heritage Assets to be recognised at Provisional amounts for the 3 years ending 30 June 2015. The Heritage assets have been valued at their market values, although nominal, as there are no market values for Heritage assets as these areas/assetss are not tradeable on an open market.

Figures in South African Rand 2015 2014

46. Prior period errors

During the 2014/15 financial year, the comparative figures for the 2013/14 financial year have been restated in accordance with GRAP 3. The variances in terms of the Statement of Financial Position as well as Statement of Financial Performance have been disclosed below along with reasons for the prior period errors.

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

	2014 Closing balance / 2015 Opening balances			
Statement of Financial Position	**Previously reported**	**Adjustment**	**As restated**	**Reference**
Inventories	25 564 152	(24 764 401)	799 751	1
Receivables from Non-exchange Transactions	12 828 035	(1 174 238)	11 653 797	2
Receivables from Exchange Transactions	13 175 684	(200 662)	12 975 022	3
Cash and Cash Equivalents	21 278 517	(7 326)	21 271 191	4
Investment property	36 559 250	121 910 069	158 469 319	5
Property, plant and Equipment	682 306 550	(74 713 204)	607 593 346	6
Intangible assets	227 671	149 901	377 572	7
Payables	(29 609 923)	(6 549 842)	(36 159 765)	8
Unspent Conditional grants and receipts	(35 932 719)	31 088 014	(4 844 705)	9
VAT Payable	(2 799 429)	(366 201)	(3 165 630)	10
Loans from Economic Entities	(355 583)	355 583	-	11
Employee benefit obligation - current	(1 669 000)	156 000	(1 513 000)	12
Provisions - Current	(761 000)	(374 349)	(1 135 349)	13
Lease Liability	-	(44 671)	(44 671)	14
Employee benefit obligation - Non-current	(53 915 000)	7 734 000	(46 181 000)	15
Provisions - Non-current	(14 303 829)	(11 490 500)	(25 794 329)	16
Other Liability 3	(27 572)	27 572	-	-
Accumulated surplus	(627 436 119)	(41 735 745)	(669 171 864)	17
		-		

1- Inventories - Statement of Financial Position

Previously reported 2014 balance	25 564 152
	-
Derecognition of Housing Inventory relating to RDP Houses	(24 758 669)
Accrual adjustment	(5 732)
Restated 2014 Closing balance	**799 751**

Correction of prior period balance is due to housing invenotry included, that were not assets of the municipality.

2 - Receivables from non-exchange transactions - Statement of Financial Position

Previously reported 2014 balance	12 828 035
	-
Re-classification of loans from other entities	(355 565)
Rates Billing Corrections	(818 673)
Restated 2014 Closing balance	**11 653 797**

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

3 - Receivables from exchange transactions - Statement of Financial Position

Previously reported 2014 balance		13 175 684
		-
Billing Cut-off corrections		133 195
Corrections of accounts incorrectly charged in prior year		(333 857)
Restated 2014 Closing balance		**12 975 022**

4 - Cash and cash Equivalents - Statement of Financial Position

Previously reported 2014 balance		21 278 517
Corrrection of interest accrual on investment		32 674
Effect of correction of an investment adjustment incorrectly posted		(40 000)
Restated 2014 Closing Balance		**21 271 191**

5 - Investment property - Statement of Financial Position

Previously reported 2014 balance		36 559 250
Correction of Depreciation not charged in prior year		(51 740)
Effect of Land relating to Investment property not previously recognised		24 289 963
Effect of Misallocation of Vacant land between PPE and Investment property		97 671 846
Restated 2014 Closing balance		**158 469 319**

6 - Property, plant and equipment - Statement of Financial Position

Previously reported 2014 balance		682 306 550
		-
Correction of misallocated expenditure		(134 497)
Accrual adjustment		329 625
Effect of correction of unspent conditional grant funds incorrectly classified		(4 454 907)
Accrual Adjustment 2		279 019
Effect of recalculation of accumulated depreciation charges on opening balance		(1 673 002)
Recalculated depreciation effect on 2013/14 depreciation charges		(3 911 690)
Effect of Land relating to PPE not previously recognised		39 585 878
Reclassification of land to Investment property		(97 671 846)
Effect of derecognition of Buildings disposed prior to 2013/14		(7 297 793)
2013/14 Depreciation effect of derecognition of Buildings disposed in prior years		236 009
		607 593 346

7 - Intangible assets - Statement of Financial Position

Previously reported 2014 balance		227 671
		-
Correction of misclassification of asset expenditure from IT Equipment		91 647
Effect of decreased depreciation charge for 2014		18 820
Correction of prior period		39 434
		377 572

8 - Payables - Statement of Financial Position

Previously reported 2014 balance		(29 609 923)
	-	-
Lease Liability reclassification		44 671
Correction for NRB receipt misallocation		172 932
Effect of correction of incomplete accruals in prior year		(5 056 308)

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

Correction of receipting against Unidentified deposits		(448 684)
Correction of retention allocation from Unspent Grants		713 510
Correction relating to unidentified deposits that should have been recognised previously		2 092 774
Reclassification of SALA Pension fund to Payables		(2 800 207)
Adjustment to SALA pension fund in line with court order		(497 395)
Adjustment to retention - expenditure not previously recognised as revenue		899 420
Correction of classification of Human Settlements Payable		(1 670 554)
		(36 159 764)

9 - Unspent Conditional Grants and receipts - Statement of Financial Position

Previously reported 2014 balance		(35 932 719)
		-
Effect of correction grant fund incorrectly classified		4 454 907
Effect of revenue recognised on grant expenditure		(168 752)
Correction of VAT portion on transfer of funds		644 030
Effect of correction of Grant revenue and expenditure classifications		(306 400)
Derecognition of Housing Inventory relating to RDP Houses		24 758 670
Correction of classification of Human Settlements Payable		1 670 554
Correction of Councillors contribution equitable share		284 748
Effect of correction of prior period revenue not recognised		3 116
Effect of MIG expenditure corrections		(292 859)
Effect of correction of an investment adjustment incorrectly posted		40 000
		(4 844 705)

10 - VAT Payable - Statement of Financial Position

Previously reported 2014 balance		(2 799 429)
	-	-
VAT effect of Billing Cut-off corrections		(37 594)
VAT effect of Accrual adjustments		392 390
Correction of misallocation of VAT on receipting		(644 031)
SARS Amount accrued		(76 966)
		(3 165 630)

11 - Loans from economic Entities - Statement of Financial Position

Previously reported 2014 balance		(355 583)
		-
Correction of NRB Loan		355 583
		-

12 - Employee benefit Obligation (current) - Statement of Financial Position

Previously reported 2014 balance		(1 669 000)
		-
Effect of Short term portion recalculation		156 000
		(1 513 000)

13 - Provisions (current) - Statement of Financial Position

Previously reported 2014 balance		(761 000)
		-
Effect of reclassification of short term portion of Provisions		569 197
Effect of correction of short term portion of Provision for rehabilitation		(943 546)
		(1 135 349)

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

14 - Lease Liability (current) - Statement of Financial Position

Previously reported 2014 balance		-
		-
Lease Liability reclassification		(44 671)
		(44 671)

Notes to the Annual Financial Statements

Figures in South African Rand		2015	2014

46. Prior period errors (continued)

15 - Employee benefit Obligation (Non- current) - Statement of Financial Position

Previously reported 2014 balance	(53 915 000)
Effect of change in short term portion	(156 000)
Effect of Restatement of Post retirement medical aid	7 890 000
	(46 181 000)

16 - Provisions (Non-current) - Statement of Financial Position

Previously reported 2014 balance	(14 303 829)
	-
Correction of long service awards balance at year end	(569 197)
Effect of Restatement of opening balances on Environmental rehabilitation provision	(12 652 922)
Effect of Restatement of 2013/14 movements on Environmental rehabilitation provision	(2 012 134)
Reclassification of SALA Pension fund to payables	2 800 207
Effect of correction of short term portion of Provision for rehabilitation	943 546
	(25 794 329)

17 - Accumulated Surplus - Statement of Financial Position

Previously reported 2014 balance		(615 120 511)
		-
Effect on opening balance corrections relating to -		(41 134 634)
- Grants		175 933
- Property Plant and Equipment correction of opening accumulated surplus		1 673 002
- Correction of Intangible assets opening balance		(39 434)
- Correction of PPE opening balances at Cost		24 380
Effect of Land relating to PPE not previously recognised		(39 585 878)
Effect of Land relating to Investment property not previously recognised		(24 289 963)
Effect on opening balance of Environmental rehabilitation provision		12 652 922
Correction of prior period accruals		5 400
Correction relating to unidentified deposits recognised as revenue		(2 092 774)
Effect of billing corrections relating to prior periods		1 616 975
Effect of cut-off corrections relating to expenditure prior to 2013/14 financial year		929 614
Effect of Adjustment to SALA pension fund in line with court order on opening balances		497 395
Effect of derecognition of Buildings disposed prior to 2013/14		7 297 794
Effect of Accounting Policy Change - see note	45	(16)
RESTATED 2013/14 OPENING BALANCE		**(656 255 161)**
		(12 916 719)
Previously reported Surplus		(12 315 608)
Net corrections as per 2013/14 Statement of Financial Performance		(601 111)
RESTATED 2013/14 CLOSING BALANCE		**(669 171 880)**

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

Statement of Financial Performance	2014 Comparative restatements			
	Previously reported	Adjustment	As restated	Reference
REVENUE				
Service charges	80 701 551	(123 020)	80 824 571	i
Other Income	2 411 938	(61 111)	2 473 049	ii
Interest Received	6 451 856	15 922	6 435 934	iii
Property Rates	57 879 560	(621 736)	58 501 296	iv
Government Grants and Subsidies	117 853 529	(866 841)	118 720 370	v
EXPENDITURE	-	-	-	
Personnel	(93 352 171)	(4 126 586)	(89 225 585)	vi
Depreciation and Amortisation	(33 614 527)	3 708 601	(37 323 128)	vii
Operating lease payments	-	2 262 606	(2 262 606)	viii
Repairs and Maintenance	(7 150 945)	484 738	(7 635 683)	ix
Bulk purchases	(40 363 243)	719 346	(41 082 589)	x
Contracted Services	-	14 577 866	(14 577 866)	xi
Grants and Subsidies Paid	(8 677 116)	(7 853 926)	(823 190)	xii
Renewable Energy Programmes	-	522 049	(522 049)	xiii
General Expenses	(51 328 429)	(11 318 389)	(40 010 040)	xiv
Gain/Loss on Disposal	67 235	67 235	-	xv
Fair value adjustments	382 778	2 012 135	(1 629 357)	xvi
		(601 111)		**-**

i) - Service Charges - Statement of Financial Performance

As previously reported	80 701 551
Effect of billing correction in 2013/14	123 020
	80 824 571

ii) Other Income - Statement of Financial Performance

As previously reported	2 411 938
Effect of change in short term portion	(6 124)
Reclassification of Gain on Disposal incorrectly classified	67 235
	2 473 049

iii) Interest received - Statement of Financial Performance

As previously reported	6 451 856
Effect of 2014/15 billing corrections on 2013/14	(8 596)
Effect of unaccounted for interest on investment accrued in 2013/14	(7 326)
	6 435 934

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

iv) Property Rates - Statement of Financial Performance

As previously reported		57 879 560
Effect of 2014/15 billing corrections on 2013/14		621 736
		58 501 296

v) Government Grants and Subsidies - Statement of Financial Performance

As previously reported		117 853 529
Effect of grant revenue incorrectly recognised on grant expenditure - 9		(168 752)
Effect of MIG expenditure corrections		(292 859)
Councillors unspent portion recognised in Revenue		284 748
Correction of Grant revenue not recognised on grant expenditure		144 283
Adjustment to retention - expenditure not previously recognised as revenue		899 421
		118 720 370

vi) Personnel - Statement of Financial Performance

As previously reported		(93 352 171)
		-
Workmens' compensation accrual adjustment		(381 422)
Grant expenditure recognised from misallocation		(296 754)
Effect of Restatement of Post retirement medical aid		7 890 000
Effect of correction of additional accruals identified		(5 057)
Effect of reclassification of operating grant expenditure		(3 080 181)
		(89 225 585)

vii) Depreciation and Amortisation - Statement of Financial Performance

As previously reported		(33 614 527)
		-
Correction of Depreciation not charged in prior year - Investment property		(51 740)
Recalculated depreciation effect on 2013/14 depreciation charges PPE		(3 911 690)
Effect of Decreased depreciation on Intangible assets		18 820
2013/14 Depreciation effect of derecognition of Buildings disposed in prior years		236 009
		(37 323 128)

viii) Operating lease payments - Statement of Financial Performance

As previously reported		-
		-
Effect of Reclassifiction of Operating lease payments from general expenditure		(2 262 606)
		(2 262 606)

ix) Repairs and Maintenance - Statement of Financial Performance

As previously reported		(7 150 945)
		-

Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

Effect of Accrual Adjustments for 2013/14	(176 806)
Effect of reclassification of operating grant expenditure	(307 932)
	(7 635 683)

x) Bulk Purchases - Statement of Financial Performance

As previously reported	(40 363 243)
	-
Effect of Accrual Adjustments for 2013/14	(719 346)
	(41 082 589)

xi) Contracted Services - Statement of Financial Performance

As previously reported	-
	-
Effect of Reclassification of Contracted services from Consulting and Professional Fees (General Expenditure)	(13 534 476)
Effect of reclassification of operating grant expenditure	(1 043 390)
	(14 577 866)

xii) Grants and Subsidies Paid - Statement of Financial Performance

As previously reported	(8 677 116)
	-
Effect of Reclassification of Operating Grant Expenditure to General Expenditure	7 853 926
	(823 190)

xiii) Renewable Energy Programme - Statement of Financial Performance

As previously reported	-
	-
Effect of Accrual Adjustment relating to Renewable energy	522 049
	522 049

xiv) General expenditure - Statement of Financial Performance

As previously reported	(51 328 429)
	-
Effect of Reclassification of Operating Grant Expenditure to General Expenditure	(7 853 926)
Effect of Reclassification of Contracted services from Consulting and Professional Fees	13 534 476
Effect of Reclassifiction of Operating lease payments from general expenditure	2 262 606
Effect of Accrual Adjustment	(612 461)
Correction of misallocated asset expenditure	(1 377)
Correction of misallocation of VAT expenditure	(656 567)
	7 709
Reclassification of Fair Value Adjustment on Rehabilitation of landfill site	2 012 135
Prior period corrections based on accruals identifed in 2014/15	(2 709 640)

Figures in South African Rand	2015	2014

46. Prior period errors (continued)

Accrual Adjustment for 2013/14 based on additional creditors identified		583 674
Correction of Grant expenditure		320 257
Effect of reclassification of operating grant expenditure		4 431 503
		(40 010 040)

xv) Gain/Loss on Disposal - Statement of Financial Performance

As previously reported		67 235
		-
Reclassification of Gain on Disposal incorrectly classified		(67 235)
		-

xvi) Fair Value Adjustments - Statement of Financial Performance

As previously reported		382 778
		-
Reclassification of Fair Value Adjustment on Rehabilitation of landfill site		(2 012 135)
		(1 629 357)

Cash flow statement

	As previously reported	Adjustment	Corrected Figures
Cash flow from operating activities			
Rates and Services	146 944 040	(12 088 427)	134 855 613
Government Grants and Subsidies	108 466 713	10 253 657	118 720 370
Interest Income	6 451 856	(15 922)	6 435 934
Other receipts	5 517 128	(2 611 199)	2 905 929
Employee costs	(103 315 450)	8 916 585	(94 398 865)
Suppliers	(31 380 491)	(81 093 901)	(112 474 392)
Finance Costs	(3 416 999)	-	(3 416 999)
Other payments	(73 405 394)	73 405 394	-
	55 861 403	**(3 233 813)**	**52 627 590**
Cash flow from investing activities			
Purchase of Property, plant and equipment	(59 499 023)	3 673 446	(55 825 577)
Purchase of Intangible assets	-	(131 041)	(131 041)
Proceeds from sale of property, plant and equipment	(67 235)	67 235	-
	(59 566 258)	**3 609 640**	**(55 956 618)**
Cash flow from financing activities			
Movement in long term liabilities	(2 987 821)	(383 155)	(3 370 976)
	(2 987 821)	**(383 155)**	**(3 370 976)**

The cash flow restatement above details the movements between the previously reported Cash Flow Statement and the restated 2013/14 comparative figures. As the previously reported figures where not based on actual movements from the 2013/14 financial year, a line by line analysis will not be provided. The main reason for the variance are the unsubstantiated figures used in the previously reported 2013/14 Annual Financial statements.

Figures in South African Rand	2015	2014

47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Current year	39 222	-

Fruitless wasteful expenditure has been incurred due to interest on late payments made as well as penalties incurred on SARS assessments and late implementation of company contribution percentages for pension funds. All of the matters that resulted in fruitless and wasteful expenditure in the current year have been investigated and not criminal or disciplinary steps were take against any officials.

Procedures and systems' amendments have been affected to avoid instances of fruitless and wasteful expenditure re-occuring.

48. Budget differences

Material differences between budget and actual amounts

Variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%.

Below are details of the relevant material variances as per the Statement of Budget versus Actual Comparison:

48.1) Service Charges:

The actual water income was 14 million below budget, the actual electricity income was R2 million below budget, the actual sewer income was 8 million below budget, the actual refuse removal income was 6 million below budget and the actual income for sanitation was 1 million below budget. The income from indigents was not realised in the budget but was covered by the equitable share received. The actual demand of consumers was also overstated as well as business refuse tariffs were not implemented as envisaged.

48.2) Rendering of Services:

48.3) Licences and Permits:

The income from licences and permits is difficult to budget for as it is never known if the community will pay for their licences and permits at the municipality or at one of the other agents such as the post office.

48.4) Rental Income

This is in respect of the chemical toilets that we hire out and demand for the toilets is never known at the time of budget so best estimates are used based on prior years demands

48.5) Other income

48.6) Interet received - Investment

According to the budget assumptions made, grant income would have been spent faster than what materialised. Additional interest income was realised on the grant investments

48. Budget differences (continued)

48.7) Gains on Disposal of Assets

As can be seen from the budget the departments added in the main 5.5% on their years budget anticipating that redundant and damaged assets would be disposed of. The sale of assets however did not take place as required as Council resolved that schools and public benefit organisations should first be considered for donations.

48.8) Property Rates

At the time of the budget the income fore-gone budget was drastically cut to decrease the increase in rates that ratepayers would be required to pay had income fore-gone being correctly budgeted for. The budget for rates income therefore did not provide the true projection for revenue that would be received from rates.

48.9) Government Grants and Subsidies

During the financial year the Ndlambe Municipality received donated assets namely the Multi-Purpose Centre in Port Alfred with equipment and a Conference and accommodation facilities in Cannon Rocks that was not part of the Municipal Budget or any of the adjusted budgets

48.10) Public Contributions and donations:

National Treasury withheld equitable share due to unspent conditional grants. The expenditure for the sports fields were incorrectly mapped to internal funds and not grants and despite the explanation to National Treasury funds were withheld.

48.11) Fines, penalties and Forfeits

When preparing the budgets for fines, penalties and forfeits, previous years actual revenue is used to project the future years budget. However vehicles became unserviceable and staff did not have the tools of trade to move throughout Ndlambe and generate the fines as in previous years on which projections were based.

48.12) Personnel

Due to staff matters, aging vehicles, aging infrastructure and climate conditions permanent staff members were required to work overtime in excess of what was expected at the time of the budget. Much of the overtime over-expenditure would have been covered by the savings on vacant posts for which the overtime was worked.

48.13) Remuneration of Councillors:

At the time of preparing the budget the increase for Councillors is not known and the content of the act is not known. The tools of trade for Councillors was increased more than what was anticipated that resulted in the budget been exceeded.

48.14) Depreciation and Amortisation:

When doing the budget the depreciation budget was drastically reduced to in turn reduce the percentage increase to ratepayers and consumers. The depreciation budget is seen as a non-cash budget item where there will not be a reduction to an actual revenue flow to the municipality if the budget is reduced.

48.15) Impairment losses:

At the time of the budget and the adjustment budget there was no indication that a budget for impairment would be necessary. The asset verification exercise at year-end highlighted impairment adjustments that needed to be accounted for.

48. Budget differences (continued)

48.16) Finance Costs:

The finance costs relate to the DBSA loans and at the time of the budget it was understated due to an error in that one of the loans repayment period was incorrectly captured and was only realised when the payments were made in June 2015

48.17) Lease rentals on operating lease

Additional office space was required by the office of the Municipal Manager for the LED unit and an adjustment budget was done to the rental vote for procuring the services of a consultant to assist with performance management related issue.

48.18) Bad debts written off:

When doing the budget the provision for bad debts budget was drastically reduced to in turn reduce the percentage increase to ratepayers and consumers. The provision for depreciation budget is seen as a non-cash budget item where there will not be a reduction to an actual revenue flow to the municipality if the budget is reduced.

48.19) Repairs and Maintenance

The repairs and maintenance budget was overspent due to the transfer of repairs and maintenance done under projects been transferred to operating repairs and maintenance. The repairs and maintenance component done under projects was not known at the time of budget and was only realised at year-end when dealing with assets.

48.20) Bulk Purchases

The additional electricity increase granted to ESKOM by NERSA was not taken into account when doing the budget. In sales the increase would be recovered but for Ndlambe Municipality's own consumption on plants, pumps, street lights and buildings this increase had to be absorbed

48.21) Contracted Services:

The budget for the contract payments to Manelec was under budgeted for and this resulted in the majority of the over-expenditure. The formula used to calculate the payment is dependent on electricity sales figures and actual sales was understated in the budget calculation.
Additional assets acquired by the municipality needed to be secured with security guards (Cannon Rocks Resort / pound) and assets that were been vandalised (refuse site) needed to be secured but were not budgeted for.

48.22) Transfers and Subsidies:

The actual represents subsidies to tourism and anti-crime and are paid on submission of evidence of the service they render. The budget is calculated on previous actual plus inflation increase but that is not to say that the entire budget will be granted if services are not rendered as required.

Figures in South African Rand 2015 2014

48. Budget differences (continued)

48.23) Loss on Disposal of Assets:

At the time of the budget a nominal budget is provided for losses on disposals of assets as it not Councils intention to dispose of assets at a loss. It is also not known at the time of the budget what assets would be up for disposal. This must be read with the loss of disposal of assets below

48.24) General Expenses:

48.25) Loss on Disposal fo Liabilities and assets

At the time of the budget a nominal budget is provided for losses on disposals of assets as it not Councils intention to dispose of assets at a loss. It is also not known at the time of the budget what assets would be up for disposal. This must be read with the loss of asset disposals above.

48.26) Fair Value adjustments

At the time of the budget and the adjustment budget there was no indication that a budget for a fair value adjustment would be necessary. The asset verification exercise at year-end highlighted all fair value adjustments that need to be accounted for.

Amendments made to Budget classification per Budget vs Actual Statement

The changes of budget classification are indicated below for items that have been budgeted but not disclosed as per the GRAP determination as per the Statement of Financial Performance. The below reconciliations indicate the amendments for the purposes of disclosure in this Statement which aims to assist the user in making informed decisions based on the appropriate and like variances.

Reconciliation - Other Income

	ORIGINAL BUDGET	FINAL BUDGET
Annual Financial Statement GRAP classification	-	-
Rental Income	(5 440)	(5 440)
Other Income	(17 542 560)	(13 045 560)
	-	-
Original Classification - Other income	17 548 000	13 051 000
	-	-

Reconciliation - Expenditure

	ORIGINAL BUDGET	FINAL BUDGET
Annual Financial Statement GRAP classification	-	-
Lease rentals on operating lease	2 890 742	2 012 822
Transfers and Subsidies paid	1 025 000	975 000
General Expenditure	187 758 258	110 980 178
	-	-
Original Classification - General expenditure	(191 674 000)	(113 968 000)
	-	-

Figures in South African Rand | 2015 | 2014

49. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings are all issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2015 and 2014, the municipality had no borrowings at variable rates.

The municipality is however exposed to credit interest rate risk relating to repayment of interest bearing loans resulting in cash outflow as detailed below.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables	- %	43 072 083	-	-	-	-
Financial liabilities - DBSA	8.8% - 17%	6 356 703	3 198 595	3 198 595	3 198 595	13 215 057

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors and shares traded on the open market. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Financial assets exposed to credit risk at year end were as follows:

Financial instruments	2015	2014
Receivables from non-exchange transactions	11 149 541	11 653 797
Receivables from exchange transactions	24 914 299	12 975 022
Cash and cash Equivalents	28 720 873	21 271 191
Other Financial Assets	144 979	134 689

The municipality holds deposits of R1 700 733 (2014: R1 634 933) from consumer debtors. No guarantees or collateral was provided to third parties.

Figures in South African Rand	2015	2014

49. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. Price risk is not actively managed as there extent of the holdings in equity instruments are limited and diversification of the portfolio is done in accordance with the limits set by the municipality.

The municipality's investments in equity of other entities that are publicly traded and are included in on the JSE (Johannesburg Stock Exchange)

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the municipality's equity instruments moved according to the historical correlation with the index:

	Impact on surplus in Rand Increase		Impact on surplus in Rand (Decrease)	
Financial instrument	**2015**	**2014**	**2015**	**2014**
JSE Old Mutual Shares	7 249	6 735	(7 249)	(6 735)

Suplus for the year would increase/(decrease) as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

50. Water and electricity losses

Losses		
Water	11 724 533	9 398 604
Electricity	5 393 305	4 824 269
	17 117 838	**14 222 873**

Water Losses
In 2015, the water reticulation losses were 40.9% (3 060 500 kl supplied and 1 807 879 kl sold). These losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, unauthorised and unmetered consumption.

In 2014 water losses were as the result of the 42.9kl per hour from the supply dam to the treatment works which is at 12.4 % loss on bulk suppy. Futher losses were accounted to the following: no billing history, vacant stands, zero consumptions, no meter readings, duplicate Erf numbers and existing billing history.

Electricity Losses
In 2015, the energy losses were 15.22% (2014: 15.57%). Energy purchased was 43 737 926 kWh and 37 079 524 kWh was sold (2014: 44 277 593 kWh purchased and 37 385 780 kWh sold). These losses are predominantly due to MV and LV losses in switchgear, overheadlines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.