Amahlathi Local Municipality
(Registration number EC124)
Annual Financial Statements
for the year ended 30 June 2015

General Information

Accounting Officer	B K Socikwa
Registered office	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor-General South Africa

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
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
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor - General South Africa
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No. 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 period 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 acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or errors.

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 93, 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:

Accounting Officer
BK Socikwa

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Assets			
Current Assets			
Inventories	3	1,188,801	1,554,430
Receivables from exchange transactions	4	10,077,230	6,704,733
Receivables from non-exchange transactions	5	1,177,464	3,689,145
VAT receivable	6	5,232,813	8,572,743
Short term portion of long term receivables	12	11,291	163,396
Cash and cash equivalents	7	129,028,210	151,594,446
		146,715,809	**172,278,893**
Non-Current Assets			
Investment property	8	56,304,131	57,960,022
Property, plant and equipment	9	411,526,354	407,046,254
Intangible assets	10	594,080	249,065
Heritage assets	11	610,183	610,183
Long term receivables	12	650,327	662,475
		469,685,075	**466,527,999**
Total Assets		**616,400,884**	**638,806,892**
Liabilities			
Current Liabilities			
Other financial liabilities	13	-	23,203
Finance lease obligation	14	15,177,918	9,080,280
Payables from exchange transactions	15	6,545,764	14,178,190
Consumer deposits	16	490,720	395,364
Employee benefit obligations	17	9,064,585	7,275,160
Unspent conditional grants and receipts	18	19,589,246	8,699,722
Provisions	19	860,047	378,600
		51,728,280	**40,030,519**
Non-Current Liabilities			
Other financial liabilities	13	-	617,970
Finance lease obligation	14	14,579,941	29,548,186
Employee benefit obligations	17	29,538,718	24,467,718
Provisions	19	383,093	373,004
		44,501,752	**55,006,878**
Total Liabilities		**96,230,032**	**95,037,397**
Net Assets		**520,170,852**	**543,769,495**
Accumulated surplus		520,170,852	543,769,495

Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	32,142,493	32,250,353
Rental of facilities and equipment		1,003,651	980,767
Interest received - debtors		2,214,562	2,389,132
Miscellaneous other revenue		1,429,858	969,486
Interest received - investment	21	9,244,720	8,695,206
Total revenue from exchange transactions		**46,035,284**	**45,284,944**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	8,794,616	9,293,520
Transfer revenue			
Government grants and subsidies	23	138,267,357	127,549,761
Donated assets	24	-	49,458,351
Fines, Penalties and Forfeits		253,026	337,450
Motor vehicle registrations		2,758,342	3,029,656
Total revenue from non-exchange transactions		**150,073,341**	**189,668,738**
Total revenue		**196,108,625**	**234,953,682**
Expenditure			
Employee related costs	25	(62,225,091)	(57,148,404)
Remuneration of councillors	26	(12,908,418)	(12,403,531)
Vending management fee	27	(486,623)	(463,020)
Depreciation and amortisation	28	(30,299,601)	(23,913,786)
Impairment loss on non-current assets		(1,587,477)	(4,597,828)
Finance costs	29	(22,596,867)	(4,255,692)
Lease rentals on operating lease		(417,018)	(382,358)
Debt Impairment	30	(5,548,138)	(549,447)
Leave pay provision		(1,642,187)	(1,153,471)
Repairs and maintenance		(6,721,836)	(6,034,720)
Bulk purchases	32	(20,875,034)	(19,631,984)
General expenses	33	(53,405,970)	(43,891,533)
Total expenditure		**(218,714,260)**	**(174,425,774)**
Operating (deficit) surplus		**(22,605,635)**	**60,527,908**
Loss on disposal of assets and liabilities	9	(993,008)	(179,807)
(Deficit) surplus for the year		**(23,598,643)**	**60,348,101**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	480,653,244	480,653,244
Adjustments		
Prior year adjustments (refer to note 45)	2,768,150	2,768,150
Balance at 01 July 2013 as restated*	**483,421,394**	**483,421,394**
Changes in net assets		
Surplus for the year	60,348,101	60,348,101
Total changes	60,348,101	60,348,101
Restated* Balance at 01 July 2014	**543,769,495**	**543,769,495**
Changes in net assets		
Surplus for the year	(23,598,643)	(23,598,643)
Total changes	(23,598,643)	(23,598,643)
Balance at 30 June 2015	**520,170,852**	**520,170,852**

Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		45,527,523	41,137,899
Grants		138,267,357	127,549,761
Interest income		9,244,720	8,695,206
		193,039,600	177,382,866
Payments			
Employee costs		(68,273,084)	(61,605,131)
Suppliers		(79,339,055)	(64,882,322)
Finance costs		(51,822)	(105,379)
		(147,663,961)	(126,592,832)
Net cash flows from operating activities	34	**45,375,639**	**50,790,034**
Cash flows from investing activities			
Purchase of moveable and immovable assets	9	(35,379,216)	(33,132,695)
Purchase of other intangible assets	10	(455,175)	(144,561)
Increase/(Decrease) in long term receivables		164,253	(70,206)
Net cash flows from investing activities		**(35,670,138)**	**(33,347,462)**
Cash flows from financing activities			
Repayment of other financial liabilities		(641,173)	(20,623)
Finance lease payments		(31,630,564)	(13,330,077)
Net cash flows from financing activities		**(32,271,737)**	**(13,350,700)**
Net increase/(decrease) in cash and cash equivalents		**(22,566,236)**	**4,091,872**
Cash and cash equivalents at the beginning of the year		151,594,446	147,502,574
Cash and cash equivalents at the end of the year	7	**129,028,210**	**151,594,446**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	37,626,144	(6,166,295)	**31,459,849**	32,142,493	**682,644**	FinPerf 1
Rental of facilities and equipment	389,664	207,840	**597,504**	1,003,651	**406,147**	FinPerf 2
Interest received - debtors	1,500,000	-	**1,500,000**	2,214,562	**714,562**	FinPerf 3
Miscellaneous other revenue	39,223,179	5,300,304	**44,523,483**	1,429,858	**(43,093,625)**	FinPerf 4
Interest received - investment	5,000,004	1,000,000	**6,000,004**	9,244,720	**3,244,716**	FinPerf 5
Total revenue from exchange transactions	**83,738,991**	**341,849**	**84,080,840**	**46,035,284**	**(38,045,556)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11,790,792	2,509,208	**14,300,000**	8,794,616	**(5,505,384)**	FinPerf 6
Transfer revenue						
Government grants and subsidies	115,320,852	(1,028,852)	**114,292,000**	138,267,357	**23,975,357**	FinPerf 7
Fines, Penalties and Forfeits	569,352	(267,000)	**302,352**	253,026	**(49,326)**	R
Motor vehicle registrations	2,670,504	199,496	**2,870,000**	2,758,342	**(111,658)**	R
Total revenue from non-exchange transactions	**130,351,500**	**1,412,852**	**131,764,352**	**150,073,341**	**18,308,989**	
Total revenue	**214,090,491**	**1,754,701**	**215,845,192**	**196,108,625**	**(19,736,567)**	
Expenditure						
Employee related costs	(67,512,252)	(2,589,216)	**(70,101,468)**	(62,225,091)	**7,876,377**	FinPerf 8
Remuneration of councillors	(12,025,704)	(1,202,570)	**(13,228,274)**	(12,908,418)	**319,856**	FinPerf 9
Depreciation and amortisation	(36,320,220)	10,000,000	**(26,320,220)**	(30,299,601)	**(3,979,381)**	FinPerf 10
Finance costs	(7,119,252)	(15,924,620)	**(23,043,872)**	(22,596,867)	**447,005**	FinPerf 12
Debt Impairment	(5,725,716)	-	**(5,725,716)**	(5,548,138)	**177,578**	FinPerf 13
Bulk purchases	(21,753,096)	-	**(21,753,096)**	(20,875,034)	**878,062**	FinPerf 14
Contracted Services	(6,697,536)	(2,878,204)	**(9,575,740)**	(8,979,157)	**596,583**	FinPerf 15
General Expenses	(54,581,711)	8,484,905	**(46,096,806)**	(55,281,954)	**(9,185,148)**	FinPerf 16
Total expenditure	**(211,735,487)**	**(4,109,705)**	**(215,845,192)**	**(218,714,260)**	**(2,869,068)**	
Operating deficit	**2,355,004**	**(2,355,004)**	**-**	**(22,605,635)**	**(22,605,635)**	
Loss on disposal of assets and liabilities	-	-	**-**	(993,008)	**(993,008)**	FinPerf 17
Grants funded capital expenditure	(29,673,000)	(10,084,754)	**(39,757,754)**	(25,392,178)	**14,365,576**	FinPerf 18
Internally funded capital expenditure	(14,322,264)	(11,637,891)	**(25,960,155)**	(10,657,125)	**15,303,030**	FinPerf 19
	(43,995,264)	**(21,722,645)**	**(65,717,909)**	**(37,042,311)**	**28,675,598**	
Deficit	**(41,640,260)**	**(24,077,649)**	**(65,717,909)**	**(59,647,946)**	**6,069,963**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(41,640,260)**	**(24,077,649)**	**(65,717,909)**	**(59,647,946)**	**6,069,963**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,524,997	-	**1,524,997**	1,188,801	**(336,196)**	FinPos 1
VAT receivable	10,233,686	-	**10,233,686**	5,232,813	**(5,000,873)**	FinPos 2
Consumer debtors	7,586,412	-	**7,586,412**	11,254,695	**3,668,283**	FinPos 3
Short term portion of long term receivables	192,330	-	**192,330**	11,291	**(181,039)**	R
Cash and cash equivalents	58,262,415	(12,153,918)	**46,108,497**	129,028,210	**82,919,713**	FinPos 4
	77,799,840	**(12,153,918)**	**65,645,922**	**146,715,810**	**81,069,888**	
Non-Current Assets						
Investment property	3,155,311	-	**3,155,311**	56,304,131	**53,148,820**	FinPos 5
Property, plant and equipment	537,907,541	31,722,645	**569,630,186**	411,526,354	**(158,103,832)**	FinPos 6
Intangible assets	174,630	-	**174,630**	594,080	**419,450**	R
Heritage assets	-	-	**-**	610,183	**610,183**	FinPos 7
Long term receivables	212,306	-	**212,306**	650,327	**438,021**	FinPos 8
	541,449,788	**31,722,645**	**573,172,433**	**469,685,075**	**(103,487,358)**	
Total Assets	**619,249,628**	**19,568,727**	**638,818,355**	**616,400,885**	**(22,417,470)**	
Liabilities						
Current Liabilities						
Other financial liabilities	195,954	-	**195,954**	-	**(195,954)**	R
Finance lease obligation	-	-	**-**	15,177,918	**15,177,918**	FinPos 9
Payables from exchange transactions	29,047,060	9,483,969	**38,531,029**	6,545,759	**(31,985,270)**	FinPos 10
Consumer deposits	460,362	-	**460,362**	490,720	**30,358**	R
Employee benefit obligations	-	-	**-**	9,064,585	**9,064,585**	FinPos 11
Unspent conditional grants and receipts	-	-	**-**	19,589,246	**19,589,246**	FinPos 12
Provisions	3,595,332	-	**3,595,332**	860,047	**(2,735,285)**	FinPos 13
	33,298,708	**9,483,969**	**42,782,677**	**51,728,275**	**8,945,598**	
Non-Current Liabilities						
Other financial liabilities	220,700	-	**220,700**	-	**(220,700)**	R
Finance lease obligation	58,000,000	-	**58,000,000**	14,579,941	**(43,420,059)**	FinPos 9
Employee benefit obligations	24,846,249	-	**24,846,249**	29,538,718	**4,692,469**	FinPos 11
Provisions	-	-	**-**	383,093	**383,093**	FinPos 13
	83,066,949	**-**	**83,066,949**	**44,501,752**	**(38,565,197)**	
Total Liabilities	**116,365,657**	**9,483,969**	**125,849,626**	**96,230,027**	**(29,619,599)**	
Net Assets	**502,883,971**	**10,084,758**	**512,968,729**	**520,170,858**	**7,202,129**	
Accumulated surplus	502,883,971	10,084,758	**512,968,729**	520,170,858	**7,202,129**	FinPos 14

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	55,169,446	(3,657,087)	**51,512,359**	45,527,523	**(5,984,836)**	C1
Grants	144,993,852	9,055,902	**154,049,754**	138,267,357	**(15,782,397)**	C2
Interest income	6,500,004	-	**6,500,004**	9,244,720	**2,744,716**	C3
	206,663,302	**5,398,815**	**212,062,117**	**193,039,600**	**(19,022,517)**	
Payments						
Suppliers and employees	(143,766,288)	4,169,908	**(139,596,380)**	(151,668,718)	**(12,072,338)**	C4
Finance costs	(7,119,252)	(15,924,620)	**(23,043,872)**	(51,822)	**22,992,050**	C5
	(150,885,540)	**(11,754,712)**	**(162,640,252)**	**(151,720,540)**	**10,919,712**	
Net cash flows from operating activities	**55,777,762**	**(6,355,897)**	**49,421,865**	**41,319,060**	**(8,102,805)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(43,995,264)	(21,722,641)	**(65,717,905)**	(35,379,216)	**30,338,689**	C6
Purchase of other intangible assets	-	-	**-**	(455,175)	**(455,175)**	R
Increase/(Decrease) in long term receivables	-	-	**-**	164,253	**164,253**	R
Net cash flows from investing activities	**(43,995,264)**	**(21,722,641)**	**(65,717,905)**	**(35,670,138)**	**30,047,767**	
Cash flows from financing activities						
Repayment of other financial liabilities	(29,000,000)	15,924,620	**(13,075,380)**	(32,271,737)	**(19,196,357)**	C7
Net increase/(decrease) in cash and cash equivalents	(17,217,502)	(12,153,918)	**(29,371,420)**	(26,622,815)	**2,748,605**	
Cash and cash equivalents at the beginning of the year	18,423,091	20,000,000	**38,423,091**	151,594,446	**113,171,355**	C8
Cash and cash equivalents at the end of the year	**1,205,589**	**7,846,082**	**9,051,671**	**124,971,631**	**115,919,960**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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.

These accounting policies are consistent with the previous period, unless specified otherwise.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards

Standards Issued and Effective
- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 5 - Borrowing Costs
- GRAP 7 (as revised 2012): Investments in Associates
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2010)
- GRAP 17 - Property Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 27 (as revised 2012): Agriculture (Replaces GRAP101)
- GRAP 31 - Intangible Assets (replace GRAP 102)
- GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
- GRAP 102 - Intangible Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

Standards Issued, Future Effective Date - can base accounting policy on, or early adopt
- GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements
- GRAP 7 (as revised 2010): Investments in Associates
- GRAP 8 (as revised 2010): Interests in Joint Venturess
- GRAP 18 - Segmental Reporting
- GRAP 20 - Related Party Disclosures
- GRAP 32: Service Concession Arrangements: Grantor
- GRAP 105: Transfers of functions between entities under common control
- GRAP 107: Mergers
- GRAP 108: Statutory Receivables

Accounting Policies

Interpretations Issued and Effective
- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 10 - Assets Received from Customers
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)

Interpretations Issued, Future Effective Date - can base accounting policy on, or early adopt
- IGRAP 11: Consolidation Special purpose entities
- IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures
- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

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

The preparation of financial statements in conformity with South African Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. These include:

Trade receivables and other 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 makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 - Provisions.

Employee benefit obligation

The present value of the employee benefit 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.

The municipality determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Employee Benefit Obligation note 17 to the financial statements.

Effective interest method

The Municipality makes use of government bond rate to discount future cash flows in the event of it being material.

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.

The cost of self-constructed investment property is the cost at the date of completion.

Accounting Policies

1.4 Investment property (continued)

The following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. If the Municipality has not determined that it will use the land as owner-occupied property, or for a short term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the Municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, Plant and Equipment or Non-current Assets Held for Sale (where appropriate):

- Property held for sale in the ordinary course of operations;
- Properly being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as Investment Property;
- Property that is leased out under a finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and or service delivery.

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 interest held under operating leases are classified and accounted for as investment property if property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied and from property held for sale is established by using criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance.

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and 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	10 - 30 years
Roads and paving	10 - 50 years
Air-conditioners	5 years
Other components	5 - 50 years

Investment property is unrecognised 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.

Subsequent to initial recognition, Investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the Investment property.

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 reporting 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 or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on the acquisition date, or in the case of assets acquired by grant or donation, deemed cost being the fair value of the asset on initial recognition. 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. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. Non-exchange transaction), the cost is deemed to be equal to the fair value of the asset on the date acquired.

Property, plant and equipment is initially measured at cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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 unrecognised.

1.5 Property, plant and equipment (continued)

Self Constructed Assets

Self-constructed assets relate to all assets constructed by the municipality itself.

All self-constructed assets should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work-in-progress shall be flagged as such in the asset register until such time that the asset is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary to operate in the manner intended by management.

Self-constructed assets are measured at cost.

Included in the cost of self-constructed assets are all the costs associated with the construction of the assets.

Th following costs are excluded from the cost of self-constructed assets: Depreciation and borrowing costs (Refer to accounting policy for Borrowing Costs 1.18).

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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 unrecognised.

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 municipality 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.

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.

Subsequent to initial measurement Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Depreciation only commences when the asset is available for use, unless stated otherwise.

Land is not depreciated as it is regarded as having an infinite life.

Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset or the and that have different useful lives, are depreciated separately

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the expenditure will flow to the municipality and the cost can measured reliably. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset that is being replaced and capitalises the new component.

Accounting Policies

1.5 Property, plant and equipment (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the surplus or deficit when the compensation becomes receivable.

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

Item	**Average useful life**
Infrastructure	
• Roads and paving	10 - 50 years
• Cemeteries	15 - 30 years
• Airports	20 - 25 years
• Housing	Not depreciated
Community	
• Assets under construction	Not depreciated
• Electricity	10 - 50 years
Other	
• Buildings	10 - 30 years
• Plant and machinery	4 - 15 years
• Office and IT equipment	5 years
• Furniture and fittings	7 years
• Landfil site	4 - 36 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at 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 municipality 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.

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 or disposal 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.

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under a finance leases are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety that the Municipality will obtain ownership by the end of the lease term.

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.5 Property, plant and equipment (continued)

Derecognition of property, plant and equipment assets

The carrying amount of an item of property, plant equipment is derecognised on disposal, or when no future economic benefits or service potential are expected to flow from its use or disposal.

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. Gains are not included in revenue. These are included in other income.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This is included in the statement of financial performance as a gain or loss on disposal of property, plant and equipment.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

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.

Intangible assets are initially recognised at cost.

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, the cost shall be its fair value as at the date of acquisition.

Subsequent to initial measurement 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.

If the expectations from previous estimates change, the change is treated as a change in accounting estimate.

Where an intangible asset is acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets, the asset is initially measured at fair value (cost). If the fair value cannot be determined, its deemed cost is the carrying amount of the asset given up.

Intangible assets are assessed annually for impairment, with any reduction in the carrying amount reflected through the surplus or deficit in the period incurred.

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.

Accounting Policies

1.6 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:
Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the Municipality give the Municipality access to land for specific purposes for an unlimited period however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount which is calculated at the lower of the value in use and the fair value less cost to sell.

The estimated useful life and amortisation methods are reviewed annually at the end of each financial period. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the statement of financial performance for the period.

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	5 years

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

The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset . The gain or loss is recognised in the period in which it is incurred through the surplus or deficit for the period.

Accounting Policies

1.7 Heritage assets

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

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 the 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.

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.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three periods following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 11. The transitional provision expires on 30/06/2015.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),

Accounting Policies

1.7 Heritage assets (continued)
- Leases (GRAP 13),
- Segment Reporting (GRAP 18), and
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

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 for impairment or uncollectibility.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality’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, the municipality 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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 municipality.

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 municipality.

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 municipality 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 municipality 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.

1.8 Financial instruments (continued)

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.

Classification

The municipality 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
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost

The municipality 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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial asset measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipality 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.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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 municipality 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. 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. 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.

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.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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.

Financial liabilities

The municipality 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.

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 municipality 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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Leases

The Municipality as a Lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

1.9 Leases (continued)

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevant 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 if it is practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

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.

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.

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 comprise current assets held for sale or for consumption during the ordinary course of business 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.

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

Inventories comprise current assets held for sale or for consumption during the ordinary course of business 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.

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.

Subsequent to initial measurement:

Accounting Policies

1.10 Inventories (continued)

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost or current replacement cost.

Redundant and slow moving inventory items are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values and sold at public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the period in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period in which the is sold, utilised or written off unless it qualifies for capitalisation to the cost of an asset.

Current replacement cost is the cost to replace the item at the current reporting date.

The cost of inventories comprises all costs of purchase, conversion and other costs necessary to bring the item to their present location and condition. Where inventory is manufactured, constructed or produced the cost includes the cost of labour, material and overheads used during the manufacturing process.

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

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 municipality, 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.

1.11 Impairment of cash-generating assets (continued)

Identification of a potential impairment

The recoverable amount of an asset is the higher of it fair value less cost to sell and its value in use. 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.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every period. 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 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.

Recognition and measurement (individual assets)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, 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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (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.

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 municipality 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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess 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 municipality 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.

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.

Redesignation

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

1.12 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 municipality, 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 value added taxes.

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

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

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 of a potential impairment

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 municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every period. 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.

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 of non-cash generating units

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 21 - Impairment of non-cash generating assets.

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.

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/periods of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care medical aid 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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions

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.

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

Accounting Policies

1.14 Provisions (continued)

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 municipality 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 municipality 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, VAT 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.

Accounting Policies

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

Revenue arising from the use by others of the municipality assets yielding interest or similar distributions is recognised when:

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

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

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category if property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance Income

Interest earned on investments is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorising tariff. This includes the issue of licenses and permits.

1.15 Revenue from exchange transactions (continued)

Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial period a straight-line basis is used.

Internally generated revenue from MIG projects

Revenue from the MIG projects which the municipality conducts on their behalf, using the internal plant and resourses, is recognised during the period which the project's work is performed.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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.

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, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

Rates, including collection charges, penalties and interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time apportionment basis with reference to the principle amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from the revenue.

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.

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 (revenue) arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts basis or where the donation is in the form of; property, plant and equipment, when such items are available for use.

Public Contributions

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not yet been met, a liability is recognised.

Government Grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the period in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The Municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not.
- receive goods or services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from an investment.

These transfers are recognised in the statement of financial performance in the period that the events giving rise to the transfer occurred.

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.

The alternative treatment, as allowed Borrowing Costs standard, to expense Borrowing Costs has been selected by the Municipality.

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

Accounting Policies

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

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.
  expenditure not in terms of the conditions of the allocation from another sphere of Government, Municipality or Organ of State and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is no certified as irrecoverable by the council it is treated as an asset until it is recovered or written off as irrecoverable.

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.

If the expenditure is not subsequently certified as irrecoverable by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998), or is in contravention of the municipality's supply chain management policies.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by Council it is treated as an asset until it is recovered or written off.

1.23 Revenue from recovery of Unauthorised,Irregular,Fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery from the responsible Councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.24 Presentation of currency

These financial statements are presented in South African Rand (Rounded to the nearest Rand), which is the Municipality's functional currency.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.26 Conditional grants and receipts

Revenue received from 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.

1.27 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.

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 in the annual financial statements.

1.28 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.

1.29 Events after reporting date

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

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

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

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

Accounting Policies

1.30 Change in accounting policy, estimates and errors

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

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the note 45 to the financial statements where applicable.

1.31 Commitments

Items are classified as a commitment when the Municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note 36 to the financial statements.

1.32 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets, but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable. Contingent assets and contingent liabilities are disclosed in note 37.

1.33 Value Added Tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

Notes to the Annual Financial Statements

	2015 R	2014 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any new standards and interpretations, as there none effective for the current financial year and that are relevant to its operations.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The adoption of this amendment will not have a material impact on the results of the company but will result in more disclosure than would have previously been provided in the financial statements
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	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	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	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.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

3. Inventories

	2015 R	2014 Restated* R
Electricity	1,128,390	1,445,255
Rates and general	60,411	103,238
Water	-	5,937
	1,188,801	**1,554,430**

Electricity inventories recognised as an expense during the period	316,866	901,035
Rates and General inventories recognised as an expense during the period	215,619	191,900
Water inventories recognised as an expense during the year	5,937	-

Included in the inventory balances above are the following types of inventory:

Electricity
Electrical sockets, plugs, meter boxes and other smaller items.

Rates and General
Cleaning materials, staff refreshments (coffee, tea, milk etc.), stationery, fuel and other smaller items.

Water
Pumps, valves, sockets and other smaller items, which were used to repair any faults when the municipality still performed the water services.

Inventory pledged as security

None of the inventory was pledged as security during the period.

	2015 R	2014 Restated* R

4. Receivables from exchange transactions

	2015	2014
Trade debtors	32,186,602	37,729,635
Trade debtors impairment	(26,724,255)	(33,841,109)
Other debtors	4,614,883	2,816,207
	10,077,230	**6,704,733**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterpart default rates:

Trade receivables

Counterparties with external credit rating		
A (Government)	851,239	932,838
B (Business)	1,526,216	2,133,777
C (Domestic and other)	2,079,819	2,361,719
	4,457,274	**5,428,334**

Exchange transactions - 2015	Gross Balances	Impairment	Total
Electricity	4,754,444	(694,833)	4,059,611
Refuse	22,461,949	(20,196,090)	2,265,859
Other	4,970,209	(5,833,332)	(863,123)
	32,186,602	**(26,724,255)**	**5,462,347**

A – The debtors are of good quality no default in payment is expected.

B – These debtors are usually good payers,but there is a possibility that the debtor might not be able to pay on time.

C – These debtors usually pay but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 4,457,274 (2014: R 5,428,334) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,211,021	3,074,978
2 months past due	1,209,091	1,431,993
3 months past due	1,037,162	921,363

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 32,186,602 (2014: R 37,729,635) were impaired and provided for.

The amount of the provision was R (26,724,255) as of 30 June 2015 (2014: R (33,841,109)).

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	33,841,109	36,358,131
Provision for impairment	1,940,441	915,092
Amounts written off as uncollectible	(9,057,295)	(3,432,114)
	26,724,255	**33,841,109**

5. Receivables from non-exchange transactions

Assessment rates	14,759,962	15,518,255
Debt Impairment	(13,834,828)	(11,890,119)
Fines	252,330	61,009
	1,177,464	**3,689,145**

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 2,719,950 (2014: R 546,871) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	996,391	310,061
2 months past due	866,581	130,602
3 months past due	856,978	106,208

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 14,759,962 (2014: R 15,518,255) were impaired and provided for.

The amount of the provision was R (13,834,828) as of 30 June 2015 (2014: R (11,890,119)).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	11,890,119	12,774,479
Provision for impairment	3,582,488	(568,421)
Amounts written off as uncollectible	(1,637,779)	(315,939)
	13,834,828	**11,890,119**

6. VAT receivable

VAT	5,232,813	8,572,743

* See Note 45

	2015 R	2014 Restated* R

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,116	6,116
Bank balances	128,556,775	146,580,669
Investments	465,319	5,007,661
	129,028,210	**151,594,446**

Special terms and conditions - investments

Funds invested relate to call and fixed deposit accounts which earn a return of between 5% and 6%. Investments in fixed deposits do not exceed a term of three months and are either reinvested or utilised at the end of the three month term.

Funds are invested according to National Treasury municipal investment regulations dated 1st April 2005 on Gazette no. 27431 which set out a framework within which all municipalities shall conduct their cash management and investments.

Cash and cash equivalents guarantees

The Municipality has a contingent facility of R835,800 relating to the bank and cash balances:

Guarantee for Department of Minerals and Energy	73,700	73,700
Guarantee for Eskom	762,100	762,100

Notes to the Annual Financial Statements

	2015	2014
		Restated*
	R	R

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
Primary bank account	**30 June 2015**	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
First National Bank Cheque Account (Primary Bank Account) :53813535227	123,335,937	138,521,428	6,130,552	110,831,078	133,985,118	2,775,224
MIG bank accounts						
First National Bank Current Account:62116156987	18,871,277	11,135,971	1,859,334	15,103,803	11,135,971	1,859,334
First National Bank Call Account :62135193770	2,621,895	1,459,580	8,170,083	2,621,895	1,459,580	8,170,083
Investments bank accounts						
Investec - 450	-	-	75,694,439	-	-	75,694,439
Investec - 455	-	-	15,764,527	-	-	15,764,527
First National Bank-62063171351	225,214	219,580	215,243	225,214	219,580	215,243
First National Bank-61381739619	240,104	99,878	18,350	240,104	99,878	18,350
First National Bank-74200629770	-	1,166,837	1,112,231	-	1,166,837	1,112,231
First National Bank-74188016669	-	3,104,988	2,959,680	-	3,104,988	2,959,680
First National Bank-74193195797	-	416,378	396,892	-	416,378	396,892
First National Bank-74263885682	-	-	15,733,586	-	-	15,733,586
First National Bank - 74273914207	-	-	22,797,819	-	-	22,797,819
Total	**145,294,427**	**156,124,640**	**150,852,736**	**129,022,094**	**151,588,330**	**147,497,408**

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	58,595,158	(2,291,027)	56,304,131	58,595,158	(635,136)	57,960,022

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	57,960,022	(1,655,891)	56,304,131

Reconciliation of investment property - 2014

	Opening balance	Additions	Depreciation	Total
Investment property	9,156,807	49,438,351	(635,136)	57,960,022

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. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

Other than the donated assets mentioned below, the investment property includes land registered under the name of the municipality.

Assets Donated by Aspire

8. Investment property (continued)

During the financial period ended 30 June 2014, Aspire donated a Mlungisi Mall to the Municipality, which was completed at period end and transferred to the Municipality, and as a result it has been included in the fixed assets register as part of the additions for the period.

Refer to note 24.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	6,062,542	-	6,062,542	5,615,986	-	5,615,986
Buildings	59,396,012	(16,296,280)	43,099,732	57,562,867	(12,842,251)	44,720,616
Machinery and equipment	5,729,066	(1,580,375)	4,148,691	4,638,921	(1,085,690)	3,553,231
Furniture and office equipment	2,967,641	(1,381,947)	1,585,694	2,633,067	(1,242,819)	1,390,248
Transport assets	34,591,319	(12,319,201)	22,272,118	34,647,541	(10,379,940)	24,267,601
Computer equipment	3,112,273	(1,175,179)	1,937,094	2,846,223	(903,038)	1,943,185
Infrastructure	297,408,881	(70,108,060)	227,300,821	290,260,889	(55,017,043)	235,243,846
Electricity	41,383,673	(13,898,588)	27,485,085	41,383,673	(11,882,851)	29,500,822
Capital Work in Progress	29,971,641	-	29,971,641	9,149,054	-	9,149,054
Plant - Leased Asset	47,349,305	(3,934,965)	43,414,340	47,349,305	(778,345)	46,570,960
Office Equipment - Leased Asset	338,486	(102,841)	235,645	1,103,427	(888,046)	215,381
Cemeteries	1,256,961	(649,439)	607,522	1,256,961	(542,689)	714,272
Airports	1,127,000	(642,452)	484,548	1,127,000	(450,924)	676,076
Landfill sites	4,658,372	(1,737,491)	2,920,881	4,658,372	(1,173,396)	3,484,976
Total	**535,353,172**	**(123,826,818)**	**411,526,354**	**504,233,286**	**(97,187,032)**	**407,046,254**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	5,615,986	446,556	-	-	-	-	6,062,542
Buildings	44,720,616	1,833,144	-	-	(2,410,288)	(1,043,740)	43,099,732
Machinery and equipment	3,553,231	1,121,165	(11,537)	-	(509,285)	(4,883)	4,148,691
Furniture and office equipment	1,390,248	503,498	(25,707)	-	(282,345)	-	1,585,694
Transport assets	24,267,601	2,895,095	(881,604)	-	(4,008,974)	-	22,272,118
Computer equipment	1,943,185	484,014	(39,661)	-	(450,444)	-	1,937,094
Infrastructure	235,243,846	5,759,324	(34,499)	1,513,837	(15,181,687)	-	227,300,821
Electricity	29,500,822	-	-	-	(2,015,737)	-	27,485,085
Work in progress	9,149,054	22,336,424	-	(1,513,837)	-	-	29,971,641
Plant - Leased Asset	46,570,960	-	-	-	(3,156,620)	-	43,414,340
Office Equipment - Leased Asset	215,381	214,913	-	-	(194,649)	-	235,645
Cemeteries	714,272	-	-	-	(54,293)	(52,457)	607,522
Airports	676,076	-	-	-	(45,080)	(146,448)	484,548
Landfill sites	3,484,976	-	-	-	(224,147)	(339,948)	2,920,881
	407,046,254	**35,594,133**	**(993,008)**	**-**	**(28,533,549)**	**(1,587,476)**	**411,526,354**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,615,986	-	-	-	-	-	5,615,986
Buildings	50,253,725	200,347	-	-	(2,364,571)	(3,368,885)	44,720,616
Machinery and equipment	2,967,452	953,677	-	-	(290,642)	(77,256)	3,553,231
Furniture and office equipment	1,138,339	251,909	-	-	-	-	1,390,248
Transport assets	22,719,509	4,270,056	(88,501)	-	(2,633,463)	-	24,267,601
Computer Equipment	1,264,349	794,125	-	-	(115,289)	-	1,943,185
Infrastructure	218,535,395	20,846,847	-	11,010,796	(15,149,192)	-	235,243,846
Electricity	29,989,943	1,666,654	(91,306)	-	(1,781,541)	(282,928)	29,500,822
Work in progress	15,453,161	4,706,689	-	(11,010,796)	-	-	9,149,054
Plant - Leased Asset	-	47,349,305	-	-	(778,345)	-	46,570,960
Office Equipment - Leased Asset	382,516	31,522	-	-	(198,657)	-	215,381
Cemeteries	987,028	-	-	-	(54,441)	(218,315)	714,272
Airports	946,680	-	-	-	(45,204)	(225,400)	676,076
Landfill sites	4,135,424	-	-	-	(225,513)	(424,935)	3,484,976
	354,389,507	**81,071,131**	**(179,807)**	**-**	**(23,636,858)**	**(4,597,719)**	**407,046,254**

Pledged as security

Carrying value of assets pledged as security:

Office Equipment - Leased Assets	235,645	215,382
Plant - Leased Assets	43,414,340	46,570,960

Leased assets are pledged as security over the finance lease obligation.

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.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	732,298	(138,218)	594,080	402,015	(152,950)	249,065

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	249,065	455,175	(110,160)	594,080

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	174,630	144,561	(70,126)	249,065

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	610,183	-	610,183	610,183	-	610,183

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	610,183	610,183

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments	610,183	610,183

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain heritage assets with a carrying value of R 610,183 (2014: R 610,183) were recognised at provisional amounts. Carrying amounts of heritage assets carried at provisional amounts are as follows:

Historical monuments	563,500	563,500
Museum	46,683	46,683

The valuation method undertaken for the Heritage was the use of the valuation roll as the the properties included above were previously valued by the Municipal Valuers.

The date at which full compliance with GRAP 103 is expected to be 30 June 2015.

12. Long term receivables

Cost of HT Lines	661,618	825,871
Long term housing debtors	-	397,086
Less Provision for bad debts for long term housing debtors	-	(397,086)
Less Short term portion of HT Lines	(11,291)	(163,396)
	650,327	**662,475**

The cost of HT lines comprise trade debtors and interest is charged at 6% per annum.

The long term housing debtors have been previously fully impaired as recoverability was less than probable.

* See Note 45

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R
13. Other financial liabilities		
At amortised cost		
Bank loan Loans held by the Development Bank of South Africa bear interest between 16.033% per annum and are repayable over periods between five and thirty periods.	-	641,173

All loans will be paid by 2015.

	2015	2014
Non-current liabilities		
At amortised cost	-	617,970
Current liabilities		
At amortised cost	-	23,203

14. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	31,507,970	31,623,752
- in second to fifth year inclusive	18,491,091	49,760,633
	49,999,061	81,384,385
less: future finance charges	(20,241,202)	(42,755,919)
Present value of minimum lease payments	**29,757,859**	**38,628,466**
Present value of minimum lease payments due		
- within one year	15,177,918	9,080,280
- in second to fifth year inclusive	14,579,941	29,548,186
	29,757,859	**38,628,466**

The finance lease obligation is made up of numerous rental agreements for office equipment and a hire purchase agreement of the plant.

Office Equipment Leases

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and the payment amount are provided.

Plant Lease

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not it is the prime interest rate. The plant finance lease have an implicit interest rate ranging from 7.5 % - 175.54 % per annum, by taking into account the market values of the plant at initial recognition.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets, refer note 9.

* See Note 45

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

15. Payables from exchange transactions

Trade and other payables	5,412,144	11,002,235
Deposits received	73,147	70,967
Other payables	1,060,473	3,104,988
	6,545,764	**14,178,190**

16. Consumer deposits

Electricity	490,720	395,364

Consumer deposits are made of deposits from consumers for the electricity connections, for those making use of the conventional electricity.

	2015	2014
		Restated*
	R	R

17. Employee benefit obligations

Defined benefit plan

The benefit plan consist of the post retirement medical aid benefit plan and long service bonuses.

Post retirement medical aid plan

The Municipality operates six accredited medical aid schemes, namely:

Bestmed
Bonitas
Discovery La Health
Hosmed
Key health
Samwu

Pensioners continue on the option they belonged to on the day of their retirement.
The Independent valuers, PriceWaterhouseCoopers Actuarial services carried out a statutory valuation on 31 December 2014 (30 June 2014 PriceWaterhouseCoopers) Actuarial valuation services.

Carrying value		
Present value of the defined benefit obligation	22,976,718	17,800,718
Service costs	1,359,000	905,000
Interest cost	2,263,000	1,623,000
Net actuarial gains or losses	1,593,000	3,147,000
Benefits paid	(526,000)	(499,000)
	27,665,718	**22,976,718**

Non-current liabilities	27,118,718	22,467,718
Current liabilities	547,000	509,000
	27,665,718	**22,976,718**

Assumptions used

Assumptions used at the reporting date:

	30 June 2015	30 June 2014
Key assumptions used		
Discount rates used	9.40 %	9.60 %
Net discount rates used	0.46 %	0.55 %
Medical cost trend rates	8.90 %	9.00 %

Other assumptions		
Pre retirement mortality	SA 85-90 L	SA 85-90 L
Post retirement mortality	PA (90)-1	PA (90)-1
Normal retirement age	63 years	63 years
Spouse age differences (male older than female)	3 years	3 years

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

17. Employee benefit obligations (continued)

AIDS	No assumption made	No assumption made

Membership data		
Female members	57	48
Male members	61	55

Healthcare cost inflation sensitivity (R'000)	1% decrease	Base (9.00%)	1% increase
Defined benefit obligation	(33,306)	(27,666)	(32,949)
Service Cost (next financial year)	(1,160)	(1,498)	(1,934)
Interest Cost (next financial year)	(3,159)	(2,716)	(3,161)

Long Services Awards

The Long service Bonus for the portion of the next interval already rendered by the employee. The employee receives a Leave pay and % of salary amount for reaching certain interval (5 periods, 10 periods, 15 periods etc). This provision is accrued for in terms of the collective bargaining agreement.

The Long Service Bonus plans are defined benefit plans. As at period ended 30 June 2015, 321 (2014; 261) employees were eligible for Long Service Bonuses.

Carrying value		
Present value of the defined benefit obligation	2,202,000	1,797,000
Service costs	387,000	292,000
Interest cost	176,000	135,000
Net actuarial gains or losses	56,000	54,000
Benefits paid	(116,000)	(76,000)
	2,705,000	**2,202,000**

Non-current liabilities	2,420,000	2,000,000
Current liabilities	285,000	202,000
	2,705,000	**2,202,000**

Assumptions used

Assumptions used at the reporting date:

	30 June 2015	30 June 2014
Key assumptions used		
Discount rates used	8.20 %	8.10 %
Net discount rates used	(0.19) %	(0.83) %
Salary inflation	8.00 %	9.00 %

Other assumptions		
Pre-retirement mortality	SA 85-90 L	SA 85-90 L

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R
17. Employee benefit obligations (continued)		
Normal retirement age	63 years	63 years
Number of Trading days per year	252	252

Membership data		
Female employees	94	73
Male employees	227	188

Short term employee benefits obligations

<u>Provision for Bonuses:</u>

A bonus provision is raised for the amount which the Municipality is obligated to pay employees.

<u>Accrual for leave gratuity:</u>

Leave gratuity is raised for the amount which the Municipality is obligated to pay employees in lieu of annual leave, if they are to leave the Municipality.

Provision for Bonuses:		
Opening Balance	3,024,421	1,845,088
Performance Bonuses	727,799	804,290
Service Bonus	1,974,698	1,700,849
Utilised during the year	(2,676,259)	(1,325,806)
	3,050,659	**3,024,421**

Accrual for leave gratuity:		
Opening Balance	3,539,739	2,394,270
Leave Gratuity - Obligation	5,182,262	3,551,209
Leave Gratuity - Debtor	(336)	(11,470)
Utilised during the year	(3,539,739)	(2,394,270)
	5,181,926	**3,539,739**

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

Carrying value		
Non Current portion of Post Retirement Benefits	(27,118,718)	(22,467,718)
Non Current portion of Long Term Services	(2,420,000)	(2,000,000)
Current portion of Post Retirement Benefits	(547,000)	(509,000)
Current portion of Long Term Services	(285,000)	(202,000)
Provision for Bonuses	(3,050,659)	(3,024,421)
Accrual for leave gratuity	(5,181,926)	(3,539,739)
	(38,603,303)	**(31,742,878)**

Non-current liabilities	(29,538,718)	(24,467,718)
Current liabilities	(9,064,585)	(7,275,160)
	(38,603,303)	**(31,742,878)**

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1,746,000	1,197,000
Interest cost	2,439,000	1,758,000
Actuarial (gains) losses	1,649,000	3,201,000
Curtailment or settlement	(642,000)	(575,000)
Bonuses	897,342	1,325,806
Leave pay provision	1,642,187	2,394,270
	7,731,529	**9,301,076**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG Funding	17,029,591	7,932,638
Municipal systems improvement	-	1,908
Finance management programme	-	1
Extended Public Works Programme	-	14,847
Capacity of Municipality	282,481	594,068
LED promotions	350,286	286
Staff training	-	721
Recycling centre	122,310	125,253
Vuna awards - Audit	-	30,000
Waste Grant	1,804,578	-
	19,589,246	**8,699,722**

Movement during the year

Balance at the beginning of the year	8,699,723	5,276,006
Grants received during the year	149,156,880	130,973,477
Income recognition during the year	(138,267,357)	(127,549,761)
	19,589,246	**8,699,722**

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

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

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Provision for landfill sites	373,004	10,089	383,093
WCA	378,600	481,447	860,047
	751,604	**491,536**	**1,243,140**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provision for landfill sites	313,565	59,439	373,004
WCA	-	378,600	378,600
	313,565	**438,039**	**751,604**

	2015	2014
Non-current liabilities	383,093	373,004
Current liabilities	860,047	378,600
	1,243,140	**751,604**

Provision for Landfill Site rehabilitation

The Municipality has an obligation to restore two landfill sites situated in Stutterheim, ERF 80 and Cathcart, ERF ,474. The sites are currently licensed and used for general waste disposal (Non-hazardous) purposes.

During the current period the landfil sites were assessed and valued by a professional, which led to findings of error in the previously disclosed figure. The errors noted have been corrected in the prior period. See note 45 for the prior period error restatement note.

WCA

The Municipality has an obligation to pay for the Workers Compensation Assistance (WCA), as a result a provision is raised based on the estimated amount to be paid, prior to the formal assessment by Labour Department.

20. Service charges

	2015	2014
Sale of electricity	24,138,486	24,822,182
Refuse removal	8,002,560	7,421,669
Other service charges	1,447	6,502
	32,142,493	**32,250,353**

21. Interest received - investment

	2015	2014
Interest revenue		
Bank	9,244,720	8,695,206

Investment interest is earned from the Municipal Investments and the Municipal Bank accounts in note 7.

* See Note 45

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

22. Property rates

Rates received

Property rates	11,332,251	10,428,356
Less: Rebates	(2,537,635)	(1,134,836)
	8,794,616	**9,293,520**

Valuations

Residential	1,446,985,455	643,687,755
Commercial	207,109,886	292,779,640
State	244,981,500	262,849,385
Municipal	33,224,332	37,137,300
Small holdings and farms	1,065,975,659	661,058,466
Public benefit organisations	76,467,700	19,122,000
Churches	-	15,609,500
Vacant land	1,973,000	62,860,535
Monuments	-	8,000
	3,076,717,532	**1,995,112,581**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 01 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.0860 (2014: R 0.0080) is applied to property valuations to determine assessment rates. Rebates of R 2,537,635 (2014: R 1,134,836) are granted to residential and state property owners.

Rates are levied on a monthly basis. Interest at prime plus one per annum, is levied on rates outstanding is levied on rates outstanding monthly.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

23. Government grants and subsidies

Equitable share	105,384,000	96,720,000
Utilised operating grants	4,942,463	3,663,279
Library grant	1,105,000	1,105,000
Utilised Capital grants	25,576,047	25,076,329
Expanded Public works	1,259,847	985,153
	138,267,357	**127,549,761**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Operating and Maintenance cost of the Municipalities that have the least potential to cover these costs from own revenue.

MIG Funding

Balance unspent at beginning of year	7,932,638	3,898,966
Current-year receipts	36,235,000	29,110,000
Conditions met - transferred to revenue	(27,138,047)	(25,076,328)
	17,029,591	**7,932,638**

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

This Grant was received from the Department of Cooperative Governance and Traditional Affairs (Vote 3). The purpose of this grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Municipal systems improvement

Balance unspent at beginning of year	1,908	24
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(935,908)	(888,116)
	-	**1,908**

Conditions still to be met - this remains as liabilities (see note 18).

The grant was obtained from the Cooperative Governance and Traditional affairs (Vote 3).The purpose of this grant is to assist the Municipality to build in house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act No.32 of 2003.

Finance management programme

Balance unspent at beginning of year	1	9,926
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,001)	(1,559,925)
	-	**1**

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

* See Note 45

	2015 R	2014 Restated* R

23. Government grants and subsidies (continued)

The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the Municipality. To promote and support reforms in financial management by building capacity in Municipalities to implement the Municipal Finance Management Act.

Extended Public Works Programme

	2015 R	2014 R
Balance unspent at beginning of year	14,847	-
Current-year receipts	1,245,000	1,000,000
Conditions met - transferred to revenue	(1,259,847)	(985,153)
	-	**14,847**

Conditions still to be met - this still remains as liabilities (see note 18).

This Grant is provided to to expand the Public Works programme and Job creation efforts. The Municipality is incentivised to use labour intensive delivery methods in the following areas:
- Road maintenance and the maintenance of buildings;
- Parks beautification;
- Waste management;
- Low traffic volume roads and rural roads.

Library Grant

	2015 R	2014 R
Current-year receipts	1,105,000	1,105,000
Conditions met - transferred to revenue	(1,105,000)	(1,105,000)
	-	**-**

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

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme.

Capacity of Municipality

	2015 R	2014 R
Balance unspent at beginning of year	594,068	611,668
Conditions met - transferred to revenue	(311,587)	(17,600)
	282,481	**594,068**

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

The grant was obtained from the Department of Local Government and Housing, to enhance the development of the municipal employees.

LED promotions

	2015 R	2014 R
Balance unspent at beginning of year	286	-
Current-year receipts	350,000	51,000
Conditions met - transferred to revenue	-	(50,714)
	350,286	**286**

Conditions still to be met - this still remains as liabilities (see note 18).

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

23. Government grants and subsidies (continued)

The grant is to be used for the promotion of the LED function in the municipality and areas serviced by the municipality.

Staff training

Balance unspent at beginning of year	721	-
Current-year receipts	103,880	66,911
Conditions met - transferred to revenue	(104,601)	(66,190)
	-	**721**

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

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 35940, LG SETA is required to disburse in quarterly intervals.

Recycling centre

Balance unspent at beginning of year	125,253	648,268
Current-year receipts	200,000	251,163
Conditions met - transferred to revenue	(202,943)	(774,178)
	122,310	**125,253**

Conditions still to be met - this still remains as liabilities (see note 18).

The grant is made to assist the municipality in promotion of clean environment.

Vuna awards - audit

Balance unspent at beginning of year	30,000	30,000
Current-year receipts	-	-
Conditions met - transferred to revenue	(30,000)	-
	-	**30,000**

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

The grant was obtained from the Department of Local Government and Housing to expand work creation efforts.

LED Intern

Balance unspent at beginning of year	-	77,154
Current-year receipts	-	229,400
Conditions met - transferred to revenue	-	(306,554)
	-	**-**

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

The grant was received from the Department of Economic Development, Environmental Affairs and Tourism, to drive the municipal LED programme in the municipality and areas serviced by the municipality.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

23. Government grants and subsidies (continued)

Waste Grant

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(195,422)	-
	1,804,578	**-**

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

To promote safe environment and to reduce unemployment.

24. Donated assets

Donation of ASPIRE assets	-	49,458,351

The comparitive amount relates to assets (Mlungisi Mall see additions note 8) donated to the Municipality by Aspire and a donation by other parties.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

25. Employee related costs

Basic	48,337,929	38,987,235
Bonus	4,127,662	1,471,912
Medical aid - company contributions	2,148,292	1,672,850
UIF	410,016	302,800
Employee benefit movements	4,921,000	5,864,000
Travel, motor car, accommodation, subsistence and other allowances	928,620	348,800
Overtime payments	1,460,754	2,107,123
Acting allowances	208,699	128,710
Travel allowances	2,218,661	795,283
Housing benefits and allowances	1,753,500	30,813
Holiday Bonus	379,638	-
Industrial Council Levy	72,007	57,202
Pension Fund Contributions by Council	7,660,916	5,381,676
Less: Employee costs capitalised to PPE	(12,402,603)	-
	62,225,091	**57,148,404**

Employee costs capitalised to PPE

The employee costs capitalised to PPE relates to the employee costs included in the cost of the internally constructed projects for the infrastructure.

Remuneration of Municipal Manager

Annual remuneration	826,785	1,050,761
Travelling allowance	221,035	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Cellphone allowance	8,400	6,000
Other allowance	92,945	-
	1,150,950	**1,058,546**

Remuneration of Chief Financial Officer

Annual remuneration	554,570	619,609
Travelling allowance	260,986	231,216
Performance Bonuses	-	260,986
Contributions to UIF, Medical and Pension Funds	44,215	38,465
Cell allowance	8,400	8,400
Other allowance	148,533	39,586
	1,016,704	**1,198,262**

Remuneration of Corporate Services Manager

Annual remuneration	825,433	782,258
Contributions to UIF, Medical and Pension Funds	182,871	146,618
Cellphone allowance	8,400	8,400
	1,016,704	**937,276**

Remuneration of Engineering Services Manager

* See Note 45

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R
25. Employee related costs (continued)		
Annual remuneration	106,948	776,487
Contributions to UIF, Medical and Pension Funds	25,921	152,389
Cellphone allowance	1,400	8,400
	134,269	**937,276**

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

25. Employee related costs (continued)

Remuneration of Development and Planning Manager

Annual remuneration	722,346	671,523
Travelling allowance	110,735	110,735
Contributions to UIF, Medical and Pension Funds	175,223	146,618
Cellphone allowance	8,400	8,400
	1,016,704	**937,276**

Remuneration of the Community Services Manager

Annual remuneration	603,651	716,927
Travelling allowance	229,152	70,370
Contributions to UIF, Medical and Pension Funds	132,827	141,579
Cellphone allowance	8,400	8,400
Other allowance	42,674	-
	1,016,704	**937,276**

26. Remuneration of councillors

Honourable Mayor	718,495	677,826
Speaker	574,795	542,261
Councillors' Salaries	7,154,233	7,137,239
Contributions to Medical, Pension Funds and UIF	1,018,040	989,169
Councillors' allowances	3,442,855	3,057,036
	12,908,418	**12,403,531**

Honourable Mayor		
Annual Remuneration	481,404	448,609
Travelling allowance	169,457	164,749
Contributions to UIF, Medical and Pension Funds	67,634	64,468
	718,495	**677,826**

Speaker		
Annual Remuneration	361,948	337,458
Travelling allowance	135,565	131,800
Contributions to UIF, Medical and Pension Funds	77,282	73,003
	574,795	**542,261**

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

The Mayor and the speaker both use council vehicles for official purposes.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

27. Vendor management fee

Management fees - third party	486,623	463,020

The Municipality pays vendor management fees to Conlog, this service provider owns the system used to manage the sales of prepaid electricity to external outlets and the municipal office cashiers.

28. Depreciation and amortisation

Property, plant and equipment	25,182,280	22,231,522
Investment property	1,655,891	635,136
Intangible assets	110,161	70,126
Finance lease assets	3,351,269	977,002
	30,299,601	**23,913,786**

29. Finance costs

Finance leases	22,545,045	4,150,313
Current borrowings	51,822	105,379
	22,596,867	**4,255,692**

30. Debt impairment

Debt impairment	5,548,138	549,447

31. Auditors' remuneration

Auditors Remuneration	3,590,685	2,210,922

32. Bulk purchases

Electricity	20,875,034	19,631,984

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R
33. General expenses		
Advertising	255,363	306,146
Audit Fees	3,590,685	2,210,922
Audit Committee Fees	358,069	419,415
Bank charges	264,075	223,003
Community development and training	3,079,215	3,379,844
Computer expenses	263,288	398,279
Consulting and professional fees	8,979,157	8,199,793
Consumables	249,041	282,290
Donations	9,746	-
Electricity	1,773,428	3,294,159
Electricity consumption (Street Lights)	1,112,521	1,119,812
Entertainment	494,812	531,868
Free basic electricity	6,928,622	5,924,239
Fuel and oil	1,674,736	3,954,638
IDP process plan	632,614	214,136
IT expenses	32,014	-
Insurance	4,802,975	3,651,093
Motor vehicle expenses	300,891	330,602
Other expenses	4,794,769	389,878
Plant hire	116,001	406,595
Postage and courier	227,253	417,067
Printing and stationery	1,179,993	806,014
Project maintenance costs	2,918,850	882,771
Promotions of LED	1,554,954	982,532
Protective clothing	-	(1,290)
Refuse	99,839	372,316
Security (Guarding of municipal property)	504,411	298,357
Skills development levy	588,373	169,553
Staff welfare	459,836	71,747
Subscriptions and membership fees	845,880	517,904
Telephone and fax	1,458,476	1,213,416
Training	2,922,481	2,415,024
Uniforms	535,728	277,128
Vehicle license fees	397,874	232,282
	53,405,970	**43,891,533**

* See Note 45

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

34. Cash flows from operating activities

	2015	2014
(Deficit) surplus	(23,598,643)	60,348,101
Adjustments for:		
Depreciation and amortisation	30,299,601	23,913,786
(Gain) / loss on sale of assets and liabilities	993,008	179,807
Finance costs	22,545,045	4,150,313
Impairment loss on non-current assets	1,587,477	4,597,828
Debt impairment	5,548,138	549,447
Movements in retirement benefit assets and liabilities	6,860,425	7,913,804
Movements in provisions	491,536	91,168
Non- cash items (Donated Assets)	-	(49,438,351)
Inventories	365,629	579,446
Receivables from exchange transactions	(5,468,949)	(3,190,358)
Other receivables from non exchange transactions	(940,005)	(1,385,861)
Payables from exchange transactions	(7,632,433)	2,656,510
VAT	3,339,930	(3,556,246)
Unspent conditional grants and receipts	10,889,524	3,423,716
Consumer deposits	95,356	(43,076)
	45,375,639	**50,790,034**

35. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10,233,242	10,233,242
Other receivables from non-exchange transactions	1,021,453	1,021,453
Cash and cash equivalents	129,028,210	129,028,210
Short term portion of long term receivables	11,291	11,291
Long term receivables	650,327	650,327
	140,944,523	**140,944,523**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	29,757,859	29,757,859
Trade and other payables from exchange transactions	6,545,764	6,545,764
Unspent conditional grants	19,589,246	19,589,246
Consumer deposits	490,720	490,720
	56,383,589	**56,383,589**

* See Note 45

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

. Financial instruments disclosure (continued)

2014

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	6,704,733	6,704,733
Other receivables from non-exchange transactions	3,689,145	3,689,145
Cash and cash equivalents	151,594,446	151,594,446
Short term portion of long term receivables	163,396	163,396
Long term receivables	662,475	662,475
	162,814,195	**162,814,195**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	38,628,466	38,628,466
Other financial liabilities	641,173	641,173
Trade and other payables from exchange transactions	13,177,904	13,177,904
Unspent conditional grants	8,699,722	8,699,722
Consumer deposits	395,364	395,364
	61,542,629	**61,542,629**

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	24,036,146	16,331,653
• Intangible assets	789,407	-
	24,825,553	**16,331,653**

Total capital commitments		
Already contracted for but not provided for	24,825,553	16,331,653

This committed expenditure relates to property, plant and equipment and intangible assets capital expenditure that will be financed through a combination of MIG and own funding.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	46,811

Operating lease payments represent rentals payable by the municipality for certain of its copier and printer leases. Leases are currently on month-to-month and the expenditure above is what is expected to be paid before their cancellation. No contingent rent is payable.

37. Contingencies

A claim for pain and suffering caused by laying false charge of fraud and theft resulting in the default judgment granted that led to the Court granting attachment of municipality goods by the Sheriff, the estimated exposure is 2015: R140,000 (2014: R140,000).

There is a claim of 2015: R35,000, (2014:R -) for cattle that disappeared in the Municipal pound that is being managed by SPCA.

* See Note 45

38. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Members of key management	BK Socikwa - Municipal Manager B Ondala - Planning and development manager M Quma - Corporate Services Manager JN Ntshinga - Chief Financial Officer S Vara - Community Services Manager

Refer to note 25 for the disclosure of the remuneration of Key Management (s56 Managers).

The Councilors of the Municipality are as follows:

NR Magwaxaza (Speaker of Council)
M Peter (Mayor and Chair of Executive Committee)
KA Mhambi (Portfolio Head-Finance)
P Qaba (Portfolio Head-Development and Planning)
P Liwani (Portfolio Head-Service Delivery and Infrastructure)
Z Falo (Portfolio Head-Administration and Human Resources)
A Hobo (Portfolio Head-Social Services)
N Busika (Portfolio Community Empowerment)

N Nkunkuma
NP Mlahleki
NA Kato-Manyika
NE Tom
B Siko
MH Funani (Deseased)
M Mjikelo
B Jama
ZE Mfulana
A Mzamo
M Mani
ME Hejane
X Roji
NAD Ndlangalavu
T Pakade
MN Ngcofe
BA Lande
M Jack
RT Desi
TP Mpendu
N Ndodana

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

38. Related parties (continued)

AE Hlalapi
CT Poni
S Malawu
NN Kumbaca
T Wellem
N Mkosona
N Nombamba
T Balindlela
PG Kyriacos
NJ Gxalaba
HE Govender

Councillors' remuneration is disclosed in note 26.

Related party transactions

The following transactions were made to companies with members/directors who are in the service of the state:

Companies owned by people/spouses/partners/associates of people in the service of the state 2014/15	2015 R	2014 R
African Oxygen	9,489	-
CQS Technology Holdings (Pty) Ltd	190,787	-
Ergorflex 295	-	29,640
Gasons General Trading	35,205	-
Gem Print	7,216	-
Gumhill General Projects	8,000	1,380
Hyperia t/a Compucare	165,074	42,771
I & R Building Construction	272,189	420,547
ICT Choice	472,320	357,076
Jotela Gen Trading	-	2,950
Lovedale Press	4,500	-
M & M Shweme	649,065	454,255
Malakhis Khulu Trading	4,650	3,735
Maphiko Investments	-	291,473
Mgunculu Trading	-	115,400
Mustek	4,364	-
Nelson Mandela Metropolitan University	16,400	-
SML Cleaning Services	38,331	-
Samant Solutions	-	2,000
Sijekula General Trading	-	11,748
Silver Clock Trading (Pty) Ltd	273,350	-
Sondelani Transport	-	10,258
Spindrift Trading CC	-	3,775
TFM Manufacturing	26,385	36,205
Total Client Services	75,440	-
Umbaxa Trading	56,550	-
Uphahla Lomzi Trading	20,700	5,000
Viva Macirha Construction	46,686	-
Zizamele Thahla Gen Trading (Pty)Ltd	53,550	88,485
	2,430,251	**1,876,698**

* See Note 45

39. 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. Risk management is carried out by a finance department with the assistance of operating divisions, under policies approved by the accounting officer.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Municipality. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks that have high quality credit standing and limits exposure to any particular counterparty. Trade receivable comprise wide spread consumer base. Credit exposure is controlled by the application of the Municipality's credit control and debt collection policies.

The carrying amount of the financial assets represent the entities maximum exposure to credit risk in relation to these assets. The Municipality's cash and cash equivalents and short term deposits are with high credit quality financial institutions.

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

Financial instrument	30 June 2015	30 June 2014
Trade and other receivables from exchange transactions	10,077,231	6,704,733
Receivable from non exchange transactions	1,177,464	3,689,145
Cash and cash equivalents	129,028,210	151,594,446
Long term receivables	650,327	662,475
Short term portion of long term receivables	11,291	163,396

39. Risk management (continued)

Market risk

Interest rate risk

The Municipality's interest bearing assets are included under cash and cash equivalents. The Municipality income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of the interest bearing assets.

At year end financial liabilities exposed to interest rate risk were for the DBSA loan of R0 (2014: R641,173), Finance Leases R29,757,859 (2014: R38,628,466). Refer to note 13 and 14.

Balances with banks, deposits, call accounts and current accounts attract interest at rates that vary with the South African Prime rate. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the statement of financial performance.

Trade debtors in arrears are linked to the South African Prime rate plus one percent.

Surplus funds are invested with banks for fixed interest rates not exceeding a term of one year. Refer to note 7

Interest rate sensitivity analysis

The sensitivity analysis below was determined based on financial instrument exposures to interest rates at reporting date. For floating rate instruments analysis is prepared assuming the amount of the instrument outstanding at reporting date was outstanding for the whole year.

The basis points adjustment represent managements assessment of the reasonable possible change in interest rate.

There were no changes in the methods or assumptions from one period to the next.

A 100 point increase in rates would result in a decrease of R297,579 (2014: R392,696) in the net surplus for the period.

Liquidity risk

The Municipality's risk relates to funds available for future commitments. The Municipality manages liquidity risk through ongoing review of future commitments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilities monitored.

Foreign currency exposure at statement of financial position date

The Municipality is not exposed to currency is as no transactions are negotiated in foreign.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

40. Events after the reporting date

No events after reporting date that would have a material impact to the readers of the financial statements occurred.

41. Unauthorised expenditure

	2015 R	2014 Restated* R
Opening balance	86,208,509	7,604,666
Unauthorised expenditure	23,907,015	78,603,843
Less: Amounts written off	(78,603,843)	-
	31,511,681	**86,208,509**

Details of unauthorised expenditure - current period

Details of unauthorised expenditure	2015 R	2014 Restated* R
Plant acquired but not budgeted for	-	47,349,305
Overspending on budget	23,700,783	30,851,845
Capital expenditure	206,232	402,693
	23,907,015	**78,603,843**

No disciplinary action has been taken yet with regards to the expenditure disclosed above.

42. Fruitless and wasteful expenditure

	2015 R	2014 Restated* R
Opening balance	4,793,177	1,369,844
Add: Fruitless and wasteful expenditure - current period	764,749	3,423,333
	5,557,926	**4,793,177**

Categories of fruitless and wasteful expenditure

	2015 R	2014 Restated* R
Interest paid	21,387	24,584
Penalties	94,297	21,236
Excessive interest on lease agreement	-	3,377,513
Standing Time	649,065	-
	764,749	**3,423,333**

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

43. Irregular expenditure

	2015 R	2014 Restated* R
Opening balance	17,414,744	10,303,481
Add: Irregular Expenditure - current period	40,288,896	7,111,263
	57,703,640	**17,414,744**

Analysis of expenditure awaiting to be certifed as irrecoverable per age classification

	2015 R	2014 Restated* R
Current year	40,288,896	7,111,263
Prior years	17,414,744	10,303,481
	57,703,640	**17,414,744**

Details of irregular expenditure – current year

Irregular expenditure on Contracts	SCM processes not followed	40,288,896

Details of irregular expenditure - prior year

Irregular expenditure on Contracts	SCM processes not followed	7,111,263

No disciplinary action has been taken yet with regards to the expenditure disclosed above.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2015 R	2014 Restated* R
Current year subscription fee	795,380	462,005
Amount paid - current year	(795,380)	(462,005)
	-	-

Material losses

	2015 R	2014 Restated* R
Electricity distribution losses	2,138,311	2,259,249

Electricity distribution losses as at 30 June 2015 relate to 4,036,145.62 kWh (2014; 3,482,798.59 kWh), which is 15% (2014; 13%)of the amount of electricity purchased, due to environmental and technical factors. In addition to this, the factor of illegal connections which remains a concern for the municipality.

Audit fees

	2015 R	2014 Restated* R
Current year fee	4,096,845	2,210,922
Amount paid - current year	(4,096,845)	(2,210,922)
	-	-

PAYE and UIF

	2015 R	2014 Restated* R
Current year subscription / fee	10,583,433	5,165,209
Amount paid - current year	(10,583,433)	(5,165,209)
	-	-

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

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

Pension and Medical Aid Deductions

Current year subscription / fee	6,658,414	3,814,769
Amount paid - current year	(6,658,414)	(3,814,769)
	-	-

VAT

VAT receivable	5,232,813	8,572,743

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Govender HB	31	765	796
Kyriacos PG	218	631	849
Lande BA	279	-	279
Mahlathi PN	101	-	101
Qaba (Nogude) P	66	187	253
Shoba BG (E/L)	22	-	22
Sigidi DK	2,778	11,459	14,237
Tom NE	1,074	-	1,074
Mashiyi KM	3,397	-	3,397
	7,966	**13,042**	**21,008**

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations the accounting officer may dispense of the official procurement process requirements in certain circumstances (e.g. emergency or single source procurement) and the accounting officer may ratify minor breaches of the procurement process if the breach is purely of a technical nature. However all such departures need to be approved by the Municipal Manager and noted by Council.

All departures in terms of section 36 have been approved by the Municipal Manager and noted by Council unless noted in note 43

Incident		
Amanzi Starway	15,845	-
Amarhobs Musical Instruments Pty Ltd	12,000	-
Amatola Spar	92,926	137,490
Analogue & Digital Systems CC	19,700	-
Babcock Africa Services	584,198	345,732
Barloworld Equipment Operator Training Academy	31,607	-
Bell Equipment	45,951	7,983
Boardmans hardware	24,440	7,826
Border Internet	28,988	-
Business Solutions for Africa	122,568	-
C & E Bodyworks cc	9,338	-
CHM Vuwani Computer Solutions	6,023	-
Cementile Products	14,504	-
Chisana motor & plant repairs	20,089	-
Code Red Security & cleaning Services	8,697	-
Datnis Nissan KWT	19,189	35,118
Deloitte	43,489	-
Dispatch Media	56,720	311,167
Domoney Brothers	57,112	-
East London Truck & Bus	15,700	-
Exclusive books	19,202	-
Falcon Firearm Academy	9,120	-
Forte Community Radio	24,500	-
GS Civils	1,197,170	-
Getaway trailers CC	2,081	-
Global Prospectus	31,572	-
Green Dot	11,856	-
Ikusasa Eco Mouldings	116,229	-
Insight Office	6,293	-
Ivan Communications	15,000	-
Kemach JCB	65,463	36,452
Kempston Motor	129,799	4,606
Kgolo Institute	45,600	182,400
Komatsu Southern Africa	158,029	28,515
Lithotec	20,142	-
Manderson Hotel	342,067	41,545
McCormick Agric CC	63,004	-
Megatrix Pty Ltd	15,000	-
Meyers Motors	12,733	11,034
Motorland Group	11,177	4,015
Munireps	225,455	366,942
North & Robertson	84,501	-

	2015 R	2014 Restated* R

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

Okuhle Kodwa Trading cc	9,620	-
Payday Software System Pty Ltd	66,979	41,086
Peugair Border	398,717	-
Pick n Pay	22,891	-
Pollock's copy,design & print	25,650	-
Pricewaterhouse Coopers	9,605	-
Pro-Legends Trading cc	5,600	-
Queenstown Nissan	31,075	5,516
Red Alert	39,523	-
Rencor	39,154	16,901
Semveli B&B	10,400	-
South African Road Federation	6,600	-
Specialised Protection Services	5,670	-
Square Deal Engineering	156,189	142,569
Strydom's workshop CC	72,963	-
Stutt delta garage	883,297	249,815
Stutterheim Country Club	6,750	-
Syco Machinery	5,369	-
TFM Manufacturer	26,385	34,860
TKS Projects Pty Ltd	9,228	-
TKY Power Products	35,088	-
Times Media	47,424	26,813
Trans Atlantic Equipment	7,752	7,752
Truvelo Manufacturers	26,639	10,019
Westville Construction Training School	27,900	-
Wireless Out Of Africa (WOOA)	197,856	-
	6,009,401	**2,056,156**

Notes to the Annual Financial Statements

	2015	2014
		Restated*
	R	R

45. Prior period errors

Property, Plant and Equipment

1. Land - During the period the municipality conducted an exercise to rectify the land and investment property included in the Fixed Asset Register, which led to the following adjustments:

1.1. 93 parcels of Land which had been previously recognised but are no longer under the control of the municipality were derecognised.

1.2. 32 parcels of vacant land which had been previously recognised as PPE, have been reclassified to Investment properties.

1.3. 3 parcels of land which had been previously recognised as investment property, have been reclassified to land.

2. Property, Plant and Equipment - An assessment of assets' useful lives and impairment indications after verification of assets led to the following restatements:

2.1 Accumulated Depreciation - An extension of the useful lives of some of the assets was performed, where there were errors from the depreciation which had been previously disclosed. These errors were treated as prior period adjustments to accumulated depreciation and depreciation.

2.2 Accumulated Impairment - A few of the assets which had been previously damaged were assessed for impairment in the current financial, however the conditions existed in the prior year.

2.3 Assets Taken on - During the verification performed a number of assets were identified which had been previously erroneously excluded from the FAR. The fair value costs (where no supporting documentation as available) and the accumulated depreciation, was calculated and adjusted as prior period adjustments.

2.4 Landfil Sites - During the current period the landfil sites were assessed and valued by a professional, which led to findings of error in the previously disclosed figure. The errors noted have been corrected in the prior period.

3. Investment Property - During the period the municipality conducted an exercise to rectify the land and investment property included in the Fixed Asset Register, which led to the following adjustments:

3.1 20 parcels of land which had been previously recognised but are no longer under the control of the municipality were derecognised.

3.2 3 parcels of land which had been previously recognised as investment property, have been reclassified to land.

3.3 32 parcels of vacant land which had been previously recognised as PPE, have been reclassified to Investment properties.

4. Heritage Assets - During the audit it was noted that the Cathcart Museum was previously incorrectly classified as part of buildings under PPE. The error has been corrected as a prior periods error.

5. Receivables from exchange transactions - An error which occurred in the prior periods was corrected which related to an erroneously processed journal. This has been cleared against the accumulated surplus of the prior year comparative.

6. Receivables from non-exchange transactions - An error was which occurred in the prior where the Rates Rebate was thought to have been duplicated, had been corrected in the comparative.

7. Non Current Provisions (Landfil Sites) - During the current period the landfil sites were assessed and valued by a professional, which led to findings of error in the previously disclosed figure. The errors noted have been corrected in the prior period.

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

45. Prior period errors (continued)

8. Payables from exchange transactions - An amount which related to a creditor, was cleared as a suspense during the audit. The creditor has now come back to claim the money back, and as such this has been corrected in the current year through restatement of the comparative.

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

Current Assets

Receivables from exchange transactions	2014	Prior Years
Previously reported	7,955,159	5,683,532
Prior period error - Medical aid pensioners	(1,250,426)	(1,250,426)
	6,704,733	**4,433,106**

Receivables from non-exchange transactions		
Previously reported	4,823,981	1,934,003
Prior period error - Rates	(1,134,836)	-
	3,689,145	**1,934,003**

Non-Current Assets

Investment property		
Previously reported	51,958,526	3,155,311
Additional Investment Property Parcels	7,956,038	7,956,038
Land Reclassified As Investment Property	818,658	818,658
Investment Property Reclassified As Land	(297,000)	(297,000)
Investment Property Parcels Per 2014 Far Not Included In 2015	(2,476,200)	(2,476,200)
	57,960,022	**9,156,807**

Property, plant and equipment		
Previously reported	405,481,026	353,443,502
New Land Parcels recognised	1,167,660	1,167,660
Land Reclassified As Investment Property	(818,658)	(818,658)
Investment Property Reclassified As Land	297,000	297,000
Land Parcels Per 2014 Far Not Included In 2015	(1,399,278)	(1,399,278)
Accumulated Depreciation Changes	528,395	228,534
Errors Identified in during period	1,083,557	624,516
Fair Values	1,213,341	1,353,020
Landfill sites	(460,105)	(460,105)
Reclassification of Museum	(46,683)	(46,683)
	407,046,255	**354,389,508**

Intangible assets		
Previously reported	249,070	174,630
Prior period error - Errors Identified in during period	(5)	-
	249,065	**174,630**

Heritage assets		
Previously reported	563,500	563,500

	2015 R	2014 Restated* R
45. Prior period errors (continued)		
Reclassification of Museum	46,683	46,683
	610,183	**610,183**
Non - Current Liabilities		
Provisions		
Previously reported	719,876	660,436
Prior period error note - Revised Provision	(346,872)	(297,233)
	373,004	**363,203**
Current Liabilities		
Payables from exchange transactions		
Previously reported	11,073,200	8,416,691
Prior period error - Other payables	3,104,991	2,947,736
	14,178,191	**11,364,427**
Accumulated surplus		
Previously reported	541,299,473	480,653,244
Prior period adjustments	2,470,022	2,768,150
	543,769,495	**483,421,394**
Revenue from exchange transactions		
Interest received - investment		
Previously reported	8,852,458	7,812,655
Prior period error - Other payables	(157,252)	(843,032)
	8,695,206	**6,969,623**
Revenue from non-exchange transactions		
Property rates		
Previously reported	10,428,355	8,630,427
Prior period error - Rates	(1,134,835)	-
	9,293,520	**8,630,427**
Expenditure		
Depreciation and amortisation		
Previously reported	24,682,747	18,551,238
Prior period error - Errors Identified in during period	(768,961)	-
	23,913,786	**18,551,238**
Impairment loss on non-current assets		
Previously reported	4,314,792	-
Prior period error - Errors Identified in during period	283,036	-
	4,597,828	**-**

Notes to the Annual Financial Statements

	2015 R	2014 Restated* R

45. Prior period errors (continued)

Repairs and maintenance		
Previously reported	5,988,158	586,171
Prior period error - Errors Identified in during period	46,562	-
	6,034,720	**586,171**
General expenses		
Previously reported	44,739,986	38,367,515
Prior period error - Errors Identified in during period	(848,453)	-
	43,891,533	**38,367,515**
Loss on disposal of assets and liabilities		
Previously reported	268,308	-
Prior period error - Errors Identified in during period	(88,501)	-
	179,807	**-**

Cash flows from operating activities

Net cash flows from operating activities		
Previously reported	50,874,625	53,292,167
Corrections noted above	(84,591)	-
	50,790,034	**53,292,167**

Cash flows from investing activities

Net cash flows from investing activities		
Previously reported	(33,432,053)	(42,861,207)
Corrections noted above	84,591	-
	(33,347,462)	**(42,861,207)**

Notes to the Annual Financial Statements

	2015	2014
		Restated*
	R	R

46. Budget differences

Material differences between budget and actual amounts

Management considers that under/overspending of R300,000 to be reasonable as it is the tolerable amount to affect the change on the National Treasury Budget. (R)

Statement Financial Performance

FinPerf 1.
The sale of electricity declined due to illegal connections thus the higher material loss in distribution losses noted under note 44.

FinPerf 2.
The actual amount exceeds the budgeted amount, as a result of the new mall handed over to the municipality noted under note, 24 & 8 where additional rental facilities were occupied, increasing the municipal rentals revenue.

FinPerf 3.
The reason for the variance between budget and actual is due to under budgeting of the revenue earned, as the final audited figures to base the budget are finalised after the budgeting has been performed.

FinPerf 4.
The amount include the funding committed from the Municipal reserves to fund other operation programmes. The actual transaction was not done due to underspending in other areas that were budgeted for.

FinPerf 5.
Investments increased due to slow spending on capital projects.

FinPerf 6.
This variance is due to late applications for remissions submitted during the year.

FinPerf 7.
The difference is the MIG allocation that is used to fund capital projects.

FinPerf 8.
The amount relates the Mlungisi Mall transferred by Aspire, which was not included in the budget as the transferring date had not been confirmed by Aspire.

FinPerf 9.
The variance is due to inadequate budgeting for the motor vehicle registration revenue.

FinPerf 10.
The overspending is due to the employment of contract workers that are not budgeted for and the review of job descriptions of the current employees during the period, that result in change in the task grades.

FinPerf 11.
Budget include application for 2 full time councillors and MPAC Chairperson not yet approved by MEC.

FinPerf 12.
The depreciation amount include new plant that was not budgeted for, also it could not be aligned with the prior year depreciation due to lack of funds and the capacity challenges in the Engineering department. There was also an impairment of assets which occurred during the year, which was not budget for.

FinPerf 13.
The budget and the revised budget did not anticipate the new plant purchased towards the end of the financial year, hence material variance. This will be corrected with the unauthorised expenditure for plant.

Notes to the Annual Financial Statements

	2015	2014
		Restated*
	R	R

46. Budget differences (continued)

FinPerf 14.
The budget amount was based on prior year audited figures e.g. in 2012 the debt impairment amount was R 5 844 782.

FinPerf 15.
The material variance is as a result of an increase demand from the consumers and the increased tariffs which are charged by Eskom for the bulk purchases.

FinPerf 16.
The variance is due to the activities planned but not done at year end. It also includes the provision that was made for the infrastructure projects under mayoral intervention.

FinPerf 17.
Increase is due to the tracker system for the plant and additional security for the new plant.

FinPerf 18.
The underspending on conditional grant was not anticipated.

FinPerf 19.
The material variance is due to the additions which had not been budgeted for, such as the Mlungisi Mall, and the acquisition of plant.

Statement Financial Position

FinPos 1.
Decrease in impairment due to the method used to estimate the current year impairment.

FinPos 2.
Increase in the debtors book due to estimate and decrease in impairment as a result of the change in the method of calculating impairment.

FinPos 3.
The variance is as a result of incorrect budgeting, considering the unpredictable nature of the account balance.

FinPos 4.
Council approved amount on the budget from the reserves to fund projects and programmes, which some were transferred to MIG and some of the programmes were not Implemented.

FinPos 5.
The amount relates the Mlungisi Mall transferred by Aspire, which was not included in the budget as the transferring date had not been confirmed by Aspire.

FinPos 6.
The variance is as a result of underspending in Capital Projects.

FinPos 7.
The variance is as a result of an adoption of a new standard GRAP 103, which requires the Heritage assets to be disclosed separately, and this was not taken into account during budgeting.

FinPos 8.
The material variance is as a result of the addition of interest which had not been budgeted for.

FinPos 9.
The variance is as a result of plant purchased during the financial without being budgeted.

46. Budget differences (continued)

FinPos 10.
The variance is due to the activities planned but not done at year end. It also includes the provision that was made for the infrastructure projects under mayoral intervention.

FinPos 11.
The increase in the amount of the employee benefits is due to amounts not budget for, which were as a result of an actuarial valuation performed at the end of the year.

FinPos 12.
The unspent amount was not anticipated during budget time.

FinPos 13.
The decrease in the amount is as result of a reclassification to employee benefit obligation of long service awards, which had been budgeted for under the provisions.

FinPos 14.
The accumulated surplus material variance is as a result of favourable transactions which occurred which had not been been budgeted such as the Mlungisi Mall

Cash Flow Statement

C1.
The reduced amount of sale of goods and services is related to the anticipated revenue increase, which didn't materialise.

C2.
The variance is as a result of the grants which had not been spent, and the revenue had been anticipated based on the expected spending and budgeted funded activities which didn't occur.

C3.
This variance is as a result of the Investments increasing due to slow spending on capital projects.

C4.
The overspending is due to the contract workers that are not budgeted for, the review of job description that result in change in the task grades etc.

C5.
The variance is due to the activities planned but not done at year end. It also includes the provision that was made for the infrastructure projects under mayoral intervention.

C6.
The variance is as a result of underspending in Capital Projects.

C7.
The variance is as a result of plant purchased during the financial without being budgeted.

C8.
This variance is as a result of the Investments increasing due to slow spending on capital projects.

Notes to the Annual Financial Statements

	2015	2014
		Restated*
	R	R

46. Budget differences (continued)

Changes from the approved budget to the final budget

1. Service charges
The sale of electricity for the 1st half of the financial year was already sitting at +70% of the budgeted amount, then a further increase in revenue was anticipated, hence the adjustment in the budget.

2. Property Rates
The budget adjustment was done due to the fact that the original budget was based on prior budget not the actual figures.

3. Government grants & subsidies
To correct the budgeted amount for the grant received from the Department of Sports,Arts and Culture in line with the transfer actually received.

4. Fines
The actual amount received indicated a reduction in collection.

5. Personnel
The increase was trying to incorporate the cost and employee benefits that result from the on-going review of the job description.

6.General Expenses
The adjustment made was the allocation made for the rental of offices for staff accommodation, increased allocation for job creation programme, increase allocation for the valuation roll, a provision made for legal services to deal with legal matters at hand, amount made available to pay the long outstanding debt for ADM services.

7.Capital Expenditure
The adjustment was done to correct the estimated roll over amount, so that the correct approved roll-over can reflect in the Municipal budget.

* See Note 45