



INXUBA YETHEMBA LOCAL MUNICIPALITY
Financial statements
for the year ended 30 June 2015

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

General Information

Nature of business and principal activities	Performing the functions of a local municipality as set out in the Constitution Act No. 108 of 1996
Mayoral committee	
Executive Mayor	N C Goniwe T E Bobo L Davids N G Mzinzi S V Masawe
Councillors	Z Bani F N Erasmus S Goniwe E Kruger N E Ngcingolo S W Njobo C A Sammy J Saptoe R H Schultze
Grading of local authority	Grade 2
Acting Chief Finance Officer (CFO)	Mrs R Crouse
Registered office	J A Calata Street Cradock 5880
Business address	J A Calata Street Cradock 5880
Bankers	First National Bank
Attorneys	Coetzee and Venter Nolte and Smith
Auditors	Auditor General South Africa
Relevant Legislation	Municipal Finance Management Act (Act no 56 of 2003); Division of revenue Act; The Income Tax; Value Added Tax; Municipal Structures Act (Act no 117 of 1995); Municipal Systems Act (Act no 32 of 2000); Municipal Planning and Performance Management Regulations; Water Service Act (Act no 108 of 1997); Housing Act (Act no 6 of 2004); Electricity Act (Act no 41 of 1987); Skills Development Levies Act (Act no 9 of 1999); Employment Equity Act (Act no 55 of 1998); Unemployment Insurance Act no 30 of 1996; Basic Conditions of Employment Act (Act no 75 of 1997); Supply Chain Management Regulations, Collective Agreements; SALBC Leave Regulations

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Financial Statements for the year ended 30 June 2015

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INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

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

The 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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 municipality is wholly dependent on the national and provincial government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the national and provincial government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2015.

Accounting Officer
Designation

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	2	712,404	860,635
Receivables from exchange transactions	3&29	6,590,973	6,326,103
Consumer debtors	4	19,995,897	7,890,924
Receivables from non-exchange transactions	5&29	3,816,541	377,727
Cash and cash equivalents	6	26,287,366	30,179,373
		57,403,181	45,634,762
Non-Current Assets			
Investment property	7	32,888,549	32,888,549
Property, plant and equipment	8	656,146,063	686,363,613
Intangible assets	9	225,494	225,494
Heritage assets	10	4,724,385	4,724,385
Investments in controlled entities	11	100	100
		693,984,591	724,202,141
Total Assets		751,387,772	769,836,903
Liabilities			
Current Liabilities			
Other financial liabilities	12	482,476	429,474
Finance lease obligation	13	48,193	38,182
Payables from exchange transactions	14	28,684,353	26,178,598
VAT payable	15	22,092,964	23,477,219
Consumer deposits	16	4,248,044	4,113,320
Employee benefit obligation	28	77,524,214	-
Unspent conditional grants and receipts	17	7,039,752	4,914,989
Provisions	18	24,699,604	16,450,442
Lusaka Paving Project:EPWP		500,439	-
SDL & UIF		123,208	-
Lotto-Led & PAYE		2,707,318	-
Bank overdraft	6	-	4,536,633
		168,150,565	80,138,857
Non-Current Liabilities			
Other financial liabilities	12	-	482,476
Finance lease obligation	13	(56,653)	-
Employee benefit obligation	28	317,000	38,605,145
		260,347	39,087,621
Total Liabilities		168,410,912	119,226,478
Net Assets		582,976,860	650,610,425
Accumulated surplus		582,976,860	655,181,320

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	134,266,278	149,470,484
Rendering of services		2,459,263	294,910
Rental of facilities and equipment	20	1,913,223	2,190,189
Interest received	32	9,082,889	7,027,330
Other Revenue	32	478,057	394,503
Fines	31	643,502	295,478
Sundry fees		7,018	1,887
Licences and permits		2,602,764	5,101,054
Bailing Machine		-	135,100
Total revenue from exchange transactions		151,452,994	164,910,935
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	33	90,640,216	69,870,256
Total revenue	30	242,093,210	234,781,191
Expenditure			
Employee related costs	21	(65,303,891)	(69,264,213)
Remuneration of councillors	34	(6,547,858)	(6,293,573)
Administration	22	-	(5,402)
Depreciation and amortisation	23	(30,989,247)	(55,824,125)
Impairment loss/ Reversal of impairments	35	-	(2,390,846)
Finance costs	24	(2,251,164)	(1,360,145)
Lease rentals on operating lease	39	-	(26,601)
Repairs and maintenance		-	(11,494,353)
Bulk purchases	36	(61,333,318)	(42,861,082)
Contracted services	37	(2,336,606)	(5,789,143)
General Expenses	26	(69,394,556)	(79,058,892)
Total expenditure		(238,156,640)	(274,368,375)
Operating surplus (deficit)		3,936,570	(39,587,184)
Surplus (deficit) for the year		3,936,570	(39,587,184)

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	701,219,930	701,219,930
Changes in net assets		
Surplus for the year	(46,038,610)	(46,038,610)
Total changes	(46,038,610)	(46,038,610)
Restated* Balance at 01 July 2014	579,040,290	579,040,290
Changes in net assets		
Surplus for the year	3,936,570	3,936,570
Total changes	3,936,570	3,936,570
Balance at 30 June 2015	582,976,860	582,976,860

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		138,418,397	229,476,628
Grants		90,640,216	60,317,495
		229,058,613	289,794,123
Payments			
Employee costs		(71,851,749)	(92,601,960)
Suppliers		(78,295,787)	(206,192,732)
Finance costs		(1,462,154)	(1,287,047)
Other payments		(1,427,331)	-
		(153,037,021)	(300,081,739)
Net cash flows from operating activities	40	76,021,592	(10,287,616)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	-	(14,533,541)
Cash flows from financing activities			
Repayment of other financial liabilities		(429,474)	(699,283)
Movement in other liability 1		500,439	-
Movement in other liability 2		123,208	-
Movement in other liability 3		2,187,241	-
Finance lease payments		(835,652)	(1,057,212)
Other cash item	41	(76,912,727)	-
Net cash flows from financing activities		(75,366,965)	(1,756,495)
Net increase/(decrease) in cash and cash equivalents		654,627	(26,577,652)
Cash and cash equivalents at the beginning of the year		25,632,740	52,210,392
Cash and cash equivalents at the end of the year	6	26,287,367	25,632,740

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	6,054,645	116,470,695	122,525,340	134,266,278	11,740,938	
Rendering of services	2,331,977	(4,647,241)	(2,315,264)	2,459,263	4,774,527	
Rental of facilities and equipment	120,573	1,687,780	1,808,353	1,913,223	104,870	
Interest received (trading)	1,164,259	5,128,662	6,292,921	9,082,889	2,789,968	
Municipal Revenue UD1	12,580	118,340	130,920	478,057	347,137	
Fines	32,694	114,222	146,916	643,502	496,586	
Sundry fees	-	2,500	2,500	7,018	4,518	
Serach, Plan and clearance application fees	(952,162)	4,623,712	3,671,550	2,602,764	(1,068,786)	
Total revenue from exchange transactions	8,764,566	123,498,670	132,263,236	151,452,994	19,189,758	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	38,942,421	(15,581,117)	23,361,304	90,640,216	67,278,912	
Total revenue	47,706,987	107,917,553	155,624,540	242,093,210	86,468,670	
Expenditure						
Personnel	(7,222,310)	(53,006,194)	(60,228,504)	(65,303,891)	(5,075,387)	
Remuneration of councillors	(547,088)	(5,649,161)	(6,196,249)	(6,547,858)	(351,609)	
Depreciation and amortisation	-	(53,769,512)	(53,769,512)	(30,989,247)	22,780,265	
Finance costs	75,325	(785,740)	(710,415)	(2,251,164)	(1,540,749)	
Bad debts written off	-	(6,457,269)	(6,457,269)	-	6,457,269	
Bulk purchases	(10,713,225)	(31,573,550)	(42,286,775)	(61,333,318)	(19,046,543)	
Contracted Services	-	(1,000,000)	(1,000,000)	(2,336,606)	(1,336,606)	
General Expenses	(21,422,919)	(149,995,478)	(171,418,397)	(69,394,555)	102,023,842	
Total expenditure	(39,830,217)	(302,236,904)	(342,067,121)	(238,156,639)	103,910,482	
Surplus before taxation	7,876,770	(194,319,351)	(186,442,581)	3,936,571	190,379,152	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	7,876,770	(194,319,351)	(186,442,581)	3,936,571	190,379,152	

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These 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.

1.2 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables, held to maturity investments and loans and 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.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and 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. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 18 - Provisions.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. 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 Note 28.

Effective interest rate

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

Allowance for doubtful debts

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

1.3 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.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20-60 years
Plant and machinery	Straight line	3-10 years
Furniture and fittings	Straight line	3-10 years
Motor vehicles	Straight line	3-20 years
Office equipment	Straight line	3-7 years
Roads	Straight line	20 years
Other property, plant and equipment	Straight line	3-12 years
Electricity	Straight line	10-50 years
Other equipment	Straight line	3-10 years
Security measures	Straight line	3 years

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

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

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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1.6 Intangible assets (continued)

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.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, internally generated	3 years

1.7 Heritage assets

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

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

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

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

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

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.

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 impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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1.7 Heritage assets (continued)

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.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the 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.

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.9 Financial instruments

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

1.10 Leases

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

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

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Accounting Policies

1.10 Leases (continued)

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 .

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

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

1.16 Provisions and contingencies

Provisions are recognised when:

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

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Accounting Policies

1.16 Provisions and contingencies (continued)

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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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Accounting Policies

1.16 Provisions and contingencies (continued)

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 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.

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1.17 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

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 .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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 rate method.

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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1.18 Revenue from non-exchange transactions (continued)

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.

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

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 the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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1.19 Borrowing costs

1.20 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.21 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.

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

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.22 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 national 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.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
2. Inventories		
Consumable stores	659,872	771,152
Fuel (Diesel, Petrol)	52,532	52,532
Water	-	36,951
	712,404	860,635
3. Receivables from exchange transactions		
Consumer debtors - Other 1	(494,873)	-
Deposits	9,320	11,701
Employee costs in advance	9,886	85,254
Sundry Debtors	6,188,522	5,722,666
Mmotlie Investments	16,864	16,864
Prepayments	861,254	489,618
	6,590,973	6,326,103
4. Trade and other receivables from exchange transactions		
Gross balances		
Rates	39,272,408	35,046,494
Electricity	19,277,522	14,878,066
Water	(29,144,466)	12,589,868
Sewerage	25,460,443	25,375,708
Refuse	45,878,730	41,610,126
Other receivables	(115,716)	-
	100,628,921	129,500,262
Less: Allowance for impairment		
Rates	(38,979,704)	(33,376,089)
Electricity	(13,691,966)	(14,406,857)
Water	3,573,173	(11,960,375)
Sewerage	(5,748,437)	(24,106,923)
Refuse	(32,705,088)	(39,616,446)
Other	6,918,997	1,857,352
	(80,633,025)	(121,609,338)
Net balance		
Rates	292,704	1,670,405
Electricity	5,585,557	471,209
Water	(25,571,293)	629,494
Sewerage	19,712,005	1,268,786
Refuse	13,173,642	1,993,681
Other	6,803,282	1,857,352
	19,995,897	7,890,927
Rates		
Current (0 -30 days)	8,351	1,670,405
31 - 60 days	16,702	-
61 - 90 days	33,494	-
91 - 120 days	42,084	-
121 - 365 days	50,435	-
> 365 days	141,638	-
	292,704	1,670,405

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
4. Trade and other receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	75,850	471,209
31 - 60 days	151,700	-
61 - 90 days	227,550	-
91 - 120 days	303,400	-
121 - 365 days	379,250	-
> 365 days	4,447,807	-
	5,585,557	471,209
Water		
Current (0 -30 days)	-	629,493
	(25,571,293)	629,494
Sewerage		
Current (0 -30 days)	379,250	1,268,786
31 - 60 days	758,500	-
61 - 90 days	2,275,500	-
91 - 120 days	4,930,250	-
121 - 365 days	5,309,500	-
> 365 days	6,059,005	-
	19,712,005	1,268,786
Refuse		
Current (0 -30 days)	173,642	1,993,681
31 - 60 days	347,284	-
61 - 90 days	1,041,852	-
91 - 120 days	3,125,556	-
121 - 365 days	6,251,112	-
> 365 days	2,234,196	-
	13,173,642	1,993,681
Other (specify)		
Current (0 -30 days)	75,870	1,857,352
31 - 60 days	227,610	-
61 - 90 days	2,800,547	-
91 - 120 days	857,352	-
121 - 365 days	1,270,130	-
> 365 days	2,800,547	-
	6,803,282	1,857,352
Reconciliation of allowance for impairment		
Balance at beginning of the year	(121,609,336)	(196,096,806)
Contributions to allowance	40,976,312	74,487,470
	(80,633,024)	(121,609,336)
5. Receivables from non-exchange transactions		
Fines	(1)	3,111
Sundry Debtors	3,816,542	377,727
	3,816,541	380,838

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	16,511	16,511
Bank balances	24,639,923	29,672,544
Short-term deposits	1,630,932	490,317
Bank overdraft	-	(4,546,633)
	26,287,366	25,632,739
Current assets	26,287,366	30,179,373
Current liabilities	-	(4,546,633)
	26,287,366	25,632,740

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Bank Account no 2	2,200,455	1,524,746	-	11,643,020	-	-
General Bank Control A/C	42,732	43,657	-	5,868,038	-	-
Bank 2 control A/C	-	-	-	80,800	-	-
Bank 1 Control A/C	-	-	-	3,797,464	-	-
Bank suspense A/C	-	-	-	3,250,602	-	-
FNB-MIG Investment	23,004	-	-	1,630,932	-	-
Standardbank Investment 1	39,353	-	-	-	-	-
Standardbank Investment 2	1,248,660	-	-	-	-	-
ABSA 1	141,509	-	-	-	-	-
ABSA 2	58,285	-	-	-	-	-
ABSA 3	121,529	-	-	-	-	-
Cash floats	-	-	-	12,551	-	-
Cash on hand	-	-	-	3,960	-	-
Total	3,875,527	1,568,403	-	26,287,367	-	-

7. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32,888,549	-	32,888,549	32,888,549	-	32,888,549

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.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	49,910,392	-	49,910,392	49,910,392	-	49,910,392
Buildings	28,713,044	(3,485,199)	25,227,845	28,713,044	(3,485,199)	25,227,845
Plant and machinery	2,557,538	(1,288,117)	1,269,421	2,557,538	(1,175,381)	1,382,157
Furniture and fixtures	1,450,697	(1,367,872)	82,825	1,450,697	(1,352,445)	98,252
Motor vehicles	6,185,172	(3,128,684)	3,056,488	6,185,172	(2,354,526)	3,830,646
Office equipment	368,713	(41,686)	327,027	474,433	(105,720)	368,713
Computer equipment	761,712	(358,755)	402,957	761,712	(269,261)	492,451
Infrastructure	764,665,427	(203,919,500)	560,745,927	764,665,427	(174,635,451)	590,029,976
Landfill sites	-	100,000	100,000	-	-	-
Work in Progress	15,023,181	-	15,023,181	15,023,181	-	15,023,181
Total	869,635,876	(213,489,813)	656,146,063	869,741,596	(183,377,983)	686,363,613

Reconciliation of property, plant and equipment - 2015

	Opening balance	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	49,910,392	-	-	-	-	49,910,392
Buildings	25,227,845	-	-	-	-	25,227,845
Plant and machinery	1,382,157	-	(112,736)	-	-	1,269,421
Furniture and fixtures	98,252	-	-	(1,367,873)	1,352,446	82,825
Motor vehicles	3,830,646	-	-	(5,624,928)	4,850,770	3,056,488
Office equipment	368,713	-	(41,686)	-	-	327,027
Computer equipment	492,450	-	(89,493)	-	-	402,957
Infrastructure	590,029,976	(8,800)	-	(206,769,492)	177,494,243	560,745,927
Landfill sites	-	-	-	(104,413,066)	104,513,066	100,000
Work in Progress	15,023,181	-	-	-	-	15,023,181
	686,363,612	(8,800)	(243,915)	(318,175,359)	288,210,525	656,146,063

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Other changes, movements	Impairment loss	Total
Land	-	-	49,910,392	-	49,910,392
Buildings	-	-	25,227,845	-	25,227,845
Plant and machinery	97,637,856	1,430,182	(96,732,189)	(953,692)	1,382,157
Furniture and fixtures	1,466,160	43,718	(713,570)	(698,056)	98,252
Motor vehicles	6,570,383	2,314,379	(3,944,674)	(1,109,442)	3,830,646
Office equipment	338,698	249,837	(201,796)	(18,026)	368,713
Computer equipment	(1,587,328)	351,877	1,764,202	(36,301)	492,450
Infrastructure	530,878,479	-	59,151,497	-	590,029,976
Landfill sites	(1,004,929)	-	1,004,929	-	-
Work in Progress	(4,570,649)	10,143,548	9,450,282	-	15,023,181
	629,728,670	14,533,541	44,916,918	(2,815,517)	686,363,612

Pledged as security

Carrying value of assets pledged as security:

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

8. Property, plant and equipment (continued)

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.

9. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	-	(94,245)	(94,245)	-	(94,245)	(94,245)
Intangible assets 1	319,739	-	319,739	319,739	-	319,739
Total	319,739	(94,245)	225,494	319,739	(94,245)	225,494

Reconciliation of intangible assets - 2015

	Opening balance	Total
Computer software, internally generated	(94,245)	(94,245)
Intangible assets 1	319,739	319,739
	225,494	225,494

Reconciliation of intangible assets - 2014

	Opening balance	Other changes, movements	Impairment loss	Total
Computer software, internally generated	-	(42,069)	(52,176)	(94,245)
Intangible assets 1	-	319,739	-	319,739
	-	277,670	(52,176)	225,494

10. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4,724,385	-	4,724,385	4,724,385	-	4,724,385

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	4,724,385	4,724,385

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments	4,724,385	4,724,385

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

11. Investments in controlled entities

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Group co ID 1		- %	100.00 %	100	100

The carrying amounts of controlled entities are shown at cost.

12. Other financial liabilities

At amortised cost

Bank loan	482,476	429,474
Terms and conditions		
DBSA Loan	-	482,476
	482,476	911,950

Total other financial liabilities	482,476	911,950
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Non-current liabilities

At amortised cost	-	482,476
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Current liabilities

At amortised cost	482,476	429,474
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13. Finance lease obligation

Minimum lease payments due

- within one year	-	38,182
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Non-current liabilities	(56,653)	-
Current liabilities	48,193	38,182
	(8,460)	38,182

14. Payables from exchange transactions

Trade payables	24,947,306	759,062
Accrued insurance	468,108	296,951
Unallocated Receipts	7,376,274	19,514,840
Attorneys Fees	(12,801)	94,872
Sundry Creditors	(6,174,289)	2,991,117
Accrued Leave	2,075,905	2,521,756
Other Creditors #4	3,850	-
	28,684,353	26,178,598

15. VAT payable

Opening balance	22,092,964	18,899,436
Transfers payable	-	(17,779,519)
Amounts payable to other members of economic entity	-	23,922,668
	-	(15,203,113)
	-	13,637,749
	22,092,964	23,477,221

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
16. Consumer deposits		
Electricity	1,167,189	1,082,421
Water	2,104,794	2,160,216
Housing rental	976,061	870,683
	4,248,044	4,113,320

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent grants - MIG Funding	7,039,752	4,914,989

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Total
Landfill Rehabilitation	15,690,426	8,458,710	24,149,136
Legal proceedings	16,715	-	16,715
Performance bonus	493,849	39,904	533,753
Property Rates	249,451	(249,451)	-
	16,450,441	8,249,163	24,699,604

Reconciliation of provisions - 2014

	Opening Balance	Utilised during the year	Total
Landfill rehabilitation	25,587,093	(9,896,667)	15,690,426
Legal proceedings	16,715	-	16,715
Performance bonus	301,426	192,423	493,849
Provision 3	-	249,451	249,451
	25,905,234	(9,454,793)	16,450,441

19. Service charges

Service charges	29,968,386	23,556,157
Sale of electricity	87,816,596	79,527,721
Sale of water	327,126	13,504,364
Sewerage and sanitation charges	-	17,985,786
Refuse removal	15,835,055	14,764,910
Other service charges	319,114	131,546
	134,266,277	149,470,484

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
20. Rental of facilities and equipment		
Premises		
Parking	780	789
Premises	996,651	880,916
Venue hire	88,420	151,920
	1,085,851	1,033,625
Facilities and equipment		
Other	117,489	68,287
Rental of facilities	709,252	1,085,417
Rental of equipment	631	2,859
	827,372	1,156,563
	1,913,223	2,190,188

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
21. Employee related costs		
Basic	47,270,129	52,002,460
Bonus	3,366,668	3,564,883
Defined contribution plans	-	(313,924)
Housing benefits and allowances	47,766	-
Medical aid - company contributions	5,712,449	3,884,391
Other allowance	61,044	152,536
Other payroll levies	25,297	34,855
Overtime payments	3,341,429	4,606,266
SDL	650,036	705,384
Travel, motor car, accommodation, subsistence and other allowances	4,394,178	4,117,096
UIF	434,895	510,266
	65,303,891	69,264,213
Remuneration of municipal manager		
Annual Remuneration	848,484	-
Car Allowance	181,884	-
Performance Bonuses	64,466	-
Contributions to UIF, Medical and Pension Funds	8,000	-
Public office Allowance	11,016	-
Subsistence Allowance	22,032	-
Telephone, parking and badges	180	-
	1,136,062	-
Remuneration of chief finance officer		
Annual Remuneration	667,040	-
Car Allowance	191,940	-
Contributions to UIF, Medical and Pension Funds	8,306	-
Telephone, parking and badges	1,549	-
	868,835	-
Remuneration of Corporate services manager		
Annual Remuneration	723,000	-
Car Allowance	131,688	-
Performance Bonuses	52,139	-
Contributions to UIF, Medical and Pension Funds	105,271	-
Housing Allowance	14,292	-
Telephone , parking and badges	195	-
	1,026,585	-
Remuneration of Community services manager		
Annual Remuneration	672,864	-
Car Allowance	178,764	-
Performance Bonuses	43,449	-
Contributions to UIF, Medical and Pension Funds	52,249	-
Telephone, parking and badges	17,352	-
	964,678	-
Remuneration of Local Economic Development manager		
Annual Remuneration	667,716	-
Car Allowance	188,520	-

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
21. Employee related costs (continued)		
Performance Bonuses	52,139	-
Contributions to UIF, Medical and Pension Funds	52,087	-
	960,462	-
Remuneration of Technical services manager		
Annual Remuneration	647,172	-
Car Allowance	102,590	-
Performance Bonuses	2,082	-
Contributions to UIF, Medical and Pension Funds	9,445	-
	761,289	-
22. Administrative expenditure		
Administration and management fees - third party	-	5,402
23. Depreciation and amortisation		
Property, plant and equipment	30,989,247	55,824,125
24. Finance costs		
Non-current borrowings	-	1,271,574
Trade and other payables	1,462,154	15,473
Finance leases	789,010	73,098
	2,251,164	1,360,145

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
25. Debt impairment		
26. General expenses		
Accounting fees	89,129	61,190
Advertising	219,000	412,957
Auditors remuneration	540,945	4,009,540
Bank charges	448,583	683,481
Commission paid	911,202	933,321
Computer expenses	2,279,926	1,245,823
Consulting and professional fees	1,198,056	943,428
Consumables	582,094	1,264,966
Entertainment	65,433	90,686
Grant Expenditure	28,762,075	31,830,230
Hire	610,170	675,380
Insurance	1,203,978	891,214
Community development and training	188,962	408,510
Conferences and seminars	225,989	296,233
Levies	8,235,053	9,934,827
Motor vehicle expenses	2,503,540	3,316,281
Postage and courier	484,263	723,687
Printing and stationery	404,154	475,738
Security	2,571,007	5,138,853
Staff welfare	713,608	638,887
Subscriptions and membership fees	849,348	458,554
Telephone and fax	2,544,033	2,643,171
Transport and freight	-	4,160
Training	729,382	455,822
Deeds transfer	4,555	7,211
Assets expensed	3,180,786	10,020,754
Electricity	515,470	273,271
Tourism development	152,162	12,850,146
Special programmes	2,314,325	2,156,654
Licence fees	308,054	865,132
Other expenses	6,559,274	2,980,640
	69,394,556	96,690,747

27. Other financial assets

28. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(77,841,214)	(38,605,145)
Non-current liabilities	(317,000)	(38,605,145)
Current liabilities	(77,524,214)	-
	(77,841,214)	(38,605,145)

Net expense recognised in the statement of financial performance

Current service cost	-	1,314,085
Interest cost	-	2,037,104
Actuarial (gains) losses	-	(2,312,113)
Settlement	-	(1,353,000)
	-	(313,924)

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
29. Consumer debtors disclosure		
Less: Allowance for impairment		
Consumer debtors - Other 1	(494,873)	-
Net balance		
Consumer debtors - Other 1	(494,873)	-
Business service levies		
Current (0 -30 days)	(494,873)	-
30. Revenue		
Rendering of services	2,459,263	294,910
Service charges	134,266,278	149,470,484
Rental of facilities and equipment	1,913,223	2,190,189
Interest received (trading)	9,082,889	7,027,330
Municipal Revenue UD1	478,057	394,503
Fines	643,502	295,478
Sundry fees	7,018	1,887
Serach,Plan and clearance application fees	2,602,764	5,101,054
Other farming income 1	-	135,100
Government grants & subsidies	90,640,216	69,870,256
	242,093,210	234,781,191
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	134,266,278	149,470,484
Rendering of services	2,459,263	294,910
Rental of facilities and equipment	1,913,223	2,190,189
Interest received (trading)	9,082,889	7,027,330
Municipal Revenue UD1	478,057	394,503
Fines	643,502	295,478
Sundry fees	7,018	1,887
Serach,Plan and clearance application fees	2,602,764	5,101,054
Other farming income 1	-	135,100
	151,452,994	164,910,935
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	90,640,216	69,870,256
31. Fines		
Fines	643,502	295,478
Sundry fees	7,018	1,887
Serach,Plan and clearance application fees	2,602,764	5,101,054
Other farming income 1	-	135,100
	3,253,284	5,533,519

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
32. Other income		
33. Government grants and subsidies		
Operating grants		
Equitable share	40,565,303	40,341,000
MSIG Grant	1,048,211	890,000
LG Finance Management Grant	1,600,000	1,550,000
DSRAC Grant Libraries	2,510,000	2,510,000
Government grant (operating) 4	-	59,158
Government grant (operating) 5	-	157,596
Government grant (operating) 6	-	16,193
Government grant (operating) 7	-	756,404
Government grant (operating) 8	-	52,395
Cradock Cemetary:PH2	13,559,732	12,599,766
MV Line Cradock/Michausdal	439	439
Equit share FEB	2,456,250	1,862,640
Government grant (operating) 12	-	4,716,692
Government grant	-	1,847,899
EPWP Grant	1,487,000	-
Capital grants provincial	27,193,237	-
LGW SETA (ABET)	220,045	302,381
Government grant (operating) 17	-	692,248
Government grant (operating) 18	-	219,469
Government grant (operating) 19	-	800,000
Government grant (operating) 20	-	495,976
	90,640,217	69,870,256
34. Remuneration of councillors		
Executive Mayor-N C Goniwe	760,295	719,486
Mayoral Committee Members	1,506,490	1,432,495
Speaker-S V Masawe	595,665	563,053
Councillors	2,837,008	2,670,924
Other	848,400	907,615
	6,547,858	6,293,573

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
35. Impairment of assets		
Impairments		
Property, plant and equipment	-	2,338,671
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Intangible assets	-	52,176
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	-	2,390,847

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

36. Bulk purchases

Electricity	61,333,318	42,745,960
Water	-	115,122
	61,333,318	42,861,082

37. Contracted services

Other Contractors	2,336,606	5,789,143
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38. Auditors' remuneration

Fees	540,945	4,009,540
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39. Operating lease

Describe the lessee's significant leasing arrangements which include:

- basis on which contingent rent payable is determined.
- the existence and terms of renewal or purchases options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
40. Cash generated from (used in) operations		
Surplus (deficit)	3,936,570	(46,038,610)
Adjustments for:		
Depreciation and amortisation	30,989,247	55,824,125
Finance costs - Finance leases	789,010	73,098
Impairment deficit	-	2,390,846
Movements in retirement benefit assets and liabilities	39,236,069	(1,599,924)
Movements in provisions	8,249,162	(9,454,793)
Changes in working capital:		
Inventories	148,231	(153,412)
Receivables from exchange transactions	(264,870)	(1,022,559)
Consumer debtors	(12,104,971)	4,871,663
Other receivables from non-exchange transactions	(3,435,704)	86,131
Payables from exchange transactions	2,505,756	(6,021,656)
VAT	3,193,528	3
Unspent conditional grants and receipts	2,124,763	(9,552,761)
Consumer deposits	134,724	310,233
Lotto-Led & PAYE	520,077	-
	76,021,592	(10,287,616)

41. Other cash item 1

42. Risk management

Financial risk management

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

43. Going concern

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

44. Unauthorised expenditure

Unauthorised expenditure	19,077,736	-
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INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
45. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	-	422,225
Opening balance	437,678	15,473
Current year	1,093,301	-
	1,530,979	437,698
46. Irregular expenditure		
Opening balance	20,611,458	15,819,458
Add: Irregular Expenditure - current year	1,325,428	4,792,000
Less: Amounts condoned	(1,325,428)	-
	20,611,458	20,611,458
Analysis of expenditure awaiting condonation per age classification		
Current year	1,325,428	-
Prior years	20,611,458	-
	21,936,886	-
Details of irregular expenditure – current year		
	Disciplinary steps taken/criminal proceedings	
Deviation from Supply Chain Management policies and procedures	None	1,325,428
Details of irregular expenditure condoned		
	Condoned by (condoning authority)	
Deviation from Supply Chain Management policies and procedures	Council	1,325,428