Nyandeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
The following is included in the scope of operation	The Nyandeni Local Municipality includes the following areas: Libode Ngqeleni
Full - time Councillors	
Honourable Mayor	T Sokanyile
Speaker	M S Qaqa
Chief Whip	M R Mtobela
EXCO Members	Z Nondlevu -Portfolio Head : Budget & Treasury Z Mevana - Portfolio Head: Technical & Infrastructure Development W Ngaveli - Portfolio Head : Community Services F Mgwedane - Portfolio ead : Community Services - Resigned N Fodo - Portfolio Head : Corporate Services N Matanda - Portfolio Head : SPU Sports, Arts and Culture P Matinise - Portfolio Head : Public Safety, Transport N Tiyeka - Portfolio Head : Local Economic & Rural Development P Godongwana - Portfolio Head: Disaster Management M Magxala - Councillor in Mayor's Office K Tatani - Councillor in Mayor's Office - Resigned
Section 79 Chairpersons	J Mabuya - Municipal Public Accounts Committee N Tyopo - Women Caucus PN Tswina - Members Interest S. Mbiyozo - Public Participation & Petition

General Information

Part-time Councillors	T E Khupelo
	N R Fodo
	M Q H Lumko
	N S Ngangaza
	N N Devethe
	M Qoyo
	T Matika
	M B Dambuza
	Z Hibhane
	N Mahlungu
	L Mziba
	M V M Khumalo
	M Dukiso
	N H J Pato
	N Malindi
	N Tsawutsa
	M A Ncanywa
	M Mkrokrelwa
	V.Nomqonde
	N C Gqetywa
	E S Mkizwana
	T Nompetsheni
	N P Ntoza
	N L Gonyela
	Z W Mamve
	A Nkunzi
	M Magavu
	R Z Matiwane
	X H Dlani
	N Nkwahla
	N Jim
	M Z Nomandela
	J Maqubela
	J M Klaas
	N L Vanda
	F Mbodloyi
	V B Zondani
	R N Dlutu
	N Mchithakali
	P Madwantsi
	F Gaxeni
	N P Ntshoyi
	B Mavumbengwe
	N I Gqetywa
	P M Diniso
	N Nuku

General Information

Audit Committee	S Mbalekwa - Chairperson G Labane - Member L Galada - Member Adv T Mqobi - Member B Mbewu - Chairperson of Risk Committee
Grading of local authority	3
Accounting Officer	N Nomandela
Chief Finance Officer (CFO)	B K Benxa
Registered office	BN Nomandela Drive Libode 5160
Postal address	Private Bag X504 Libode 5160
Bankers	First National Bank, Mthatha Standard Bank, Mthatha
Auditors	Office of the Auditor - General (Eastern Cape) Chartered Accountants (S.A.) Registered Auditors
Attorneys	J A Le Roux Attorneys A S Zono & Associates Jolwana Mgidlana and Associates

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

Abbreviations

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

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

N Nomandela
Municipal Manager

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	3	251 593	159 489
VAT receivable	4	4 761 053	3 923 016
Consumer debtors	5	4 978 257	3 399 175
Cash and cash equivalents	6	65 694 241	75 439 857
		75 685 144	**82 921 537**
Non-Current Assets			
Investment property	7	61 683 100	60 473 350
Property, plant and equipment	8	293 162 300	259 136 846
Intangible assets	9	963 923	424 465
		355 809 323	**320 034 661**
Non-Current Assets		355 809 323	320 034 661
Current Assets		75 685 144	82 921 537
Total Assets		**431 494 467**	**402 956 198**
Liabilities			
Current Liabilities			
Finance lease obligation	10	367 935	375 078
Payables from exchange transactions	11	12 746 113	9 284 229
Employee benefit obligation	12	343 149	433 697
Unspent conditional grants and receipts	13	-	5 727 638
Retentions	15	3 938 418	4 413 934
Income received in advance		266 710	304 632
		17 662 325	**20 539 208**
Non-Current Liabilities			
Finance lease obligation	10	551 946	920 477
Employee benefit obligation	12	3 280 241	2 693 989
Provisions	14	388 373	388 373
		4 220 560	**4 002 839**
Non-Current Liabilities		4 220 560	4 002 839
Current Liabilities		17 662 325	20 539 208
Total Liabilities		**21 882 885**	**24 542 047**
Assets		431 494 467	402 956 198
Liabilities		(21 882 885)	(24 542 047)
Net Assets		**409 611 582**	**378 414 151**
Accumulated surplus		409 611 582	378 414 151

NYANDENI LOCAL MUNICIPALITY
18 JAN 2016
SIGNATURE: ....
MUNICIPAL MANAGER

Nyandeni Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	16	188 415	177 791
Rental of facilities and equipment		86 237	143 818
Fees earned		54 422	44 094
Commissions received		155 808	139 723
Fair value gain on short term investments		118 444	253 731
Other income	17	4 872 650	4 265 350
Interest received - investment	19	4 931 298	4 743 148
Total revenue from exchange transactions		**10 407 274**	**9 767 655**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	5 689 786	5 259 469
Transfer revenue			
Government grants & subsidies	21	247 553 541	206 142 362
Fines, Penalties and Forfeits		44 980	59 100
Total revenue from non-exchange transactions		**253 288 307**	**211 460 931**
		10 407 274	9 767 655
		253 288 307	211 460 931
Total revenue	18	**263 695 581**	**221 228 586**
Expenditure			
Employee related costs	25	(92 149 244)	(79 835 872)
Remuneration of councillors	24	(17 014 320)	(15 983 398)
Depreciation and amortisation	26	(33 632 236)	(30 480 626)
Impairment loss/ Reversal of impairments		(2 836 242)	(2 417 835)
Finance costs	27	(116 540)	(139 770)
Fair value loss on short term investments		(123 008)	(228 373)
Repairs and maintenance		(4 938 455)	(4 462 723)
General Expenses	22	(77 995 097)	(66 463 670)
Total expenditure		**(228 805 142)**	**(200 012 267)**
		-	-
Total revenue		263 695 581	221 228 586
Total expenditure		(228 805 142)	(200 012 267)
Operating surplus		**34 890 439**	**21 216 319**
Loss on disposal of assets and liabilities		(4 902 743)	(10 324 018)
Fair value adjustments		1 209 750	-
		(3 692 993)	**(10 324 018)**
Surplus before taxation		31 197 446	10 892 301
Taxation		-	-
Surplus for the year		**31 197 446**	**10 892 301**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	**367 521 850**	**367 521 850**
Changes in net assets		
Surplus for the year	10 892 301	10 892 301
Total changes	10 892 301	10 892 301
Balance at 01 July 2014	**378 414 136**	**378 414 136**
Changes in net assets		
Surplus for the year	31 197 446	31 197 446
Total changes	31 197 446	31 197 446
Balance at 30 June 2015	**409 611 582**	**409 611 582**

NYANDENI LOCAL MUNICIPALITY
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Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Taxation		5 689 786	5 259 469
Grants		247 553 541	206 142 362
Interest income		4 931 298	4 743 148
Other receipts		5 520 956	5 083 607
		263 695 581	221 228 586
Payments			
Employee costs		(109 163 564)	(95 512 027)
Suppliers		(90 172 085)	(77 653 044)
Finance costs		(5 947)	(13 521)
		(199 341 596)	(173 178 592)
Total receipts		263 695 581	221 228 586
Total payments		(199 341 596)	(173 178 592)
Net cash flows from operating activities	29	**64 353 985**	**48 049 994**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(66 687 674)	(65 375 972)
Movement on disposal of property, plant and equipment		1 315 809	-
Purchase of intangible assets	9	(918 555)	(283 553)
Transfer (to)/from Work-in Progress	8	(6 809 476)	8 931 339
Net cash flows from investing activities		**(73 099 896)**	**(56 728 186)**
Cash flows from financing activities			
Movement in Income recieved in advance		(37 922)	(114 720)
Finance lease payments		(486 267)	(179 835)
Movement in Retention		(475 516)	1 725 889
Net cash flows from financing activities		**(999 705)**	**1 431 334**
Net increase/(decrease) in cash and cash equivalents		**(9 745 616)**	**(7 246 858)**
Cash and cash equivalents at the beginning of the year		75 439 857	82 686 715
Cash and cash equivalents at the end of the year	6	**65 694 241**	**75 439 857**

NYANDENI LOCAL MUNICIPALITY

18 JAN 2016

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MUNICIPAL MANAGER

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	200 000	-	**200 000**	188 415	**(11 585)**	
Rental of facilities and equipment	165 000	-	**165 000**	86 237	**(78 763)**	
Fees earned	50 000	-	**50 000**	54 422	**4 422**	
Commissions received	-	-	-	155 808	**155 808**	
Profit on investments	-	-	-	118 444	**118 444**	
Other income	22 625 000	4 313 000	**26 938 000**	4 872 650	**(22 065 350)**	
Interest received - investment	5 000 000	-	**5 000 000**	4 931 298	**(68 702)**	
Total revenue from exchange transactions	**28 040 000**	**4 313 000**	**32 353 000**	**10 407 274**	**(21 945 726)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5 005 175	-	**5 005 175**	5 689 786	**684 611**	
Transfer revenue						
Government grants & subsidies	233 826 000	13 727 638	**247 553 638**	247 553 541	**(97)**	
Transfer from reserves	-	-	-	44 980	**44 980**	
Total revenue from non-exchange transactions	**238 831 175**	**13 727 638**	**252 558 813**	**253 288 307**	**729 494**	
'Total revenue from exchange transactions'	28 040 000	4 313 000	**32 353 000**	10 407 274	**(21 945 726)**	
'Total revenue from non-exchange transactions'	238 831 175	13 727 638	**252 558 813**	253 288 307	**729 494**	
Total revenue	**266 871 175**	**18 040 638**	**284 911 813**	**263 695 581**	**(21 216 232)**	
Expenditure						
Personnel	(80 928 200)	-	**(80 928 200)**	(92 149 244)	**(11 221 044)**	
Remuneration of councillors	(16 173 806)	-	**(16 173 806)**	(17 014 320)	**(840 514)**	
Depreciation and amortisation	(34 597 642)	-	**(34 597 642)**	(33 632 236)	**965 406**	
Impairment loss/ Reversal of impairments	(3 500 000)	-	**(3 500 000)**	(2 836 242)	**663 758**	
Finance costs	(105 000)	-	**(105 000)**	(116 540)	**(11 540)**	
Fair value loss on investments	-	-	-	(123 008)	**(123 008)**	
Repairs and maintenance	(16 846 000)	(6 500 000)	**(23 346 000)**	(4 938 455)	**18 407 545**	
General Expenses	(66 715 000)	(25 540 000)	**(92 255 000)**	(77 995 097)	**14 259 903**	
Total expenditure	**(218 865 648)**	**(32 040 000)**	**(250 905 648)**	**(228 805 142)**	**22 100 506**	
	266 871 175	18 040 638	**284 911 813**	263 695 581	**(21 216 232)**	
	(218 865 648)	(32 040 000)	**(250 905 648)**	(228 805 142)	**22 100 506**	
Operating surplus	**48 005 527**	**(13 999 362)**	**34 006 165**	**34 890 439**	**884 274**	
Loss on disposal of assets and liabilities	-	-	-	(4 902 743)	**(4 902 743)**	
Fair value adjustments	-	-	-	1 209 750	**1 209 750**	
	-	-	-	**(3 692 993)**	**(3 692 993)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	48 005 527	(13 999 362)	**34 006 165**	34 890 439	**884 274**	
	-	-	-	(3 692 993)	**(3 692 993)**	
Surplus before taxation	**48 005 527**	**(13 999 362)**	**34 006 165**	**31 197 446**	**(2 808 719)**	
Deficit before taxation	48 005 527	(13 999 362)	**34 006 165**	31 197 446	**(2 808 719)**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**48 005 527**	**(13 999 362)**	**34 006 165**	**31 197 446**	**(2 808 719)**	

NYANDENI LOCAL MUNICIPALITY

18 JAN 2016

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MUNICIPAL MANAGER

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	251 593	251 593	
VAT receivable	-	-	-	4 761 053	4 761 053	
Consumer debtors	-	-	-	4 978 257	4 978 257	
Cash and cash equivalents	-	-	-	65 694 241	65 694 241	
	-	-	-	75 685 144	75 685 144	
Non-Current Assets						
Investment property	-	-	-	61 683 100	61 683 100	
Property, plant and equipment	86 102 000	(14 000 000)	72 102 000	293 162 300	221 060 300	
Intangible assets	809 000	-	809 000	963 923	154 923	
	86 911 000	(14 000 000)	72 911 000	355 809 323	282 898 323	
Non-Current Assets	-	-	-	75 685 144	75 685 144	
Current Assets	86 911 000	(14 000 000)	72 911 000	355 809 323	282 898 323	
Total Assets	86 911 000	(14 000 000)	72 911 000	431 494 467	358 583 467	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	367 935	367 935	
Payables from exchange transactions	-	-	-	12 746 112	12 746 112	
Employee benefit obligation	-	-	-	343 149	343 149	
Retentions	-	-	-	3 938 418	3 938 418	
Income received in advance	-	-	-	266 710	266 710	
	-	-	-	17 662 324	17 662 324	
Non-Current Liabilities						
Finance lease obligation	-	-	-	551 946	551 946	
Employee benefit obligation	-	-	-	3 280 241	3 280 241	
Provisions	-	-	-	388 373	388 373	
	-	-	-	4 220 560	4 220 560	
	-	-	-	17 662 324	17 662 324	
	-	-	-	4 220 560	4 220 560	
	-	-	-	-	-	
Total Liabilities	-	-	-	21 882 884	21 882 884	
Assets	86 911 000	(14 000 000)	72 911 000	431 494 467	358 583 467	
Liabilities	-	-	-	(21 882 884)	(21 882 884)	
Net Assets	86 911 000	(14 000 000)	72 911 000	409 611 583	336 700 583	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	409 611 581	409 611 581	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables, 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.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 14 - Provisions.

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Accounting Policies

1.4 Investment property (continued)

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.

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.

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

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

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Item	Average useful life
Land	indefinite
Buildings	30 - 40 years
Plant and machinery	5-20 yeras
Furniture and fixtures	10 years
Motor vehicles	7 years
Office equipment	10 years
IT equipment	3 - 10 years
Infrastructure	30 - 60 years
Community	15 - 25 years
Access Roads	7 - 30 years

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

1.6 Intangible assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software, other	5 years

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends or similar distributions and interest.

1.7 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.9 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.9 Inventories (continued)

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.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.11 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.

Accounting Policies

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

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.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

Reversal of an impairment loss

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

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

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

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

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

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

1.12 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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.

Accounting Policies

1.13 Provisions and contingencies (continued)

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 31.

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

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

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

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

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.

Accounting Policies

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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 .

Accounting Policies

1.14 Revenue from exchange transactions (continued)

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.

1.15 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.

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.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

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, which-ever is earlier.

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

Other grants and donations

Other grants and donations 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.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

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

Accounting Policies

1.18 Comparative figures

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

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

1.22 Budget information

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

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

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

1.23 Related parties

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

Accounting Policies

1.23 Related parties (continued)

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.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	
• GRAP 107: Mergers	01 April 2015	
• GRAP 20: Related parties	01 April 2016	
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	
• GRAP108: Statutory Receivables	01 April 2016	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected not to be material:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Inventories

Consumable stores	251 593	159 489

4. VAT receivable

VAT	4 761 053	3 923 016

These are monies due from SARS for VAT claimed in the May & June 2015 Vat periods, as well invoices captured not yet paid and debtors billed not yet received.

5. Consumer debtors

Gross balances		
Rates	14 979 871	10 597 889
Refuse	636 452	526 952
Old Balances	2 128 340	2 204 498
	17 744 663	**13 329 339**
Less: Allowance for impairment		
Rates	(10 135 276)	(7 341 900)
Refuse	(572 728)	(469 763)
Old Balances	(2 058 402)	(2 118 501)
	(12 766 406)	**(9 930 164)**
Net balance		
Rates	4 844 595	3 255 989
Refuse	63 724	57 189
Old Balances	69 938	85 997
	4 978 257	**3 399 175**
Rates		
31 - 60 days	214 861	127 629
61 - 90 days	155 106	127 424
91 - 120 days	159 129	118 355
121 - 365 days	14 450 775	10 224 481
> 365 days	(10 135 276)	(7 341 900)
	4 844 595	**3 255 989**
Refuse		
Current (0 -30 days)	31 632	16 088
31 - 60 days	13 906	15 469
61 - 90 days	13 882	15 287
91 - 120 days	13 739	14 974
121 - 365 days	563 293	465 134
> 365 days	(572 728)	(469 763)
	63 724	**57 189**
Other (specify)		
121 - 365 days	2 128 340	2 201 632
> 365 days	(2 058 402)	(2 115 635)
	69 938	**85 997**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Consumer debtors (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 930 164)	(7 806 017)
Contributions to allowance	(2 836 242)	(2 124 147)
	(12 766 406)	**(9 930 164)**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15	15
Bank balances	18 103 399	25 991 368
Short-term deposits	47 590 827	49 448 474
	65 694 241	**75 439 857**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First national Bank - Current Account no. 62152951614	21 501 522	31 636 420	11 428 966	12 767 389	24 660 669	11 221 297
Standard Bank - Current Account no. 80847978	5 334 685	1 323 773	2 459 662	5 334 985	1 324 073	2 459 962
Petty Cash / Underbankin	-	-	-	1 050	6 641	15
Standard bank - Call Deposit- 388655305-403	305 418	295 701	287 223	305 418	295 701	287 223
Standard bank- Call Deposit - 388680237-001	91 069	87 734	84 759	91 069	87 734	84 759
Standard bank - Tiered Rates- 388680172-002	3 262	3 207	3 166	3 262	3 207	3 166
Standard bank - 32 day call- 388655305-004	999 588	949 634	903 690	999 588	949 634	903 690
Standard bank- Revolving Fund- 388655305-002	246 500	238 658	231 815	246 500	238 658	231 815
Standard bank - Stanlib Investment - 54781067	30 809	29 207	27 700	30 809	29 207	27 700
Standard bank - Stanlib Investment- IP005728	1 362 013	1 316 272	1 253 397	1 362 013	1 316 272	1 253 397
Standard bank - Stanlib Investment- IP005439	3 036 472	2 930 656	2 786 861	3 036 472	2 930 656	2 786 861
Standard bank - 548736855-001	758 636	732 671	709 746	758 636	732 671	709 746
First National Bank - 32 Day Interest - 72399019737	15 792	15 359	15 017	15 792	15 359	15 017
First National Bank - Call Acc no 74187331349	17 992 666	16 968 684	16 130 895	17 992 666	16 968 684	16 130 895
First National Bank- Investment Acc- 74182161238	9 478 014	15 621 555	34 754 693	9 478 014	15 621 555	34 754 693
First national Bank- Call Account no. 62159914704-MIG	8 224 199	1 688 758	10 596 269	8 224 199	1 688 758	10 596 269
First National Bank - Cal Account no- 62159915853	720 007	180 496	54 212	720 007	180 496	54 212
First NationalBank- Call Account no- 62159921751 - FMG	1 109 606	718 547	323 785	1 109 606	718 547	323 785
First National Bank - Call Account no- 62159915340-LG SETA	65 874	64 914	11 313	65 874	64 914	11 313
First National Bank - Call Account no- 62159922551- Property Valuation	158 128	154 177	151 128	158 128	154 177	151 128
First National Bank- Call Account no- 6239635657298- EPWP	534 927	544 560	74 769	534 927	544 560	74 769
First National Bank - Call Account no.62396356539- INEG	2 457 837	6 907 684	605 002	2 457 837	6 907 684	605 002
Total	74 427 024	82 408 667	82 894 068	65 694 241	75 439 857	82 686 714

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	61 683 100	-	61 683 100	60 473 350	-	60 473 350

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	60 473 350	1 209 750	61 683 100

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	60 473 350	60 473 350

Details of property

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.

Details of valuation

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mrs P.J Lindstrom, Registered Property Valuer of Penny Lindstrom Valuations. Penny Lindstrom Valuations are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on current market value using the CPI.This is currently between 4% and 5% in South Africa. A downward adjustment to 2% was made to allow for the fact that the properties were situated in Libode and not in a large town with a bouyant property market. Therefore a price increase of 2% was applied .

.During the current year under review, the municipality performed the subdivision in ERF 90, and Extention 2 was established. The number of land parcels were identified which came up to 66 sites that were recommended for disposal.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	24 964 651	(4 013 189)	20 951 462	24 865 651	(3 276 667)	21 588 984
Plant and machinery	9 452 285	(5 364 271)	4 088 014	9 606 888	(4 870 974)	4 735 914
Motor vehicles	10 878 455	(2 635 213)	8 243 242	9 557 851	(5 203 460)	4 354 391
Office equipment	4 024 871	(1 855 391)	2 169 480	3 367 168	(1 380 227)	1 986 941
IT equipment	3 571 431	(1 564 643)	2 006 788	2 349 602	(1 059 352)	1 290 250
Infrastructure	386 048 071	(134 181 131)	251 866 940	334 521 711	(113 188 463)	221 333 248
Community	3 697 323	(794 292)	2 903 031	3 209 427	(669 956)	2 539 471
Finance lease asset	2 415 671	(1 482 328)	933 343	2 415 671	(1 108 024)	1 307 647
Total	**445 052 758**	**(151 890 458)**	**293 162 300**	**389 893 969**	**(130 757 123)**	**259 136 846**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP Movement	Depreciation	Total
Buildings	21 588 984	1 080 012	-	(981 012)	(736 522)	20 951 462
Plant and machinery	4 735 914	86 350	-	-	(734 250)	4 088 014
Motor vehicles	4 354 391	6 323 619	(1 151 565)	-	(1 283 204)	8 243 242
Office equipment	1 986 941	657 617	-	-	(475 164)	2 169 480
IT equipment	1 290 250	1 280 254	(58 339)	-	(505 291)	2 006 788
Infrastructure	221 333 248	57 142 262	(5 008 648)	7 425 418	(29 025 342)	251 866 940
Community	2 539 471	117 560	-	370 336	(124 396)	2 903 031
Finance lease assets	1 307 647	-	-	-	(374 304)	933 343
	259 136 846	**66 687 674**	**(6 218 552)**	**6 814 742**	**(33 258 473)**	**293 162 300**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	WIP Movement	Depreciation	Impairment loss	Total
Buildings	20 380 587	813 005	-	1 080 012	(684 620)	-	21 588 984
Plant and machinery	5 648 599	205 296	-	-	(877 028)	(240 953)	4 735 914
Motor vehicles	3 092 157	2 481 036	-	-	(1 170 535)	(48 267)	4 354 391
Office equipment	1 475 735	833 429	-	-	(322 223)	-	1 986 941
IT equipment	1 085 909	563 065	-	-	(358 724)	-	1 290 250
Infrastructure	207 809 401	60 234 085	(10 324 018)	(10 081 358)	(26 304 862)	-	221 333 248
Community	2 592 869	-	-	70 000	(123 398)	-	2 539 471
Finance lease asset	1 432 443	246 056	-	-	(370 852)	-	1 307 647
	243 517 700	**65 375 972**	**(10 324 018)**	**(8 931 346)**	**(30 212 242)**	**(289 220)**	**259 136 846**

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	24 319 108	70 000	1 080 012	25 469 120
Additions/capital expenditure	25 780 140	370 336	99 000	26 249 476
Other movements [retention on WIP)	2 634 689	-	-	2 634 689
Transferred to completed items	(20 989 412)	-	(1 080 012)	(22 069 424)
	31 744 525	**440 336**	**99 000**	**32 283 861**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	34 400 465	-	-	34 400 465
Additions/capital expenditure	17 979 198	70 000	1 080 012	19 129 210
Transferred to completed items	(28 060 555)	-	-	(28 060 555)
	24 319 108	**70 000**	**1 080 012**	**25 469 120**

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	2 363 876	(1 399 953)	963 923	1 445 320	(1 020 855)	424 465

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	424 465	918 555	(379 097)	963 923

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	409 296	283 553	(268 384)	424 465

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Finance lease obligation

Minimum lease payments due		
- within one year	434 430	475 661
- in second to fifth year inclusive	592 261	1 026 691
	1 026 691	1 502 352
less: future finance charges	(106 810)	(206 880)
Present value of minimum lease payments	**919 881**	**1 295 472**

Present value of minimum lease payments due		
- within one year	367 935	375 078
- in second to fifth year inclusive	551 946	919 666
	919 881	**1 294 744**

Non-current liabilities	551 946	920 477
Current liabilities	367 935	375 078
	919 881	**1 295 555**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% for 2015 (2014: 9%).

Interest rates are linked to prime at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

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

11. Payables from exchange transactions

Trade payables	741 459	1 028 657
Other payables 1	495 160	-
Sundry suppliers	47 409	(12 709)
Leave pay provision	6 085 157	5 035 945
Creditors accruals	3 621 633	1 636 511
Bonus provision	1 755 295	1 595 825
	12 746 113	**9 284 229**

12. Employee benefit obligations

Defined benefit plan

Post retirement gratuity plan

The obligation is valued annually by the independent qualified actuaries.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 623 390)	(3 127 686)

Non-current liabilities	(3 280 241)	(2 693 989)
Current liabilities	(343 149)	(433 697)
	(3 623 390)	**(3 127 686)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	483 666	435 148
Interest cost	231 147	185 872
Actuarial (gains) losses	(219 109)	(92 237)
	495 704	**528 783**

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	7.89 %	7.93 %

13. Unspent conditional grants and receipts

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. The unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent conditional grants and receipts comprises of:

	2015	2014
Unspent conditional grants and receipts		
Unspent grant - INEP	-	5 536 998
Unspent grant - FMG	-	190 640
	-	**5 727 638**

Movement during the year

	2015	2014
Balance at the beginning of the year	5 727 362	-
Additions during the year	72 329 903	71 006 000
Income recognition during the year	(78 057 265)	(65 278 362)
	-	**5 727 638**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and the municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

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

Figures in Rand	2015	2014

14. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Total
Environmental rehabilitation	388 373	388 373

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	366 390	21 983	388 373

Environmental rehabilitation provision

The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The estimated cost at this time is as per the above.

15. Retentions

Amounts withheld as surety on construction projects completed by awarded contractors. These amounts are recognised on payment certificates on stages of completion that have been paid to the contractors.The release of retentions is normally done 3 - 6 months after the project is certified as complete.

Carrying amount of retention

	2015	2014
Opening balance	4 413 934	2 688 045
Increase/(decrease) in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed	(475 516)	1 725 889
	3 938 418	**4 413 934**

16. Service charges

	2015	2014
Refuse removal	188 415	177 791

The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

17. Other income

	2015	2014
Auction sale	71 807	57 200
D.L.T.C	3 273 685	3 252 339
Library fees	8 617	2 100
Plan fees	3 072	12 858
Sundry income	155 013	131 359
Tender sales	368 226	404 140
Training - LGSETA	957 535	398 389
Vending & Hawking fees	34 499	6 735
Wood sales	196	230
	4 872 650	**4 265 350**

Figures in Rand	2015	2014

18. Revenue

Commissions received	155 808	139 723
Fees earned	54 422	44 094
Fines, Penalties and Forfeits	44 980	59 100
Government grants & subsidies	247 553 541	206 142 362
Interest received - investment	4 931 298	4 743 148
Other income	4 872 650	4 265 350
Profit on investments	118 444	253 731
Property rates	5 689 786	5 259 469
Rental of facilities and equipment	86 237	143 818
Service charges	188 415	177 791
	263 695 581	**221 228 586**

Commissions received	155 808	139 723
Fees earned	54 422	44 094
Interest received - investment	4 931 298	4 743 148
Other income	4 872 650	4 265 350
Profit on investments	118 444	253 731
Rental of facilities and equipment	86 237	143 818
Service charges	188 415	177 791
The amount included in revenue arising from exchanges of goods or services are as follows:		
	10 407 274	**9 767 655**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	5 689 786	5 259 469
Transfer revenue		
Government grants & subsidies	247 553 541	206 142 362
Fines, Penalties and Forfeits	44 980	59 100
	253 288 307	**211 460 931**

19. Investment revenue

Interest revenue		
Bank	4 931 298	4 743 148
	-	-
	4 931 298	4 743 148

Figures in Rand	2015	2014

20. Property rates

Rates received

	2015	2014
Property rates	6 642 879	6 167 766
Less: Income forgone	(953 093)	(908 297)
	5 689 786	**5 259 469**

Valuations

	2015	2014
Residential	112 290 000	112 290 000
Commercial	81 630 000	81 630 000
State	51 565 000	51 565 000
Municipal	13 415 000	13 415 000
Church	15 245 000	15 245 000
Schools	291 705 000	291 705 000
Clinic	14 030 000	14 030 000
Other	20 025 000	20 025 000
Less: Income forgone	(22 885 000)	(22 885 000)
	577 020 000	**577 020 000**

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

The basis was 2c per rand on land and improvements. Rebates are applied according to council's policy.

Rates are levied annually in the first quarter on property owner's accounts. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month.

The general valuation roll that was approved for implementation on 01 July 2013 is still in use together with the supplementary valuation roll.

Figures in Rand	2015	2014

21. Government grants and subsidies

	2015	2014
Operating grants		
Equitable share	169 496 000	140 564 000
INEP electrification grant	12 536 998	13 463 002
Expanded public work programme -EPWP	1 172 000	1 000 000
Finance management grant -FMG	1 790 640	1 359 360
Library subsidy	300 000	300 000
Municipal Systems Improvement Grant - MSIG	934 000	890 000
	186 229 638	157 576 362
Capital grants		
Municipal Infrastructure grant - MIG	61 323 903	48 566 000
	61 323 903	48 566 000
	247 553 541	**206 142 362**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2015	2014
Conditional grants received	77 757 541	206 142 362
Unconditional grants received	169 796 000	140 864 000
	247 553 541	**347 006 362**

Equitable Share

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

All registered indigents receive a monthly subsidy of R - (2014: R -), which is funded from the grant.

Equitable Share

	2015	2014
Current-year receipts	169 496 000	143 347 000
Conditions met - transferred to revenue	(169 496 000)	(140 564 000)
Other	-	(2 783 000)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Intergrated National Electrification Programme (INEP)

	2015	2014
Balance unspent at beginning of year	5 536 998	-
Current-year receipts	7 000 000	19 000 000
Conditions met - transferred to revenue	(12 536 998)	(13 463 002)
	-	**5 536 998**

Conditions have been met.

INEP Grant was used for electrical connections in previously disadvantaged areas.

Financial Management Grant (FMG)

	2015	2014
Balance unspent at beginning of year	190 640	-
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 790 640)	(1 359 360)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

21. Government grants and subsidies (continued)

	-	190 640

Conditions have been met

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme (EPWP)

	2015	2014
Current-year receipts	1 172 000	1 000 000
Conditions met - transferred to revenue	(1 172 000)	(1 000 000)
	-	-

This grant was fully spent on employing casual workers within community based projects, especially within Infrastructure Department.

Library subsidy

	2015	2014
Current-year receipts	300 000	300 000
Conditions met - transferred to revenue	(300 000)	(300 000)
	-	-

This grant was fully expensed in development of the Libraries within the municipality

Municipal Systems Improvement Grant (MSIG)

	2015	2014
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act

Municipal Infrastructure Grant (MIG)

	2015	2014
Current-year receipts	61 323 903	48 566 000
Conditions met - transferred to revenue	(61 323 903)	(48 566 000)
	-	-

MIG Grant was used to accelerate provision of basic service delivery through construction of capital projects.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. General expenses

	2015	2014
Advertising	489 056	453 713
Amenities & Community Facilities	251 848	235 373
Auditors remuneration	3 822 682	2 441 097
Bank charges	122 585	197 432
Books & publications	41 170	95 924
Cleaning	224 122	310 893
Communication	348 234	556 205
Community based public works programme (EPWP)	1 271 777	280 279
Conference fees & Accomodation costs	9 706 734	10 782 238
Consultant fees	4 238 125	3 349 831
Consumables	10 000	5 022
Crime prevention	725 161	488 619
Debt collection	838 612	747 289
Electricity purchases	327 947	366 820
Employee wellness programmes	2 639 890	2 992 286
Expenses not capitalised	138 769	95 363
Financial management grant	1 801 038	1 419 582
Fuel and oil	3 220 635	2 751 319
Housing expenses	666 020	65 520
IDP Development	1 445 202	932 386
INEP Electrification project	15 483 816	11 809 651
Indigent subsidies	1 240 622	1 734 526
Insurance	863 906	1 124 813
Internal audit costs	448 534	654 172
Landfill site	-	21 983
LED projects	2 095 386	1 529 706
Library services	142 062	264 573
License fees	293 705	328 951
Lifeguard services	445 394	512 623
Mayor's discretional fund	499 662	1 130 677
Meeting costs	1 559 634	908 699
Mlengane development fund	-	90 672
Municipal performance management system	6 250	107 339
Municipal systems improvement grant - MSIG	1 007 919	819 774
PMU Administration costs	655 117	930 757
Postage & Courier services	4 496	1 921
Pre - schools	-	847 156
Printing & Stationery	638 343	656 028
Promotions and sponsorships	3 041 310	2 946 550
Public participation	765 756	1 477 077
Refuse bags & bins	221 026	263 134
Rental - Special facilities	497 096	335 505
Review of Institutional Policies	19 850	-
Special Programs Unit	1 322 802	824 894
Sports & Recreation	44 545	212 131
Subscriptions and membership fees	1 222 453	869 952
Subsistence & Travelling costs	799 572	588 722
Survey & planning	586 746	264 042
Telephone costs	5 852 510	4 432 996
Training	3 420 802	113 723
Transport forum	5 800	25 051
Uniform & Promotion	1 017 989	687 196
Vehicle hire	1 168 498	971 732
Waste management	293 889	409 753
	77 995 097	**66 463 670**

Figures in Rand	2015	2014

23. Other revenue

Fees earned	54 422	44 094
Commissions received	155 808	139 723
Profit on investments	118 444	253 731
Other income	4 872 650	4 265 350
	5 201 324	**4 702 898**

The amount included in other revenue arising from exchanges of goods or services are as follows:

Funeral fees	-	3 482
Pound fees	-	40 612
Commission fees	-	139 723
Other income	-	4 265 350
	-	**4 449 167**

24. Remuneration of councillors

Mayor	718 495	677 826
Speaker	574 796	542 261
Chief Whip	538 872	508 370
Full time executive committee members	2 119 562	1 525 110
Part time executive committee members	1 778 274	2 045 951
Part-time Councillors allowances	11 284 321	10 683 880
	17 014 320	**15 983 398**

In-kind benefits

The Mayor, Speaker, Chief Whip and 3 of the Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Speaker has one full-time driver.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. Employee related costs

Acting allowances	182 701	141 833
Bargaining Council Levies	21 880	18 459
Basic	44 972 958	41 728 452
Bonus	3 833 563	3 313 684
Contributions to current employee benefits - Long Service Awards	495 704	528 783
Group Scheme	-	2 612 735
Housing benefits and allowances	4 976 891	3 115 954
Leave pay provision charge	1 175 918	1 250 946
Medical aid - company contributions	6 436 874	4 682 616
Overtime payments	6 647 122	4 803 622
Pension / Provident fund contributions	4 162 365	2 940 233
Personal facilities	3 464 056	3 180 984
SDL	739 684	620 655
Travel, motor car, accommodation, subsistence and other allowances	7 720 197	4 483 836
UIF	465 434	421 855
	85 295 347	**73 844 647**

Remuneration of municipal manager - N Nomandela

Annual Remuneration	765 616	638 616
Car Allowance	234 413	270 904
Contributions to UIF, Medical and Pension Funds	170 843	158 480
	1 170 872	**1 068 000**

Remuneration of CFO - BK Benxa

Annual Remuneration	795 626	701 584
Car Allowance	141 282	127 927
Contributions to UIF, Medical and Pension Funds	67 124	59 332
	1 004 032	**888 843**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. Employee related costs (continued)

Remuneration of Planning & Development Manager - GN Cekwana

Annual Remuneration	620 243	542 638
Car Allowance	235 470	255 854
Contributions to UIF, Medical and Pension Funds	144 706	88 854
	1 000 419	**887 346**

Remuneration of Corporate Services Manager - SV Poswa

Annual Remuneration	450 905	574 703
Car Allowance	131 461	213 212
Contributions to UIF, Medical and Pension Funds	88 440	145 572
	670 806	**933 487**

Remuneration of the Technical Services - Q Madikida

Annual Remuneration	545 060	525 991
Car Allowance	235 470	255 854
Contributions to UIF, Medical and Pension Funds	229 830	131 169
	1 010 360	**913 014**

Remuneration of Community Services Manager - GM Zide

Annual Remuneration	549 739	520 524
Car Allowance	235 470	255 854
Contributions to UIF, Medical and Pension Funds	204 047	127 146
	989 256	**903 524**

Remuneration of Strategic Planning Manager - L Madzidzela

Annual Remuneration	599 750	224 564
Car Allowance	235 470	108 421
Contributions to UIF, Medical and Pension Funds	172 932	64 026
	1 008 152	**397 011**

26. Depreciation and amortisation

Property, plant and equipment	33 253 138	30 212 242
Intangible assets	379 098	268 384
	33 632 236	**30 480 626**

27. Finance costs

Trade and other payables late payment penalties	5 947	13 521
Finance leases	110 593	126 249
	116 540	**139 770**

28. Auditors' remuneration

Fees	3 822 682	2 441 097

Figures in Rand	2015	2014

29. Cash generated from operations

	2015	2014
Surplus	31 197 446	10 892 301
Adjustments for:		
Depreciation and amortisation	33 632 236	30 480 626
Gain on sale of assets and liabilities	4 902 743	10 324 018
Fair value adjustments	(1 209 750)	-
Finance costs - Finance leases	110 593	126 249
Debtors Impairment	2 836 242	2 417 835
Movements in retirement benefit assets and liabilities	495 704	528 783
Movements in provisions	-	21 983
Changes in working capital:		
Inventories	(92 104)	(39 774)
Receivables from exchange transactions	(2 836 242)	(2 117 792)
Consumer debtors	(1 579 082)	(1 799 717)
Payables from exchange transactions	3 461 874	(6 417 479)
VAT	(838 037)	(2 094 677)
Unspent conditional grants and receipts	(5 727 638)	5 727 638
	64 353 985	**48 049 994**

30. Commitments

Authorised capital expenditure

	2015	2014
Already contracted for but not provided for		
• Property, plant and equipment	43 354 451	35 798 433
Total capital commitments		
Already contracted for but not provided for	43 354 451	35 798 433

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

31. Contingencies

	2015	2014
Contingent liabilities		
Tamsanqa Dotyeni vs NLM case no. 2070/2010	1 000 000	1 000 000
Selina Nontembeko Matanda vs NLM case no. 2071/2010	1 000 000	1 000 000
Zweledinga Jadiso vs Nyandeni Municipality case no. 2014/09	200 000	200 000
BHS Building Contractors cc vs NLM case no.55/12	2 846 672	2 846 672
Zukiswa Skenjana vs NLM case no 1424/12	600 000	600 000
Maqhawe Construction vs NLM case no. 249/2014	1 938 570	1 938 570
Sipho Nojila vs Nyandeni Local Municipality Case no. EC/Mthatha/RC704/2013	300 000	-
	7 885 242	**7 585 242**

The following is a list of possible outcomes:

1. Tamsanqa Dotyeni vs NLM case no. 2070/2010

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter is pending in the High Court and has not been allocated a date as yet.

2. Selina Nontembeko Matanda vs NLM case no. 2071/2010

31. Contingencies (continued)

In this matter the municipality is being sued for a sum of R 1 000 000.00 (one million rand) by the plaintiff who claims that his child was killed (when he drowned in a hole) as a result of the negligence of some municipal employee who had failed to close a hole that had been dug when Thabo Mbeki township was being constructed. The municipality is defending the matter on the basis that it is not the municipality who constructed the township and therefore it has never been the responsibility of the municipality to close the said holes. The matter is currently waiting for the trial date to be allocated.

3. ZWELEDINGA JADISO vs NYANDENI MUNICIPALITY CASE no 2014/09

The municipality is being sued for a sum of 200 000 by the abovementioned person who alleges that he rented out his electric saw to the municipality at a rate of R50.00 a day in 1994 and it is still with the municipality. The municipality is defending the matter since it is contending that it was only hiring the saw when there was a need and it was never kept at the municipality. The matter seems to have become dormant since the Plantiff is not taking any steps to pursue the matter.

4. BHS Building Contractors cc vs Nyandeni Municipality (Case No 55/12)

The municipality is being sued for a sum of R2 846 672.40 for the alleged unlawful cancellation of a contract for the construction of Ngqeleni Road. The municipality is defending the matter as it contends that the cancellation was lawful as the company had failed to honour the conditions of the contract. The municipality has filed its plea and the parties are still exchanging pleadings.

5. ZUKISWA SKENJANA vs NYANDENI LOCAL MUNICIPALITY CASE NO. 1424/12

The municipality is being sued for a sum of R600 000.00 for alleged negligence because the Plaintiff slipped on the stairs in the Municipal hall when she was attending a wedding. The Municipality is defending the matter since it is alleging that at the time of the incident the hall was not under the custody of the municipality but of the person who had hired the hall. The matter had been set down for hearing on the 2nd June 2014. The matter has since been postponed due to the shortness of a number of days available for the hearing and is awaiting the allocation of a new date.

6. Maqhawe Construction VS Nyandeni Local Municipality (Case No. 249/2014)

The municipality is being sued for a sum of R 1 938 570.00 (One Million Nine Hundred and Thirty Eight Thousand Five Hundred and Seventy Rands by the contractor who claims that it is money owed by Municipality as standing time. This is the time that his machines stood on site while doing nothing and they claim that this is due to the fault of the municipality. The municipality is defending the matter as the contractor did not even finish the work that he was contracted to do. The parties are currently in a the process of exchanging pleadings.

7. Sipho Nojila Vs Nyandeni Local Municipality Case.no EC/Mthatha/RC 704/2013)

The municipality is being sued for a sum of R300 000 (Three Hundred Thousand Rands only) by Mr Nojila who is an employee of the municipality and who is claiming that he was injured on duty. The municipality is defending the matter on the basis that injuries on duty are the responsibility on the Workmans Compensation Commissioner and that the plaintiff should have logded the claim in the prescribed manner with the commissioner within 12 months after the date of the accident which he has failed to do so. The parties are still exchanging pleadings

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Contingencies (continued)

Contingent assets

Nyandeni Local Municipality vs Ayanda Maqolo (Case No 724/13)

The municipality is suing the above named person for the illegal invasion of municipal land. The municipality has obtained an interim interdict against the respondent and the matter has been set down in the opposed motion court for May 2014. The matter has since been heard and judgement was granted in favour of the municipality. Mr Maqholo's attorneys have since served the Municipality with a Notice fo Application for Leave to Appeal and an Application for condonation for the late filing. The matter is awaiting the allocation of a date for hearing of the application for leave to appeal.

Siyaphambili Trading vs Nyandeni Local Municipality and Others Case no.1454/13
An application was brought against the Municipality, the Municipal Manager and Alexander Maintenance for the review and setting aside of the decision of the Municipal Manager to award the tender of Nothintsila to Mvilo access road to Alexander Maintenance. The decision was first taken on appeal to the Executive Committee which upheld the decision of the Municipal Manager. The municipality opposed the matter and the matter has been decided in favour of the municipality with costs.

Nyandeni Local Municipality vs Z Ndamase (Case No 1905/2011)

The municipality was sued by this individual and subsequently judgement was granted in favour of the municipality. Litigation is finalised and the municipality is owed taxed legal costs in the amount of R 83 954.63.

32. 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 counter-party.

Nyandeni Local Municipality does not foresee any threat with regards to sevicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the municipality is committing guaranteed income when budgeting to avoid the use of external loans and overdrafts to finance its operations.

Market risk

Interest rate risk

Not appliacble to the Municipality, there were no loans during the year.

Price risk

Not appliacble to the Municipality.

33. Going concern

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

Figures in Rand	2015	2014

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

Audit fees

Current year subscription / fee	4 168 939	908 246
Amount paid - current year	(4 168 939)	(908 246)
	-	-

PAYE and UIF

Current year subscription / fee	14 993 837	11 911 863
Amount paid - current year	(14 993 837)	(11 911 863)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	23 589 249	19 056 517
Amount paid - current year	(23 589 249)	(19 056 517)
	-	-

VAT

VAT receivable	4 761 053	3 923 016

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

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

Councillors' arrear consumer accounts

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor M. Dambuza	-	4 650	4 650
Councillor P. Gondogwana	-	153	153
	-	**4 803**	**4 803**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor M. Dambuza	-	3 386	3 386
Councillor B	-	1	1
	-	**3 387**	**3 387**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

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

Supply chain management regulations

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

Incident		
Other	9 139 716	10 836 036

39. Actual operating expenditure versus budgeted operating expenditure

The municipality has overspent in the operational expenditures such as Salaries & Wages as well as on the finance costs. The variance increase as compared to the budgeted amount was 10%. This was due to the increase as result of the travel claims, as well as the normal increament which included the benchmarking for the Senior Managers and Managers. The finance charges that are charged on leases contributed to the overspending in relation to the finance costs. Repairs and Maintainance; the variance is due to projects that were initially identified as for repairs which have since been capitalised at year end. General Expenses; As the budget increases, the expenditure increases. Variance is due to some programes like electrification that the municipality has budgeted for but were not fully completed at year end, such programes are currently recurring hence the commitments at year end.

40. Actual capital expenditure versus budgeted capital expenditure

The municipality has overspent in the Intangibles. This was due to the number of softwares that were acquired just at year end.

41. Prior period errors

41.1 Property Plant and Equipment

In the prior year RDP Houses were included in our asset register as our assets which the municipality does not have control over them. Also there were properties that were not included in our asset register, and as per deeds search they belong to the municipality. These properties have been included in the asset register.

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

Statement of financial position		
Property, plant and equipment	-	(3 953 200)
Accumulated Surplus	-	3 953 200