IKWEZI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015
Published 31 October 2015

GENERAL INFORMATION

Legal form of entity	The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.
Nature of business and principal activities	Ikwezi Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
Mayoral committee	
Executive Mayor	SA Mngwevu
Councillors	K Hendricks
	M Bonaparte
	L Ntame
	A Mboneni
	J Lewis
	BW Seekoei
Grading of local authority	Grade 2
Business address	34 Main Street Jansenville 6265
Postal address	P O Box 12 Jansenville 6265
Bankers	ABSA Bank Jansenville
Auditors	Auditor General South Africa
Principal Activities	The principal activities of the municipality are: - Provide democratic and accountable government - Ensure sustainable service delivery to the communities - Promote social and economic development - Provide basic services to the community

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
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 OFFICERS' RESPONSIBILITIES AND APPROVAL

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) 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 officers acknowledge that they are 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 officers to meet these responsibilities, the accounting officers 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 officers are 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 officers have reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officers is primarily responsible for the financial affairs of the municipality, they is supported by the municipality's external auditors.

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

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the accounting officers on 31 October 2015 and were signed by their:

Mr Mapukata
Acting Municipal Manager

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

Figures in Rand	Note(s)	2015	Restated 2014
Assets			
Current Assets			
Inventories	2	11 847	11 847
Receivables from non-exchange transactions	3	511 867	667 220
Trade receivables	4	2 711 702	3 658 899
Cash and cash equivalents	5	21 520	11 209
		3 256 936	**4 349 175**
Non-Current Assets			
Investment property	6	43 637 900	43 637 900
Property, plant and equipment	7	102 126 749	95 211 228
Intangible assets	8	12 960	82 898
Heritage assets	9	-	-
		145 777 609	**138 932 026**
Total Assets		**149 034 545**	**143 281 201**
Liabilities			
Current Liabilities			
Other financial liabilities	10	4 100 000	1 500 000
Finance lease obligation	11	118 869	245 802
Payables from exchange transactions	12	34 421 277	19 893 555
VAT payable	13	619 311	1 194 561
Unspent conditional grants and receipts	14	4 046 131	2 568 266
Provisions	15	733 911	899 058
Bank overdraft	5	-	320 374
		44 039 499	**26 621 616**
Non-Current Liabilities			
Other financial liabilities	10	205 241	3 805 241
Finance lease obligation	11	-	118 869
Retirement benefit obligation	44	3 996 172	3 337 000
Provisions	15	4 511 730	4 511 730
		8 713 143	**11 772 840**
Total Liabilities		**52 752 642**	**38 394 456**
Net Assets		**96 281 903**	**104 886 745**
Accumulated surplus		96 281 903	104 886 745

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2015	Restated 2014
Revenue			
Property rates	16	1 722 591	1 593 890
Service charges	17	10 155 210	10 629 386
Government grants & subsidies	18	34 022 442	37 044 692
Interest received - internal	19	1 316 022	722 520
Interest received - external	19	43 767	61 173
Licences and permits	19	109 451	126 357
Rental of facilities and equipment	19	86 240	20 269
Other income	19	2 169 266	1 044 665
Property rates - penalties imposed	19	327 859	231 287
Total revenue		**49 952 848**	**51 474 239**
Expenditure			
Personnel	20	(21 477 365)	(17 842 909)
Remuneration of councillors	21	(1 725 964)	(1 593 348)
Debt impairment	22	(6 152 625)	(8 183 394)
Depreciation and amortisation	23	(4 260 482)	(3 868 228)
Finance costs	24	(27 613)	(616 473)
Repairs and maintenance	25	(555 164)	(1 932 029)
Bulk purchases	26	(5 932 966)	(5 879 737)
General Expenses	27	(18 425 513)	(14 218 402)
Loss on disposal of assets	7	-	(1)
Total expenditure		**(58 557 692)**	**(54 134 521)**
Deficit for the year		**(8 604 844)**	**(2 660 282)**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported at 01 July 2013		109 469 660	109 469 660
Adjustments			
Correction of errors	28	(1 922 632)	(1 922 632)
Balance at 01 July 2013 as restated		**107 547 028**	**107 547 028**
Changes in net assets			
Deficit for the year		(2 660 283)	(2 660 283)
Total changes		(2 660 283)	(2 660 283)
Balance at 01 July 2014		**104 886 747**	**104 886 747**
Changes in net assets			
Deficit for the year		(8 604 844)	(8 604 844)
Total changes		(8 604 844)	(8 604 844)
Balance at 30 June 2015		**96 281 903**	**96 281 903**

Note(s)

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2015	Restated 2014
Cash flows from operating activities			
Receipts			
Rates and services		7 155 585	5 373 496
Government grants & subsidies		34 022 442	37 044 692
Interest income		1 359 789	783 693
Other receipts		2 364 957	1 191 291
		44 902 773	44 393 172
Payments			
Employee costs		(23 024 395)	(19 336 894)
Suppliers		(9 140 600)	(22 323 442)
Finance costs		(27 613)	(616 473)
		(32 192 608)	(42 276 809)
Net cash flows from operating activities	29	**12 710 165**	**2 116 363**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(11 106 065)	(6 650 549)
Proceeds from sale of property, plant and equipment	7	-	(1)
Purchase of intangible assets	8	-	(2 300)
Proceeds from sale of other intangible assets	8	-	1
Net cash flows from investing activities		**(11 106 065)**	**(6 652 849)**
Cash flows from financing activities			
Movement in Repayment - National Revenue fund		(1 000 000)	5 305 241
Finance lease payments		(273 415)	(221 890)
Net cash flows from financing activities		**(1 273 415)**	**5 083 351**
Net increase/(decrease) in cash and cash equivalents		**330 685**	**546 865**
Cash and cash equivalents at the beginning of the year		(309 165)	(856 030)
Cash and cash equivalents at the end of the year	5	**21 520**	**(309 165)**

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						
Service charges	14 269 052	886 000	**15 155 052**	10 155 210	**(4 999 842)**	A
Rental of facilities and equipment	69 080	-	**69 080**	86 240	**17 160**	C
Interest - internal	639 956	-	**639 956**	1 316 022	**676 066**	B
Licences and permits	679 188	-	**679 188**	109 451	**(569 737)**	
Other income	1 717 285	1 657 369	**3 374 654**	2 169 266	**(1 205 388)**	D
Interest received - external	45 616	-	**45 616**	43 767	**(1 849)**	
Total revenue	**17 420 177**	**2 543 369**	**19 963 546**	**13 879 956**	**(6 083 590)**	
Revenue from non-exchange transactions						
Property rates	1 873 546	56 006	**1 929 552**	1 722 591	**(206 961)**	
Property rates - penalties imposed	-	-	**-**	327 859	**327 859**	
Government grants & subsidies	31 809 000	12 869 815	**44 678 815**	34 022 442	**(10 656 373)**	E
Total revenue from non-exchange transactions	**33 682 546**	**12 925 821**	**46 608 367**	**36 072 892**	**(10 535 475)**	
Total revenue	**51 102 723**	**15 469 190**	**66 571 913**	**49 952 848**	**(16 619 065)**	
Expenditure						
Personnel	(21 082 291)	(262 195)	**(21 344 486)**	(21 477 365)	**(132 879)**	F
Remuneration of councillors	(2 030 720)	-	**(2 030 720)**	(1 725 964)	**304 756**	
Depreciation and amortisation	(1 217 716)	-	**(1 217 716)**	(4 260 482)	**(3 042 766)**	G
Finance costs	(93 720)	-	**(93 720)**	(27 613)	**66 107**	H
Debt impairment	(645 217)	-	**(645 217)**	(6 152 625)	**(5 507 408)**	I
Repairs and maintenance	(1 118 222)	651 570	**(466 652)**	(555 164)	**(88 512)**	J
Bulk purchases	(6 409 268)	776 427	**(5 632 841)**	(5 932 966)	**(300 125)**	
General Expenses	(11 157 081)	(5 253 811)	**(16 410 892)**	(18 425 513)	**(2 014 621)**	K
Total expenditure	**(43 754 235)**	**(4 088 009)**	**(47 842 244)**	**(58 557 692)**	**(10 715 448)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**7 348 488**	**11 381 181**	**18 729 669**	**(8 604 844)**	**(27 334 513)**	

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	-	-	-	11 847	**11 847**	
Receivables from non-exchange transactions	-	-	-	511 867	**511 867**	
Consumer debtors	-	-	-	2 711 702	**2 711 702**	
Cash and cash equivalents	-	-	-	21 520	**21 520**	
	-	**-**	**-**	**3 256 936**	**3 256 936**	
Non-Current Assets						
Investment property	-	-	-	43 637 900	**43 637 900**	
Property, plant and equipment	-	-	-	102 126 749	**102 126 749**	
Intangible assets	-	-	-	12 960	**12 960**	
	-	**-**	**-**	**145 777 609**	**145 777 609**	
Total Assets	**-**	**-**	**-**	**149 034 545**	**149 034 545**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	4 100 000	**4 100 000**	
Finance lease obligation	-	-	-	118 869	**118 869**	
Payables from exchange transactions	-	-	-	34 421 280	**34 421 280**	
VAT payable	-	-	-	619 311	**619 311**	
Unspent conditional grants and receipts	-	-	-	4 046 131	**4 046 131**	
Provisions	-	-	-	733 911	**733 911**	
	-	**-**	**-**	**44 039 502**	**44 039 502**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	205 241	**205 241**	
Retirement benefit obligation	-	-	-	3 996 172	**3 996 172**	
Provisions	-	-	-	4 511 730	**4 511 730**	
	-	**-**	**-**	**8 713 143**	**8 713 143**	
Total Liabilities	**-**	**-**	**-**	**52 752 645**	**52 752 645**	
Net Assets	**-**	**-**	**-**	**96 281 900**	**96 281 900**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	96 281 900	**96 281 900**	

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

Variances of less than 10 % are deemed to be immaterial

A.
Pre-paid electricity sales did not materialise during the current year.

B.
Increased interest on non-payment of consumer accounts

C.
Increase relates to old truck rental income of TLB and Tipper Truck.

D.
Reduced government grant expenditure resulting in a reduction of VAT income recognised..

E.
Reduced government grant due to National Treasury clawback of funds. Also, the DWAF grant budgeted was not received and recognised. The basis of the grant is to spend then claim. Due to cash flow problems the municipality was unable to spend and could not claim.

F.
Acting allowances paid due to the MM and CFO being suspended.

G.
This was not budgeted as would have budgeted a deficit if had budgeted.

H.
Lease agreements paid up during the financial year.

I.
This was not budgeted as would have budgeted a deficit if had budgeted.
J.
Increased cost due to high cost of maintaning and repairing aging plant and equipment.

K.
Current year there was no budgeting for contributions to performance bonuses, post employee benefits, annual bonuses, actuarial losses and leave accrual.

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 No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, rounded to R1.

1.2 Going concern

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

1.3 Budget information

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30. The budget was prepared on the accrual basis.

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior years, except as otherwise indicated.

The nature and reasons for the reclassifications and restatements are disclosed in note 28 to the financial statements.

1.5 Offsetting

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

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements.Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

ACCOUNTING POLICIES

1.6 Significant judgements and sources of estimation uncertainty (continued)

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carryingamount of the financial asset or financial liability.

When calculating the effective interest rate, the municipality estimates the cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate , transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

1.6 Significant judgements and sources of estimation uncertainty (continued)

Provision for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.7 Investment property

Initial recognition and measurement

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, to meet service delivery objectives, for administrative purposes or sale in the ordinary course of operations.

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.

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

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Cost model

Subsequent to initial recognition investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

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

Land is not depreciated as it is considered to have an indefinite useful life.

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance .

1.7 Investment property (continued)

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

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

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

1.8 Property, plant and equipment

Initial recognition

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 (other than investment property), or for administrative purposes, and are expected to be used during more than one period.

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

The decommissioning costs associated with landfill sites are depreciated over its remaining useful life in accordance with estimate of useful lives as detailed below.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

ACCOUNTING POLICIES

1.8 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	30 years
Infrastructure	
• Roads and paving	10 - 50 years
• Water	20 - 50 years
• Electricity	5 - 30 years
• Sanitation	40 - 55 years
• Cemeteries	30 years
Other	
• Office equipment	7 - 10 years
• Furniture and fittings	5 - 15 years
• Computer equipment	5 - 10 years
• Infrastructure equipment	7 - 40 years
• Motor vehicles	7 - 10 years
• Plant and equipment	7 - 15 years
• Other equipment	5 - 15 years
Landfill sites	16 - 22 years

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.
An impairment is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

For an intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

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.

Amortisation and impairment

The depreciable amounts of intangible assets with a finite useful life are allocated over their useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software, other	3 years

Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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.

1.10 Financial instruments

Policies relating to specific financial instruments

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

1.11 Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity’s obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

1.11 Leases (continued)

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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

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

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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

1.12 Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured on the weighted average basis by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

Derecognition

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.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

1.13 Impairment of cash-generating assets (continued)

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.

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.

Recognition and measurement

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.

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.

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 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.

ACCOUNTING POLICIES

1.13 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.

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.

1.14 Impairment of non-cash-generating assets

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

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.

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.

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

ACCOUNTING POLICIES

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

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

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

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

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

1.15 Employee benefits

Short-term employee benefits

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

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

1.15 Employee benefits (continued)

Post retirement medical obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.16 Provisions and contingencies

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

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 expenditure expected to be required to settle the obligation.

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

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.17 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

1.17 Revenue from exchange transactions (continued)

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

b) The amount of revenue can be measured reliably; and

c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly based.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

Measurement

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

1.18 Revenue from non-exchange transactions

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

1.18 Revenue from non-exchange transactions (continued)

Recognition

Revenue from non-exchange transactions is only recognised once all of the following criteria have been satisfied:

a) The amount of revenue can be measured reliably; and

b) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with IGRAP1 the full amount of the revenue is recognised at the initial transaction date.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

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

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.19 Borrowing costs

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

1.20 Unauthorised expenditure

Unauthorised expenditure means expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 (3) of the MFMA, and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA.

ACCOUNTING POLICIES

1.20 Unauthorised expenditure (continued)

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

1.23 Related parties

In accordance with GRAP 20, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

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

1.24 Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury. No heritage assets have been recognised. No reporting period adjustments have been recognised. The municipality will fully comply with GRAP

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

1.25 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.26 Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

ACCOUNTING POLICIES

1.27 Post-reporting date events

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.28. New standards and interpretations

1.28.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

1.28.2 Standards and interpretations issued, but not yet effective

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

• GRAP 32: Service concession arrangements: Grantor	No effective date
• IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	No effective date
• GRAP 108 - Statutory Receivables	No effective date

Possible impact of initial application of standards of GRAP approved but not yet effective

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

GRAP 32: Service concession arrangements: Grantor - No significant impact expected as no such transactions or events are expected in the forseeable future.

IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 108: Statutory receivables - No significant impact is expected as the information is to a large extent already included in the financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

2. Inventories

Water	11 847	11 847

No consumables were on hand at year end.

3. Receivables from non-exchange transactions

Sundry debtors	107 761	-
Other taxes	40 509	40 415
Recoverable amounts - Department	-	333 828
Sundry debtor	268 473	220 929
Receipting variances	74 740	72 048
Payments	20 384	-
	511 867	**667 220**

4. Trade receivables

Gross balances		
Rates	2 559 455	3 891 626
Electricity	3 239 483	6 111 401
Water	4 083 895	5 305 259
Sewerage	4 317 214	5 762 976
Refuse	3 932 198	5 201 429
Payments received in advance	(675 958)	(495 623)
Other	300 883	369 634
VAT provision	2 726 498	-
	20 483 668	**26 642 325**
Less: Allowance for impairment		
Debtors with credit balances	675 958	495 623
Less: Provision for debt impairment	(18 447 924)	(22 983 426)
	(17 771 966)	**(22 487 803)**
Net balance	**2 711 702**	**3 658 899**
Included in above is receivables from exchange transactions		
Electricity	3 239 483	6 111 401
Water	4 083 895	5 305 259
Sewerage	4 317 214	5 762 976
Refuse	3 932 198	5 201 429
Regional services levies	2 726 498	-
Housing rental	(675 958)	(495 623)
	17 623 330	**21 885 442**
Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	2 559 455	3 891 626
Other	300 883	369 634
	2 860 338	**4 261 260**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

4. Trade receivables (continued)

	-	(22 983 426)
Net balance	**20 483 668**	**3 163 276**
Rates		
Current (0 -30 days)	2 502	5 606
31 - 60 days	2 266	3 474
61 - 90 days	1 277	1 859
91 - 120 days	-	1 088
121 - 365 days	2 547 889	3 879 599
Undefined Difference	**5 521**	**-**
	2 559 455	**3 891 626**
Electricity		
Current (0 -30 days)	2 095 742	307 187
31 - 60 days	94 045	283 875
61 - 90 days	96 424	306 498
91 - 120 days	121 549	250 384
121 - 365 days	3 215 076	4 963 457
Undefined Difference	**(2 383 353)**	**-**
	3 239 483	**6 111 401**
Water		
Current (0 -30 days)	155 956	66 795
31 - 60 days	227 239	64 300
61 - 90 days	2 158	65 457
91 - 120 days	1 567	65 360
121 - 365 days	4 116 122	5 043 347
Undefined Difference	**(419 147)**	**-**
	4 083 895	**5 305 259**
Sewerage		
Current (0 -30 days)	65 278	73 804
31 - 60 days	64 420	73 430
61 - 90 days	61 885	75 295
91 - 120 days	62 151	75 455
121 - 365 days	4 513 383	5 464 992
Undefined Difference	**(449 903)**	**-**
	4 317 214	**5 762 976**
Refuse		
Current (0 -30 days)	65 489	68 304
31 - 60 days	64 076	66 199
61 - 90 days	59 916	67 504
91 - 120 days	59 467	68 102
121 - 365 days	4 090 881	4 931 320
Undefined Difference	**(407 631)**	**-**
	3 932 198	**5 201 429**
VAT		
Provision	2 726 498	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

4. Trade receivables (continued)

Housing rental		
Current (0 -30 days)	(675 958)	(495 623)
Other (specify)		
Current (0 -30 days)	(3)	-
61 - 90 days	-	300
121 - 365 days	300 260	369 334
Undefined Difference	**626**	**-**
	300 883	**369 634**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	(234 934)	215 915
31 - 60 days	370 864	400 339
61 - 90 days	198 410	404 149
91 - 120 days	195 220	403 787
121 - 365 days	18 043 668	22 098 029
	18 573 228	**23 522 219**
Industrial/ commercial		
Current (0 -30 days)	(9 895)	(27 850)
31 - 60 days	20 874	25 561
61 - 90 days	3 953	20 652
91 - 120 days	4 762	15 506
121 - 365 days	539 409	541 585
	559 103	**575 454**
National and provincial government		
Current (0 -30 days)	1 952 135	(161 692)
31 - 60 days	60 308	65 378
61 - 90 days	19 297	91 811
91 - 120 days	44 753	41 098
121 - 365 days	200 535	2 012 436
	2 277 028	**2 049 031**
Total		
Current (0 -30 days)	1 707 305	26 372
31 - 60 days	452 046	491 278
61 - 90 days	221 661	516 613
91 - 120 days	244 735	460 390
121 - 365 days	18 783 612	24 652 049
	21 409 359	26 146 702
Less: Allowance for impairment	675 958	495 623
	(18 447 924)	(22 983 426)
Undefined Difference	**(925 691)**	**-**
	2 711 702	**3 658 899**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

4. Trade receivables (continued)

Reconciliation of allowance for impairment

	2015	Restated 2014
Balance at beginning of the year	(22 983 426)	(14 794 004)
Contributions to allowance	(6 152 625)	(8 189 422)
Debt impairment written off against allowance	10 688 127	-
	(18 447 924)	**(22 983 426)**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	Restated 2014
Cash on hand	-	290
Bank balances	10 760	-
Short-term deposits	10 760	10 919
Bank overdraft	-	(320 374)
	21 520	**(309 165)**
Current assets	21 520	11 209
Current liabilities	-	(320 374)
	21 520	**(309 165)**

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
ABSA Bank - Cheque Account - 4053099797	14 760	1 101 008	(289 459)	10 760	(320 374)	(897 117)
ABSA Bank - Salary Cheque Account - 2520141122	-	118	69	-	-	-
ABSA Bank - Money Market Account - 9137635959	-	-	25 199	-	-	25 199
ABSA Bank - Call Deposit - 9118667163	751	915	3 045	751	915	3 045
ABSA Bank - Call Deposit - 9101589574	1 007	1 002	3 841	1 007	1 002	3 841
Standard bank - Trust Fund Account - 3/288885537/001	9 002	9 002	9 002	9 002	9 002	9 002
Total	**25 520**	**1 112 045**	**(248 303)**	**21 520**	**(309 455)**	**(856 030)**

6. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43 637 900	-	43 637 900	43 637 900	-	43 637 900

6. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Total
Land	28 850 000	28 850 000
Buildings	14 787 900	14 787 900
	43 637 900	**43 637 900**

Reconciliation of investment property - 2014

	Opening balance	Total
Land	28 850 000	28 850 000
Buildings	14 787 900	14 787 900
	43 637 900	**43 637 900**

Fair value of investment properties	43 637 900	43 637 900

No restrictions have been placed on the investment property and no investment property has been pledged as security.

The fair values for investment property were obtained from the latest available valuation rolls.

7. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buldings	2 099 600	-	2 099 600	2 099 600	-	2 099 600
Infrastructure	126 512 124	(48 692 632)	77 819 492	123 066 510	(44 961 362)	78 105 148
Landfill sites	3 454 406	(1 082 250)	2 372 156	3 454 406	(1 082 250)	2 372 156
Other assets	4 866 452	(2 255 756)	2 610 696	4 439 937	(1 796 482)	2 643 455
Work in progress	17 224 805	-	17 224 805	9 990 869	-	9 990 869
Total	**154 157 387**	**(52 030 638)**	**102 126 749**	**143 051 322**	**(47 840 094)**	**95 211 228**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	2 099 600	-	-	-	2 099 600
Infrastructure	78 105 148	-	3 445 614	(3 731 270)	77 819 492
Landfill sites	2 372 156	-	-	-	2 372 156
Other assets	2 643 455	426 515	-	(459 274)	2 610 696
Work in progress	9 990 869	10 679 550	(3 445 614)	-	17 224 805
	95 211 228	**11 106 065**	**-**	**(4 190 544)**	**102 126 749**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buldings	2 099 600	-	-	-	2 099 600
Infrastructure	72 524 986	-	8 764 096	(3 183 934)	78 105 148
Landfill sites	2 506 532	49 346	-	(183 722)	2 372 156
Other assets	2 502 102	568 668	-	(427 315)	2 643 455
Work in progress	12 722 430	6 032 535	(8 764 096)	-	9 990 869
	92 355 650	**6 650 549**	**-**	**(3 794 971)**	**95 211 228**

The gross carrying value of fully depreciated property, plant and equipment still in use amounts to R2 489 047.

Net carrying amount of assets subject to finance lease:
Motor vehicles R339 000.

Contractual commitments for the acquisition of property, plant and equipment

Property, plant and equipment temporarily idle (Carrying amount)

	2015	2014
Infrastructure	-	3 100 000
Other assets	-	571 113
	-	**3 671 113**

The acquisition of property, plant and equipment will be financed through grant income.

8. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	495 090	(482 130)	12 960	495 090	(412 192)	82 898

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	82 898	(69 938)	12 960

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	153 854	2 300	(1)	(73 255)	82 898

9. Heritage assets

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

9. Heritage assets (continued)

The municipality owns the following heritage assets:

The Klipplaat monument, in honour of service men killed during the First World War.

The Great War Memorial monument, situated in Jansenville, in honour of service men killed during the First World War.

Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by the Accounting Standards Board.

10. Repayment - National Revenue Fund

Designated at fair value		
Public Works - EPWP	437 315	437 315
Integrated National Electrification Grant	2 948 808	2 948 808
Municipal Infrastructure Grant	543 480	1 543 480
Municipal Systems Infrastructure Grant	375 638	375 638
	4 305 241	**5 305 241**

The Municipality failed to spend their entire DORA allocation in the 2012/2013 financial year and as a result National and Provincial Treasury are requiring that the municipality repay the unspent amount of R5,305,241.

The amount is repayable in instalments of R1,000,000 to be deducted from the tranches of the equitable share grant.

Non-current liabilities		
At amortised cost	205 241	3 805 241
Current liabilities		
At amortised cost	4 100 000	1 500 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

11. Finance lease obligation

Minimum lease payments due		
- within one year	143 077	273 015
- in second to fifth year inclusive	-	143 078
	143 077	416 093
less: future finance charges	(24 208)	(51 422)
Present value of minimum lease payments	**118 869**	**364 671**

Present value of minimum lease payments due		
- within one year	118 869	245 802
- in second to fifth year inclusive	-	118 869
	118 869	**364 671**

Non-current liabilities	-	118 869
Current liabilities	118 869	245 802
	118 869	**364 671**

The average lease term was 5 years and the effective borrowing rate ranges between prime and prime plus 1.667%.

The leases have no contingent rental amounts, no escalation clauses, no purchase options and no restrictions on the lease arrangements.

12. Payables from exchange transactions

Trade payables	2 067 421	8 051 474
Other payables	10 394 801	18 923
Salaries control	1 214 460	-
Auditor General	5 848 837	4 368 068
Eskom - Departmental use and Free Basic Services	60 405	255 928
Eskom bulk purchases	10 188 170	4 325 899
Unknown deposits	1 214 315	709 203
Income received in advance	130 667	79 876
Leave accrual	2 626 243	1 588 561
Debtors with credit balances	675 958	495 623
	34 421 277	**19 893 555**

13. VAT payable

VAT payable	619 311	1 194 561

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	4 159 498	-
Public Works - EPWP	(214 887)	277 815
Finance Management Grant	50 214	-
	3 994 825	277 815
Other conditional grants		
Dan Sandi Sewerage Grant	70 000	70 000
Industrial Development Corporation	500 000	500 000
LED Special Grants Funding	1 924 539	1 645 893
Spatial Development Framework Grant	74 558	74 558
ACIP Sanitation	93 779	-
ACIP Water Meters	(2 611 570)	-
	51 306	2 290 451
	4 046 131	**2 568 266**

Movement during the year

Balance at the beginning of the year	2 568 266	7 525 692
Additions during the year	18 394 068	13 515 000
Income recognition during the year	(16 916 203)	(13 167 185)
Transferred to Repayment - National Revenue Fund	-	(5 305 241)
	4 046 131	**2 568 266**

See note 18 for reconciliation of grants from National/Provincial Government.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

15. Provisions

Reconciliation of provisions - 2015

	Note	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill		4 511 730	-	-	4 511 730
Provision for performance bonuses		363 876	405 919	(363 876)	405 919
Provision for annual bonuses		535 182	327 992	(535 182)	327 992
		5 410 788	**733 911**	**(899 058)**	**5 245 641**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill	4 228 206	283 524	-	4 511 730
Provision for performance bonuses	175 740	363 876	(175 740)	363 876
Provision for annual bonuses	445 390	535 182	(445 390)	535 182
	4 849 336	**1 182 582**	**(621 130)**	**5 410 788**

	2015	2014
Non-current liabilities	4 511 730	4 511 730
Current liabilities	733 911	899 058
	5 245 641	**5 410 788**

Performance Bonuses

Performance bonuses are paid out to senior management and are calculated at up to 14% of the annual salary package.

Bonuses

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th monthly basic salary.

Rehabilitation of landfill

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2030, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The landfill sites valuation was performed by Bosch Munitech. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- The sizes of the Jansenville and Steytlerville landfill sites are estimated to be 0.1 Ha each.
- The remaining useful lives of the landfill sites are estimated to be 10.39 years (Jansenville) and 16.36 years (Steytlerville), respectively.
- The CPIX (6.7%, 2013: 5.5%) was used to adjust the cost as it is the only determining factor year on year.
- Where there are no calculated site classifications, an estimate has been assumed for the classification based on local information of waste volumes and leachate. The valuation above assumes a worst case scenario, and assumes the Department of Water Affairs will strictly apply regulations.
- The cost values used are estimates only, based on previous works and escalated to current values.
- All historical and permitting information regarding the landfill sites was provided by the Municipality.

The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

16. Property rates

Rates received

Property rates	1 722 591	1 593 890
	1 722 591	1 593 890
Property rates - penalties imposed	327 859	231 287
	2 050 450	**1 825 177**

Valuations

Residential	63 585 200	63 585 200
Commercial	15 792 500	15 792 500
State	57 935 200	57 935 200
Agricultural	877 914 300	877 914 300
Vacant	-	-
Indigent	664 100	664 100
Places of worship	3 537 300	3 537 300
	1 019 428 600	**1 019 428 600**

The following general rates were applied during the 2014/2015 and 2013/2014 years respectively to property valuations to determine the assessment rates:

Residential properties	1.619 c/R	1.533 c/R
Businesses	1.984 c/R	1.879 c/R
State properties	2.381 c/R	2.254 c/R
Agricultural properties	0.311 c/R	0.294 c/R

17. Service charges

Sale of electricity	5 867 082	6 595 498
Sale of water	1 358 607	1 238 415
Sewerage charges	1 562 404	1 514 705
Refuse removal	1 367 117	1 280 768
	10 155 210	**10 629 386**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

18. Government grants and subsidies

Operating grants		
Equitable share	18 211 000	16 860 000
Provincial allocation	308 000	266 000
Department of Water Affairs	2 947 465	2 459 301
Department of Water - Water Services Capacity	2 290 851	-
SA Sport for Change	204 179	-
IEC	-	500 985
Subsidies	-	250 700
EC Government Revitalisation grant	-	700 000
Local Government and Traditional Affairs	-	2 592 400
Audit fees	-	248 121
	23 961 495	23 877 507
Capital grants		
Finance Management grant	1 709 418	1 650 000
Municipal Systems Improvement grant	852 145	890 000
Municipal Infrastructure grant	6 054 836	9 725 000
Public Works - EPWP	1 444 548	722 185
Dan Sandi Sewerage	-	180 000
	10 060 947	13 167 185
	34 022 442	**37 044 692**

Equitable Share

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

Integrated National Electrification grant

Balance unspent at beginning of year	-	2 948 808
Transferred to Repayment - National Revenue Fund	-	(2 948 808)
	-	**-**

Finance Management grant

Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 749 786)	(1 650 000)
	50 214	**-**

Municipal Systems Improvement grant

Balance unspent at beginning of year	-	375 638
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Transferred to Repayment - National Revenue Fund	-	(375 638)
	-	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

18. Government grants and subsidies (continued)

Municipal Infrastructure grant

Balance unspent at beginning of year	-	1 543 480
Current-year receipts	11 002 000	9 725 000
Conditions met - transferred to revenue	(6 842 502)	(9 725 000)
Transferred to Repayment - National Revenue Fund	-	(1 543 480)
	4 159 498	**-**

Public Works - EPWP

Balance unspent at beginning of year	277 815	437 315
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 492 702)	(722 185)
Transferred to Repayment - National Revenue Fund	-	(437 315)
	(214 887)	**277 815**

Local Economic Development

Balance unspent at beginning of year	1 645 893	1 645 893
Conditions met - transferred to revenue	278 646	-
	1 924 539	**1 645 893**

Spatial Development Framework

Balance unspent at beginning of year	74 558	74 558

Dan Sandi Sewerage grant

Balance unspent at beginning of year	70 000	-
Current-year receipts	-	250 000
Conditions met - transferred to revenue	-	(180 000)
	70 000	**70 000**

Industrial Development Corporation

Balance unspent at beginning of year	500 000	500 000

ACIP Sanitation Grant

Current-year receipts	3 453 889	-
Conditions met - transferred to revenue	(3 360 110)	-
	93 779	**-**

ACIP Water Grant

Current-year receipts	278 645	-
Conditions met - transferred to revenue	(2 611 570)	-
Undefined Difference	**(278 645)**	**-**
	(2 611 570)	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

19. Revenue

Property rates	1 722 591	1 593 890
Service charges	10 155 210	10 629 386
Government grants and subsidies	34 022 442	37 044 692
Interest received - internal	1 316 022	722 520
Licences and permits	109 451	126 357
Rental of facilities and equipment	86 240	20 269
Other income	2 169 266	1 044 665
Interest received - external	43 767	61 173
Property rates - penalties imposed	327 859	231 287
	49 952 848	**51 474 239**

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

Service charges	10 155 210	10 629 386
Rental of facilities and equipment	86 240	20 269
Interest received - internal	1 316 022	722 520
Licences and permits	109 451	126 357
Other income	2 169 266	1 044 665
Interest received - external	43 767	61 173
	13 879 956	**12 604 370**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	1 722 591	1 593 890
Property rates - penalties imposed	327 859	231 287
Government grants and subsidies	34 022 442	37 044 692
	36 072 892	**38 869 869**

20. Personnel

Basic salaries and wages	15 321 493	12 597 507
Performance bonuses	-	189 000
Medical aid - company contributions	666 838	521 111
UIF	127 654	114 349
SDL	147 332	117 102
Leave pay	1 212 649	596 933
Provision for bonuses	(165 147)	99 359
Wages	-	547 857
Travel, motor car, accommodation, subsistence and other allowances	694 489	613 170
Overtime payments	715 547	716 078
Long-service awards	26 225	-
Acting allowances	31 343	-
Housing benefits and allowances	13 261	9 085
Annual Bonus	684 257	750 557
Pension fund contributions	1 321 913	1 243 509
Bargaining council	6 511	3 292
Provision for post employment benefits	673 000	(276 000)
	21 477 365	**17 842 909**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

20. Personnel (continued)

Remuneration of municipal manager

Annual Remuneration	795 608	737 391
Travel, motor car, accommodation, subsistence and other allowances	134 400	134 400
Contributions to UIF, Medical and Pension Funds	10 845	-
	940 853	**871 791**

The municipal manager, Mr T Gutas, has been suspended for the whole year with Mrs Mpahlwa, Director: Strategic Services, acting in his place.

Remuneration of chief finance officer

Annual Remuneration	673 527	623 072
Travel, motor car, accommodation, subsistence and other allowances	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 785	-
	795 312	**743 072**

Remuneration of the Manager - Strategic Services

Annual Remuneration	673 527	623 072
Acting Allowance	21 453	42 906
Travel, motor car, accommodation, subsistence and other allowances	120 000	120 000
Contributions to UIF, Medical and Pension Funds	9 694	-
	824 674	**785 978**

Remuneration of Manager - Technical Services

Annual Remuneration	336 263	50 423
Acting Allowances	16 099	-
Travel, motor car, accommodation, subsistence and other allowances	62 500	12 500
Contributions to UIF, Medical and Pension Funds	4 926	-
	419 788	**62 923**

21. Remuneration of councillors

Executive Mayor	390 888	359 598
Councillors	1 417 511	1 233 750
	1 808 399	**1 593 348**

In-kind benefits

The municipality received assistance from the Sarah Baartman District Municipality. The assistance provided by Sarah Baartman District Municipality was to provide accounting support services.

Councillors' Remuneration

2015

Councillor	Remuneration	Allowances	Back Pay	Total
SA Mngwevu (Mayor)	260 012	107 538	23 33	390 888
K Hendricks	159 887	68 578	19 24	247 711

21. Remuneration of councillors (continued)

M Bonaparte	145 432	84 109	27 17	256 718
L Ntame	159 887	68 578	18 48	246 947
A Mboneni	159 887	74 163	10 03	244 080
J Lewis	141 699	68 101	12 89	222 696
BW Seekooi	141 699	62 516	18 48	222 697
	1 168 503	**533 583**	**106 31**	**1 808 399**

2014

Councillor	Remuneration	Allowances	Total
SA Mngwevu (Mayor)	261 299	98 299	359 598
K Hendricks	144 792	60 833	205 625
M Bonaparte	144 792	60 833	205 625
L Ntame	144 792	60 833	205 625
A Mboneni	144 792	60 833	205 625
J Lewis	144 792	60 833	205 625
BW Seekooi	144 792	60 833	205 625
	1 130 051	**463 297**	**1 593 348**

22. Debt impairment

	2015	2014
Contributions to debt impairment provision	6 152 625	8 183 394

23. Depreciation and amortisation

	2015	2014
Property, plant and equipment	4 190 544	3 781 044
Intangible assets	69 938	87 184
	4 260 482	**3 868 228**

24. Finance costs

	2015	2014
Trade and other payables	-	566 164
Finance leases	27 613	50 309
	27 613	**616 473**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2015	Restated 2014

25. Repairs and maintenance

Buildings		166 064	274 684
Computers		111	1 648
Network		136 142	1 299 816
Street		3 926	77 263
Tools and equipment		862	1 746
Vehicles and plant		175 821	219 554
Water reticulation		29 211	57 318
Water boreholes		43 026	-
		555 163	**1 932 029**

26. Bulk purchases

Electricity		5 932 966	5 879 737

27. General expenses

Audit committee		6 373	5 000
Advertising		71 695	75 968
Audit fee - internal		187 691	137 615
Auditors remuneration		126 885	2 300 495
Bank charges		257 190	150 543
Books and publications		-	1 486
Communication		-	73 448
Departmental electricity		345 747	1 167 880
Entertainment		73 440	86 359
Fines and penalties		2 005 798	26 207
Matlansana projects		-	506 107
Free basic services		1 966 814	1 615 331
Sundry expenses		47 127	458 370
Fuel and oil		493 771	513 389
Insurance		548 733	192 157
Internet subscriptions		68 572	147 776
Lease rentals	43	306 159	274 687
Professional fees		1 846 705	1 639 301
Legal expenses		598 638	529 724
Chemicals		337 551	335 500
Subscriptions		14 419	99 008
Motor vehicle expenses - licencing		1 735 616	8 852
Movement in provision for landfill sites		-	234 178
MSIG		3 780 878	599 100
Postage and courier		5 065	60 583
Printing and stationery		260 125	274 809
Special projects		79 998	121 131
Protective clothing		134 825	6 285
Summit costs		-	422 900
Pauper burials		12 000	23 000
Telephone and fax		644 464	490 755
Tourism development		610 000	80 248
Training		260 522	112 688
Subsistence and travel		1 492 110	1 431 225
Water		-	16 298
Gifts		38 682	-
EPWP		67 920	-
		18 425 513	**14 218 403**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

28. Prior period errors

The correction of error relating to the opening retained income balance at 01 July 2014 is due to the following adjustment:

Property, plant and equipment	(1 922 632)

The adjustment to Property, plant and equipment relates to the restatement of assets previously carried at R1 in the asset register resulting from a restatement to the estimated useful lives of other assets.

Further to the above the following balances were adjusted as follows as at the 2013 reporting date:

Statement of financial position	Restated 2014	Reported 2014
Assets		
Non-current assets		
Property, plant and equipment	95 211 228	98 186 658
Current assets		
Trade receivables	3 658 899	3 163 276
Liabilities		
Current liabilities		
Payables from exchange transactions	19 893 555	19 397 932
Net Assets		
Opening Accumulated Surplus or Deficit	104 886 745	107 862 175
	223 650 427	**228 610 041**

Statement of Financial Performance		
Expenses		
Depreciation expense	3 868 228	2 815 430
	3 868 228	**2 815 430**

Trade receivables
Debtors with credit balances have been reclassified from trade receivables to payables from exchange transactions.

Property, plant and equipment
The adjustment to PPE relates to the restatement of assets previously carried at R1 in the asset register resulting from a restatement to the estimated useful lives of other assets.

Trade and other payables
Debtors with credit balances have been reclassified from trade receivables to payables from exchange transactions..

Depreciation and amortisation
Depreciation on other assets has been restated correcting assets previously fully depreciated and carried at R1 after restating the estimated useful lives of other assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

29. Cash generated from operations

Deficit	(8 604 844)	(2 660 283)
Adjustments for:		
Depreciation and amortisation	4 260 482	3 868 228
Gain on sale of assets and liabilities	-	1
Finance costs - Finance leases	27 609	-
Debt impairment	6 152 625	8 183 394
Movements in retirement benefit assets and liabilities	659 172	(276 000)
Movements in provisions	(165 147)	561 455
Changes in working capital:		
Inventories	-	(4 237)
Other receivables	155 353	(621 118)
Consumer debtors	(5 205 428)	(6 459 949)
Payables from exchange transactions	14 527 728	4 641 210
VAT	(575 250)	(158 912)
Unspent conditional grants and receipts	1 477 865	(4 957 426)
	12 710 165	**2 116 363**

30. Auditors' remuneration

Fees	126 885	2 300 495

31. Related parties

Relationships	
Mayor	SA Mngwevu
Councillor	Cllr K Hendricks
Councillor	Cllr M Bonaparte
Councillor	Cllr L Ntame
Councillor	Cllr A Mboneni
Councillor	Cllr J Lewis
Councillor	Cllr BW Seekeoi
Municipal Manager (Suspended)	LT Gutas
Chief Financial Officer	D Sauls
Director - Technical Services	N Nongene
Director - Strategic Services	MP Mpahlwa
District Municipality that Ikwezi Municipality forms part of	Sarah Baartman District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	None

Refer to note 21 for a breakdown of councillors' remuneration.

Refer to note 20 for a breakdown of amounts paid to section 57 managers.

32. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the finance department, with assistance of the operating divisions, under policies approved by the accounting officers.

32. Risk management (continued)

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, projected grant receipts and cash forecasting.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligation	118 869	-	-	-
Trade and other payables	34 421 277	-	-	-
Repayment - National Revenue Fund	4 100 000	205 241	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligation	245 802	118 869	-	-
Bank overdraft	320 374	-	-	-
Trade and other payables	19 898 918	-	-	-
Repayment - National Revenue Fund	1 500 000	1 500 000	2 305 241	-

Credit risk

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

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

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

Financial instrument	2015	2014
Call deposits	10 760	10 918
Trade and other receivables	2 711 702	3 658 899
Other receivables	511 867	667 220

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments.The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

33. Events after the reporting date

No events have been identified after the reporting date which could have a material impact on the annual financial statements.

34. Unauthorised expenditure

	2015	2014
Unauthorised expenditure	98 281 051	10 442 743
Add: Unauthorised expenditure - current year	-	98 281 051
Less: Amounts condoned	-	(10 442 743)
	98 281 051	**98 281 051**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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34. Unauthorised expenditure (continued)

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

The current year unauthorised expenditure was incurred as follows:

35. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	583 336	213 168
Add: Fruitless and wasteful expenditure - current year	-	583 336
Less: Amount condoned	-	(213 168)
	583 336	**583 336**

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

Schedule of fruitless and wasteful expenditure incurred in the current year:

Category	**2015**	**2014**
Interest on overdue accounts	-	566 164

36. Irregular expenditure

Opening balance	1 923 741	9 513 003
Add: Irregular Expenditure - current year	-	1 923 741
Less: Amounts condoned	-	(9 513 003)
	1 923 741	**1 923 741**

Details of irregular expenditure – current year

-

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officers and includes a note to the annual financial statements.

Goods and services to the value of RXXXXXXX were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officers who considered them and subsequently approved the deviation from the normal supply chain management regulations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

38. Contingencies

Former employee vs Ikwezi Local Municipality / others

The matter has not been resolved and the claim against Council is estimated at R650,000.

M. Blouw

The municipality was being sued by a former employee, M. Blouw. The matter has been to arbitration and was settled subsequent to year end. Mr Blouw was awarded an amount of R176,777.

Mr T. Gutas vs Ikwezi Local Municipality

The potential claim is twelve months salary which amounts to R857,391.

Jansenville Taxi Association

Jansenville Taxi Association has taken the municipality to court over the eviction of M. Blouw. The value of the potential claim has not yet been determined. The claim is over ownership of property.

Fleet Africa vs Ikwezi Local Municpality

A settlement has been reached but the legal cost is still to be determined. An arrangement is in place to pay for the goods in three payments. The final payment will be made in November 2014.

39. Material losses

During the 2015 financial year the municipality incurred distribution losses relating to water of XX% (2014: 5.0%) and relating to electricity of 37.6% (2014: 48.9%)

40. Pension and medical aid deductions

Current year payroll deductions and Council Contributions	2 676 610	2 504 183
Amount paid - Current year	(1 185 486)	(2 074 478)
	1 491 124	**429 705**

41. Councillors' arrear consumer accounts

Outstanding less than 90 days		
Councillor K Hendricks	770	614
Councillor J Lewis	1 474	1 051
Councillor M Bonaparte	439	592
Councillor BW Seekooi	-	297
	2 683	**2 554**

Outstanding more than 90 days		
Councillor K Hendicks	19	1 556
Councillor J Lewis	238	-
Councillor M Bonaparte	728	930
	985	**2 486**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

42. PAYE, SDL and UIF

Current year payroll deductions	2 425 542	2 319 342
Amount paid - Current year	(1 783 305)	(1 727 634)
	642 237	**591 708**

43. Finance lease receivables

Gross investment in the lease due		
- within one year	37 719	71 809
- in second to fifth year inclusive	1 894	39 613
	39 613	**111 422**

Present value of minimum lease payments due		
- within one year	37 719	71 809
- in second to fifth year inclusive	1 894	39 613
	39 613	**111 422**

The average lease terms is 2 years and the average effective lending rate is undetermined.

Obligations under operating leases are secured by the lessor's title to the leased property

The leases do not contain any purchase options, contingent rentals, escalation clauses or restrictions on the lease arrangements.

The leases are renewable at the end of the lease term at the option of the lessee for a futher term to be negotiated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

44. Employee benefit obligations

44.1 Post employment medical benefit

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 122 000	2 548 000

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 548 000	2 641 000
Net expense recognised in the statement of financial performance	574 000	(93 000)
	3 122 000	**2 548 000**

Net expense recognised in the statement of financial performance

Current service cost	80 000	85 000
Interest cost	228 000	209 000
Actuarial (gains) losses	374 000	(308 000)
Benefits paid	(108 000)	(79 000)
	574 000	**(93 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.94 %	8.94 %
Expected rate of return on assets	0.82 %	0.82 %
Expected rate of return on reimbursement rights	7.05 %	7.05 %
Medical cost trend rates	8.05 %	8.05 %

The PA 90-2 post-retirement mortality table was used

Number of Continuation pensioners - 4

Average age of Contination pensioners as at 30 June 2014 was 66.3 (2013/2014: 64), with an average employer monthly contribution of R2,260 (2013/2014: R1,650).

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	425 000	387 000
Effect on defined benefit obligation	3 240 000	2 963 000

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	3 122 000	2 548 000	2 641 000	2 239 000	1 734 000
Experience adjustments on plan	(374 000)	53 000	219 000	373 000	-

Figures in Rand	2015	Restated 2014

44. Employee benefit obligations (continued)

Defined benefit obligation

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries.The last actuarial valuation was performed on 30 June 2015 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.

The estimated contributions to be paid in the next financial year:

The total economic entity contribution to such schemes	124 000	80 000

44.2 Long service awards

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	874 172	789 000

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	789 000	972 000
Benefits paid	(13 828)	-
Net expense recognised in the statement of financial performance	99 000	(183 000)
	874 172	**789 000**

Net expense recognised in the statement of financial performance

Current service cost	95 000	208 000
Interest cost	62 000	79 000
Actuarial (gains) losses	(10 000)	(366 000)
Bonuses paid	(48 000)	(104 000)
	99 000	**(183 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.96 %	7.96 %
Expected rate of return on assets	0.59 %	0.59 %
Expected rate of return on reimbursement rights	6.33 %	6.33 %
Expected increase in salaries	7.33 %	7.33 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	Restated 2014

44. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	205 000	179 000
Effect on defined benefit obligation	945 000	836 000

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	874 172	789 000	972 000	688 000	522 000
Experience adjustments on plan	(10 000)	(366 000)	100 000	101 000	-

Defined benefit obligation

The obligation in respect of the long service awards is valued every year by independent qualified actuaries.The last actuarial valuation was performed on 30 June 2015 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

The estimated contributions for the next financial year:.

The total economic entity contribution to such schemes	107 000	95 000

45. Going concern

There are material uncertainties regarding the going concern assumption due to:
- The significant cash flow problems of the municipality resulting in long outstanding payments of creditors.
- Long outstanding receivables that are considered irrecoverable
- The fact that the municipality is in a net current liability position which indicates that the municipality is not liquid.