Accounting Officer's Responsibilities and Approval

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

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

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

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

The annual financial statements set out on pages 5 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr. S. Tantsi
Municipal Manager

Butterworth

31 August 2015

Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2015
Auditor General South Africa

General Information

Nature of business and principal activities	Mnquma 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.
Grading of local authority	Medium capacity municipality
Accounting Officer	S. Tantsi
Registered office	Corner King & Umtata Street BUTTERWORTH 4960

MEMBERS OF COUNCIL

Mayor	Councillor B. Ganjana
Speaker	Councillor Z. M. Mnqwazi
Chief Whip	Councillor T. P. Ntanga
Exco Councillor	Councillor N. Sheleni
Exco Councillor	Councillor T. Bikitsha
Exco Councillor	Councillor S. Ncetezo
Exco Councillor	Councillor T. Madikane
Exco Councillor	Councillor L. Mgandela
Exco Councillor	Councillor N. Nkamisa
Exco Councillor	Councillor N. Skelenge
Exco Councillor	Councillor G. Mdudo
Exco Councillor	Councillor N. Plaatjie
Exco Councillor	Councillor Z. Sogayise

Councillor	M. Molosi	Councillor	N. Zaba
Councillor	Y. Mngonyama	Councillor	N. Njengele
Councillor	A.V. Mankune	Councillor	N. Sajini
Councillor	N.Tyala	Councillor	M.S Velaphi
Councillor	S. Mahlanza	Councillor	N. Mbuku
Councillor	N.Q. Sukwana	Councillor	L. K. Ntshebe
Councillor	N.Jiya	Councillor	M. Magqabini
Councillor	L.M. Mtalo	Councillor	N. W. Mzimba
Councillor	C.N. Makholwa	Councillor	Q. A. Mpande
Councillor	Mnqokoyi	Councillor	V. Bam
Councillor	N. Luwaca	Councillor	X. D. Mathanga
Councillor	N.S. Tsetse	Councillor	G. Q. Ngqongolo
Councillor	Z. Gobingca	Councillor	M.W. Ntongana
Councillor	Z.Gade	Councillor	T. Ntshawuzana
Councillor	N. Phahlane	Councillor	T. M. Ntisana
Councillor	A. Nkaule	Councillor	M. Zimba
Councillor	E. W. Nyengule	Councillor	Z. D. Solontsi
Councillor	T. Mbelani	Councillor	C. K. Mpeluza
Councillor	M. Buso	Councillor	N. Tandela
Councillor	M.D. Mkhwezo	Councillor	Z. Bomela
Councillor	N. Nqata	Councillor	M. Nyhontso
Councillor	Z. Mqolo	Councillor	N. Dayimani
Councillor	T. Dyani	Councillor	X. C. Doko
Councillor	X. Nkwateni		

General Information

TRADITIONAL LEADERS TO PARTICIPATE IN MNQUMA MUNICIPALITY COUNCIL

S. Mpeta
S. Sobhekwa
D. Ndzimela
T. C. Magodla
O. M. Tsipa
Z. Dyantyi
V. N. Kona
M. Dondolo
M. Mcotama

Postal address	P.O. Box 36 BUTTERWORTH 4960
Bankers	First National Bank
Auditors	Auditor General South Africa
Relevant Legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division of Revenue Act Income Tax Act Value Added Tax Act Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Municipal Property Rates Act (Act no. 6 of 2004) Electricity Act (Act no. 41 of 1987) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 55 of 1988) Unemployment Insurance Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations, 2011 Collective Agreements Infrastructure Grants SALGBC Leave Regulations

Index

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

Abbreviations

CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

The annual financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr. S. Tantsi
Municipal Manager

Butterworth

31 August 2015

Statement of Financial Position as at 30 June 2015

	Notes	2015 R	2014 Restated* R
Assets			
Current Assets			
Inventories	3	9 393 514	8 323 625
Receivables from exchange transactions	4	300 942	248 838
VAT receivable	5	7 203 801	4 403 501
Consumer debtors	6	4 650 661	15 481 636
Cash and cash equivalents	7	61 179 292	90 601 925
		82 728 210	**119 059 525**
Non-Current Assets			
Investment property	8	717 334	717 334
Property, plant and equipment	9	806 257 235	846 283 637
Intangible assets	10	134 754	202 132
		807 109 323	**847 203 103**
Non-Current Assets		807 109 323	847 203 103
Current Assets		82 728 210	119 059 525
Total Assets		**889 837 533**	**966 262 628**
Liabilities			
Current Liabilities			
Finance lease obligation	11	415 728	436 581
Payables from exchange transactions	12	25 215 901	27 586 686
Employee benefit obligation	13	15 690 141	13 140 412
Unspent conditional grants and receipts	14	18 479 904	31 788 171
		59 801 674	**72 951 850**
Non-Current Liabilities			
Finance lease obligation	11	203 534	553 681
Employee benefit obligation	13	7 281 000	7 043 000
Provisions	15	-	24 718 814
		7 484 534	**32 315 495**
Non-Current Liabilities		7 484 534	32 315 495
Current Liabilities		59 801 674	72 951 850
Total Liabilities		**67 286 208**	**105 267 345**
Assets		889 837 533	966 262 628
Liabilities		(67 286 208)	(105 267 345)
Net Assets		**822 551 325**	**860 995 283**
Reserves			
Revaluation reserve		442 056 656	443 204 407
Accumulated surplus		380 494 669	417 790 876
Total Net Assets		**822 551 325**	**860 995 283**

* See Note 35

Statement of Financial Performance

	Notes	2015 R	2014 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	16	3 590 687	3 470 257
Rental of facilities and equipment	17	2 300 008	2 114 023
Interest on outstanding debtors		3 694 136	2 911 929
Agency services	18	2 744 414	2 709 269
Licences and permits		947 720	953 033
Other income	19	4 993 635	649 009
Donations		81 623	2 982
Interest received - investment	20	5 115 932	4 435 173
Total revenue from exchange transactions		**23 468 155**	**17 245 675**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	19 384 363	11 713 236
Transfer revenue			
Government grants & subsidies	22	283 142 059	219 174 894
Traffic fines		1 579 257	1 372 010
Total revenue from non-exchange transactions		**304 105 679**	**232 260 140**
		23 468 155	17 245 675
		304 105 679	232 260 140
Total revenue		**327 573 834**	**249 505 815**
Expenditure			
Employee related costs	23	(130 821 838)	(104 471 188)
Remuneration of councillors	24	(22 141 051)	(21 643 605)
Depreciation and amortisation	25	(108 114 827)	(103 310 321)
Impairment loss		-	(3 407)
Finance costs	26	(624 359)	(278 000)
Lease rentals on operating lease		-	(94 552)
Debt Impairment	27	(21 979 911)	(8 774 086)
Collection costs		(47 325)	(253 209)
Repairs and maintenance		(8 981 079)	(10 739 416)
Bulk purchases	28	(6 439 287)	(1 865 729)
General expenses	29	(66 854 335)	(55 088 438)
Total expenditure		**(366 004 012)**	**(306 521 951)**
		-	-
Total revenue		327 573 834	249 505 815
Total expenditure		(366 004 012)	(306 521 951)
Operating deficit		**(38 430 178)**	**(57 016 136)**
Loss on disposal of assets and liabilities		(682 779)	(1 729 711)
Fair value adjustments		1 147 751	548 766
Actuarial gains/(losses)	13	669 000	(2 620 400)
		1 133 972	**(3 801 345)**
Deficit before taxation		(37 296 206)	(60 817 481)
Taxation		-	-
Deficit for the year		**(37 296 206)**	**(60 817 481)**

* See Note 35

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2013	**-**	**478 608 356**	**478 608 356**
Changes in net assets			
Surplus for the year	-	(60 817 480)	(60 817 480)
Revaluation surplus on infrastructure	443 204 407	-	443 204 407
Total changes	443 204 407	(60 817 480)	382 386 927
Restated* Balance at 01 July 2014	**443 204 407**	**417 790 876**	**860 995 283**
Changes in net assets			
Surplus for the year	-	(37 296 207)	(37 296 207)
Realisation of revaluation surplus	(1 147 751)	-	(1 147 751)
Total changes	(1 147 751)	(37 296 207)	(38 443 958)
Balance at 30 June 2015	**442 056 656**	**380 494 669**	**822 551 325**

* See Note 35

Cash Flow Statement

	Notes	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Other Receipts		12 086 283	7 251 556
Sale of goods and services		8 973 710	3 575 321
Grants		283 142 059	219 174 894
Interest income		8 810 068	7 347 102
		313 012 120	237 348 873
Payments			
Employee costs		(174 893 974)	(118 542 431)
Suppliers		(97 923 216)	(50 613 225)
Finance cost		(624 361)	(278 086)
		(273 441 551)	(169 433 742)
Total receipts		313 012 120	237 348 873
Total payments		(273 441 551)	(169 433 742)
Net cash flows from operating activities	32	**39 570 569**	**67 915 131**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(90 586 486)	(28 886 268)
Purchase of intangible assets	10	-	(225 250)
Write off of Rehabilitation of Landfill provision		22 918 814	-
Provision for retention fee		911 555	-
Fair value adjustment of landfill site		1 084 278	894 413
Net cash flows from investing activities		**(65 671 839)**	**(28 217 105)**
Cash flows from financing activities			
Finance lease payments		(371 000)	(891 907)
Net increase/(decrease) in cash and cash equivalents		**(26 472 270)**	**38 806 119**
Cash and cash equivalents at the beginning of the year		90 601 925	61 420 638
Cash and cash equivalents at the end of the year	7	**64 129 655**	**100 226 757**

* See Note 35

Statement of Comparison of Budget and Actual Amounts

Budget on accrual basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 100 000	-	**4 100 000**	3 590 687	**(509 313)**	45
Rental of facilities and equipment	2 139 000	-	**2 139 000**	2 300 008	**161 008**	45
Interest received received from debtors	2 625 000	-	**2 625 000**	3 694 136	**1 069 136**	45
Agency services	820 000	-	**820 000**	2 744 414	**1 924 414**	45
Licences and permits	3 739 000	-	**3 739 000**	947 720	**(2 791 280)**	45
Other income	681 000	-	**681 000**	4 993 635	**4 312 635**	45
Other income - (rollup)	-	-	**-**	81 623	**81 623**	45
Interest received - investment	4 000 000	(1 365 000)	**2 635 000**	5 115 932	**2 480 932**	45
Total revenue from exchange transactions	**18 104 000**	**(1 365 000)**	**16 739 000**	**23 468 155**	**6 729 155**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 561 000	1 911 000	**19 472 000**	19 384 363	**(87 637)**	45
Transfer revenue						
Government grants & subsidies	260 675 000	51 756 000	**312 431 000**	283 142 059	**(29 288 941)**	45
Public contributions and donations	-	-	**-**	1 579 257	**1 579 257**	
Traffic fines	1 646 000	-	**1 646 000**	-	**(1 646 000)**	45
Total revenue from non-exchange transactions	**279 882 000**	**53 667 000**	**333 549 000**	**304 105 679**	**(29 443 321)**	
'Total revenue from exchange transactions'	18 104 000	(1 365 000)	**16 739 000**	23 468 155	**6 729 155**	
'Total revenue from non-exchange transactions'	279 882 000	53 667 000	**333 549 000**	304 105 679	**(29 443 321)**	
Total revenue	**297 986 000**	**52 302 000**	**350 288 000**	**327 573 834**	**(22 714 166)**	
Expenditure						
Personnel	(121 325 000)	(8 329 000)	**(129 654 000)**	(130 821 838)	**(1 167 838)**	45
Remuneration of councillors	(23 007 000)	1 378 000	**(21 629 000)**	(22 141 051)	**(512 051)**	45
Depreciation and amortisation	(34 642 000)	-	**(34 642 000)**	(108 114 827)	**(73 472 827)**	45
Debt impairment	(3 000 000)	-	**(3 000 000)**	-	**3 000 000**	45
Finance costs	(2 658 000)	63 000	**(2 595 000)**	(624 359)	**1 970 641**	
Bad debts written off	-	-	**-**	(21 979 911)	**(21 979 911)**	
Collection costs	-	-	**-**	(47 325)	**(47 325)**	
Repairs and maintenance	-	-	**-**	(8 981 079)	**(8 981 079)**	
Bulk purchases	(10 910 000)	(4 435 000)	**(15 345 000)**	(6 439 287)	**8 905 713**	
General Expenses	(56 541 000)	(13 355 000)	**(69 896 000)**	(66 854 335)	**3 041 665**	
Total expenditure	**(252 083 000)**	**(24 678 000)**	**(276 761 000)**	**(366 004 012)**	**(89 243 012)**	
	297 986 000	52 302 000	**350 288 000**	327 573 834	**(22 714 166)**	
	(252 083 000)	(24 678 000)	**(276 761 000)**	(366 004 012)	**(89 243 012)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Operating deficit	**45 903 000**	**27 624 000**	**73 527 000**	**(38 430 178)**	**(111 957 178)**	
Loss on disposal of assets and liabilities	590 000	-	**590 000**	(682 779)	**(1 272 779)**	
Fair value adjustments	-	-	**-**	1 147 751	**1 147 751**	
Actuarial gains/losses	-	-	**-**	669 000	**669 000**	
	590 000	**-**	**590 000**	**1 133 972**	**543 972**	
	45 903 000	27 624 000	**73 527 000**	(38 430 178)	**(111 957 178)**	
	590 000	-	**590 000**	1 133 972	**543 972**	
Deficit before taxation	**46 493 000**	**27 624 000**	**74 117 000**	**(37 296 206)**	**(111 413 206)**	
Surplus before taxation	46 493 000	27 624 000	**74 117 000**	(37 296 206)	**(111 413 206)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**46 493 000**	**27 624 000**	**74 117 000**	**(37 296 206)**	**(111 413 206)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	9 393 514	**9 393 514**	
Receivables from exchange transactions	-	-	**-**	300 942	**300 942**	
VAT receivable	-	-	**-**	7 203 801	**7 203 801**	
Consumer debtors	100 919 000	-	**100 919 000**	4 650 661	**(96 268 339)**	
Cash and cash equivalents	93 089 000	-	**93 089 000**	61 179 292	**(31 909 708)**	
	194 008 000	**-**	**194 008 000**	**82 728 210**	**(111 279 790)**	
Non-Current Assets						
Investment property	-	-	**-**	717 334	**717 334**	
Property, plant and equipment	241 338 000	-	**241 338 000**	806 257 234	**564 919 234**	
Intangible assets	-	-	**-**	134 755	**134 755**	
	241 338 000	**-**	**241 338 000**	**807 109 323**	**565 771 323**	
Non-Current Assets	194 008 000	-	**194 008 000**	82 728 210	**(111 279 790)**	
Current Assets	241 338 000	-	**241 338 000**	807 109 323	**565 771 323**	
Total Assets	**435 346 000**	**-**	**435 346 000**	**889 837 533**	**454 491 533**	
Liabilities						
Current Liabilities						
Finance lease obligation	864 000	-	**864 000**	415 728	**(448 272)**	
Payables from exchange transactions	37 865 000	-	**37 865 000**	25 215 901	**(12 649 099)**	
Employee benefit obligation	-	-	**-**	15 690 141	**15 690 141**	
Unspent conditional grants and receipts	-	-	**-**	18 479 904	**18 479 904**	
	38 729 000	**-**	**38 729 000**	**59 801 674**	**21 072 674**	
Non-Current Liabilities						
Finance lease obligation	1 019 000	-	**1 019 000**	203 534	**(815 466)**	
Employee benefit obligation	-	-	**-**	7 281 000	**7 281 000**	
Provisions	25 236 000	-	**25 236 000**	-	**(25 236 000)**	
	26 255 000	**-**	**26 255 000**	**7 484 534**	**(18 770 466)**	
	38 729 000	-	**38 729 000**	59 801 674	**21 072 674**	
	26 255 000	-	**26 255 000**	7 484 534	**(18 770 466)**	
	-	-	**-**	-	**-**	
Total Liabilities	**64 984 000**	**-**	**64 984 000**	**67 286 208**	**2 302 208**	
Assets	435 346 000	-	**435 346 000**	889 837 533	**454 491 533**	
Liabilities	(64 984 000)	-	**(64 984 000)**	(67 286 208)	**(2 302 208)**	
Net Assets	**370 362 000**	**-**	**370 362 000**	**822 551 325**	**452 189 325**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	**-**	442 056 656	**442 056 656**	
Accumulated surplus	370 362 000	-	**370 362 000**	380 494 669	**10 132 669**	
Total Net Assets	**370 362 000**	**-**	**370 362 000**	**822 551 325**	**452 189 325**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	26 425 000	1 911 000	**28 336 000**	-	**(28 336 000)**	
Government grants	268 151 000	51 757 000	**319 908 000**	-	**(319 908 000)**	
Interest income	4 000 000	(1 365 000)	**2 635 000**	-	**(2 635 000)**	
	298 576 000	**52 303 000**	**350 879 000**	**-**	**(350 879 000)**	
Payments						
Suppliers and employees	(249 425 000)	(24 740 000)	**(274 165 000)**	-	**274 165 000**	
Finance costs	(2 658 000)	63 000	**(2 595 000)**	-	**2 595 000**	
	(252 083 000)	**(24 677 000)**	**(276 760 000)**	**-**	**276 760 000**	
Total receipts	298 576 000	52 303 000	**350 879 000**	-	**(350 879 000)**	
Total payments	(252 083 000)	(24 677 000)	**(276 760 000)**	-	**276 760 000**	
Net cash flows from operating activities	**46 493 000**	**27 626 000**	**74 119 000**	**-**	**(74 119 000)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	590 000	-	**590 000**	-	**(590 000)**	
Purchase of capital assets	(84 082 000)	(27 678 000)	**(111 760 000)**	-	**111 760 000**	
Net cash flows from investing activities	**(83 492 000)**	**(27 678 000)**	**(111 170 000)**	**-**	**111 170 000**	
Net increase/(decrease) in cash and cash equivalents	(36 999 000)	(52 000)	**(37 051 000)**	-	**37 051 000**	
Cash and cash equivalents at the beginning of the year	60 112 000	-	**60 112 000**	-	**(60 112 000)**	
Cash and cash equivalents at the end of the year	**23 113 000**	**(52 000)**	**23 061 000**	**-**	**(23 061 000)**	

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), including any interpretations , guidelines and directives ,issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous year.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the debtors impairment.

Fair value estimation

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing (Cash and non-cash generating units)

The recoverable service amounts of cash-generating units and individual assets have been determined based on the higher of valuein-
use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges of property plant and equipment and other assets . This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The most appropriate discount rate that reflects the time value of money is with reference to the market yield at the reporting date on government bonds .Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments , the municipality uses current market market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Effective interest rate

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

Receivables

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

1.4 Investment property

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

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

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

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

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

Accounting Policies

1.4 Investment property (continued)

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	5-100 years

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

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

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

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act of 2004, the municipality is required to perform general valuation once every four (4) years. The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Therefore fair value cannot be measured reliably at each reporting date.

1.5 Property, plant and equipment

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

Subsequent to initial measurement property plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment rative purposes, and are expected to be used during more than one reporting period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

Land has an indefinite useful life and not depreciated.

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

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

Item	**Average useful life**
Infrastructure	
• Roads and Paving	10-30 Years
• Access Roads	3-10 Years
• Pedestrian Malls	10-30 Years
Community Assets	
• Buildings	10-100 Years
• Recreational Facilities	20-30 Years
• Security	3-5 Years
• Halls	10-30 Years
• Libraries	10-30 Years
• Parks and Gardens	20-30 Years
• Other Assets	20-30 Years
Other Property , Plant and Equipment	
• Buildings	10-30 Years
• Specialised Vehicles	5-10 Years
• Other Vehicles	3-5 Years
• Office Equipment	3-16 Years
• Furniture and Fittings	3-23 Years
• Watercraft	5-15 Years
• Bins and Containers	3-5 Years
• Specialised Plant and Equipment	10-15 Years
• Other Items of Property Plant and Equipment	5-23 Years
• Computer Equipment	2-3 Years
• Plant and Machinery	5-31 Years
• Landfill Site	20-50 Years
Finance Lease	
• Motor Vehicles	4-27 Years
• Office Equipment	4-27 Years

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

Classification

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

Financial asset	Classification in terms of GRAP 104
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost

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

Financial liability	Classification in terms of GRAP 104
Trade payables	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

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

Fair value measurement considerations

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

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

Shoert-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector , either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

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

Presentation

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

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

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

1.10 Inventories (continued)

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

1.11 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

Redesignation

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using one of the following approaches , the selection depends on the availability of data and nature of the impairment:

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.13 Employee benefits

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.14 Provisions and contingencies

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

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

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

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

1.14 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

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

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

1.16 Revenue from exchange transactions (continued)

Service charges relating to refuse are based on the tariffs set per the tariff policy.

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.17 Revenue from non-exchange transactions (continued)

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Where settlement discount or reductions in the amount payable are offered , the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Investment income

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

1.19 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the municipalitys approved budget
- overspending of the total amount appropriated for a vote in the approved budget.
- expenditure from a vote unrelated to the department or function area covered by vote.
- expenditure of money appropriated for a specific purpose otherwise than for that spefic purpose.
- spending of an allocation referred to in paragraph (b),(c) or(d) of the definition of allocation otherwise than in accordance with an allocation or
- a grant by the municipality otherwise than in accordance with Municipal Finance Management Act

1.21 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.

1.22 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.

1.23 Irregular expenditure

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

1.24 Budget information

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

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

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

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

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

1.25 Related parties

A related party is a person or entity with the ability to control or jointly control the other party ,or exercice significant influence over the other party ,or vice versa , or any entity that is subject to common control or joint control.

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

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

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

1.26 Events after reporting date

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

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

Accounting Policies

1.26 Events after reporting date (continued)

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

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

1.27 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

Notes to the Annual Financial Statements

	2015	2014
	R	R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 109: Accounting by Principals and Agents	01 April 2016	The impact of the amendment is not material.
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

3. Inventories

Consumable stores	2 760 976	1 691 087
Assets held for distribution	6 632 538	6 632 538
	9 393 514	**8 323 625**

Inventory pledged as security

Inventory relates to land on which RDP houses are built and are awaiting transfers.

No Inventory was pledged as security as security.

4. Receivables from exchange transactions

Fire levy and other debtors	300 942	248 838

Impairment of receivables from exchange transactions

Opening balance	34 708 475	33 652 660
Contribution to provision	-	1 055 815
	34 708 475	**34 708 475**

5. VAT receivable

VAT	7 203 801	4 403 501

6. Consumer debtors

Gross balances		
Rates	44 920 065	68 829 960
Refuse	14 394 563	25 875 350
Housing rental	73 489	13 501 565
Fire levy	-	3 402 234
	59 388 117	**111 609 109**

Less: Allowance for impairment		
Rates	(40 817 983)	(61 418 997)
Refuse	(13 864 812)	(11 073 733)
Housing rental	(54 661)	(20 860 144)
Fire levy	-	(2 774 598)
	(54 737 456)	**(96 127 472)**

	2015 R	2014 R

6. Consumer debtors (continued)

Net balance		
Rates	4 102 082	7 410 963
Refuse	529 751	14 801 617
Housing rental	18 828	(7 358 579)
Fire levy	-	627 635
	4 650 661	**15 481 636**

Included in above is receivables from exchange transactions		
Refuse	529 751	14 801 617
Housing rental	18 828	(7 358 579)
	548 579	**7 443 038**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	4 102 082	7 410 963
Fire levy	-	627 635
	4 102 082	**8 038 598**

Net balance	**4 650 661**	**15 481 636**

Rates		
Current (0 -30 days)	1 299 437	643 290
31 - 60 days	1 232 160	610 984
61 - 90 days	1 204 823	591 378
91 - 120 days	1 189 325	606 173
121 - 150 days	1 193 468	585 302
> 150 days	38 800 852	63 408 967
	44 920 065	**66 446 094**

Refuse		
Current (0 -30 days)	291 070	294 316
31 - 60 days	282 376	284 723
61 - 90 days	255 282	282 515
91 - 120 days	245 383	275 139
121 - 150 days	248 608	272 602
> 150 days	13 071 845	24 464 659
	14 394 564	**25 873 954**

Housing rental		
Current (0 -30 days)	675	135 414
31 - 60 days	675	132 114
61 - 90 days	675	132 220
91 - 150 days	675	132 220
121 - 365 days	675	132 171
> 150 days	70 114	12 837 426
	73 489	**13 501 565**

Fire levy		
> 365 days	-	3 399 560

Notes to the Annual Financial Statements

	2015 R	2014 R

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015 R	2014 R
Bank balances	1 663 181	7 314 169
Short-term deposits	59 516 112	83 287 756
	61 179 293	**90 601 925**

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**
Primary Bank Account-FNB : 62 247 497 872	1 678 168	7 213 424	1 559 037	1 663 183	7 314 169	1 559 037
FNB -MSP 622 402 53188	25 045	25 036	25 024	25 045	25 036	25 024
FNB-MIG 622 402 53188	3 406 481	19 205 293	5 429 217	3 406 481	19 205 293	5 429 217
FNB- FMG 622 402 53542	101 419	101 385	101 333	101 419	101 385	101 333
FNB-FMG 622 402 52768	2 038	35 484	121 828	2 038	35 484	121 828
FNB-Centane 622 402 60430	43 329	81 088	81 046	43 328	81 088	81 046
FNB-Siyanda 622 402 62105	87 853	87 824	87 779	87 853	87 824	87 779
FNB-Centane 622 402 61149	3 310	132 123	132 056	3 310	132 123	132 056
FNB-MSIG 622 402 54003	2 895	1 487	423 030	2 895	1 487	423 030
FNB-Siyanda 622 402 59144	33 057	353 273	353 093	33 057	353 273	353 093
FNB- T/A Intervention 622 402 58568	23 735	23 727	23 715	23 735	23 727	23 715
FNB-DHLGTA 622 402 54673	28 139	28 130	28 116	28 139	28 130	28 116
FNB-Call Acc 622 402 52198	41 298 642	50 739 791	37 226 362	41 298 642	50 740 538	37 226 362
FNB-DEAT 622 402 56471	225 582	225 505	225 390	225 582	225 505	225 390
FNB-INEG 623 617 7559	5 142 422	3 685 709	7 621 169	5 142 423	3 685 709	7 621 169
FNB-EPWP 623 456 80195	1 057 941	497 777	593 480	1 057 941	497 777	593 480
FNB-EDSMG 623 799 87640	6 897 226	6 896 863	7 006 912	6 897 226	6 896 863	7 006 912
FNB-LGSETA 623 800 69437	1 136 949	1 166 475	787 158	1 136 949	1 166 475	787 158
Total	**61 194 231**	**90 500 394**	**61 825 745**	**61 179 246**	**90 601 886**	**61 825 745**

8. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	717 334	-	717 334	717 334	-	717 334

Reconciliation of investment property - 2015

	Opening balance	**Total**
Investment property	717 334	717 334

Reconciliation of investment property - 2014

	Opening balance	**Total**
Investment property	717 334	717 334

	2015 R	2014 R

8. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act of 2004, the municipality is required to perform general valuation once every four (4) years. The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Therefore fair value cannot be measured reliably at each reporting date.

The land and buildings within the Municipality are valued as a single amount in the Fixed asset registers and no separation has been made thus depreciation is charged on the total value of the property. This is as a result of the fact that land owned by the Municipality was acquired for no cost.

Amounts recognised in surplus and deficit for the year.

	2015 R	2014 R
Rental revenue from investment property	-	2 034 862

There are no contractual commitments for the acquisition, construction, development or repair and maintenance of investment properties in the municipality.

Notes to the Annual Financial Statements

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21 925 964	-	21 925 964	21 925 964	-	21 925 964
Plant and machinery	17 311 484	(4 239 173)	13 072 311	8 373 084	(2 684 238)	5 688 846
Furniture and fixtures	5 254 168	(2 867 603)	2 386 565	5 159 463	(2 189 535)	2 969 928
Motor vehicles	16 613 561	(7 836 339)	8 777 222	14 855 449	(4 819 199)	10 036 250
Office equipment	6 521 822	(3 235 590)	3 286 232	5 487 194	(2 467 597)	3 019 597
Infrastructure	1 382 433 861	(741 981 164)	640 452 697	1 326 523 515	(628 438 295)	698 085 220
Community	113 450 562	(48 634 594)	64 815 968	113 450 562	(45 901 047)	67 549 515
Other property, plant and equipment	300 272	(213 090)	87 182	300 272	(156 964)	143 308
Housing development fund	59 426 593	(50 511 864)	8 914 729	59 426 593	(47 220 963)	12 205 630
Work in progress	42 538 365	-	42 538 365	24 659 379	-	24 659 379
Total	**1 665 776 652**	**(859 519 417)**	**806 257 235**	**1 580 161 475**	**(733 877 838)**	**846 283 637**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Total
Land	21 925 964	-	-	-	-	-	21 925 964
Plant and machinery	5 688 846	8 938 400	-	-	-	(1 554 935)	13 072 311
Furniture and fixtures	2 969 927	406 385	(31 706)	-	-	(958 041)	2 386 565
Motor vehicles	10 036 250	2 711 878	(391 214)	-	-	(3 579 692)	8 777 222
Office equipment	3 019 597	1 045 705	(11 077)	-	-	(767 993)	3 286 232
Infrastructure	698 085 220	-	-	59 605 132	(1 084 278)	(116 153 377)	640 452 697
Community	67 549 516	-	-	-	-	(2 733 548)	64 815 968
Security Measures	143 308	-	-	-	-	(56 126)	87 182
Housing development fund	12 205 630	-	-	-	-	(3 290 901)	8 914 729
Work in progress	24 659 379	77 484 118	-	(59 605 132)	-	-	42 538 365
	846 283 637	**90 586 486**	**(433 997)**	**-**	**(1 084 278)**	**(129 094 613)**	**806 257 235**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Total
Land	21 925 964	-	-	-	-	-	21 925 964
Plant and machinery	6 070 472	464 871	-	-	-	(846 497)	5 688 846
Furniture and fixtures	3 226 240	564 402	-	-	-	(820 715)	2 969 927
Motor vehicles	10 403 748	2 022 465	(156 101)	-	-	(2 233 862)	10 036 250
Office equipment	2 928 803	1 098 057	(18 417)	-	-	(988 846)	3 019 597
Infrastructure	779 986 244	-	-	11 185 991	(894 413)	(92 192 602)	698 085 220
Community	70 283 064	-	-	-	-	(2 733 548)	67 549 516
Security Measures	184 017	-	-	-	-	(40 709)	143 308
Housing development fund	15 595 646	-	-	-	-	(3 390 016)	12 205 630
Work in progress	11 108 897	24 736 473	-	(11 185 991)	-	-	24 659 379
	921 713 095	**28 886 268**	**(174 518)**	**-**	**(894 413)**	**(103 246 795)**	**846 283 637**

	2015 R	2014 R

9. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	311 760	(177 006)	134 754	311 760	(109 628)	202 132

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	202 132	(67 377)	134 755

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	40 406	225 250	(63 524)	202 132

11. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	378 259	665 390
- in second to fifth year inclusive	311 661	609 940
	689 920	1 275 330
less: future finance charges	(70 658)	(285 069)
Present value of minimum lease payments	**619 262**	**990 261**
Present value of minimum lease payments due		
- within one year	415 726	436 581
- in second to fifth year inclusive	203 534	553 680
	619 260	**990 261**
Non-current liabilities	203 534	553 681
Current liabilities	415 728	436 581
	619 262	**990 262**

The average lease term is 6 years. The finance lease is in respect of the motor vehicles and other office equipment . The nominal or effective interest rates varies . The municipality will take ownership when the lease term expires . The lease agreements do not provide for contingency rental payments.

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

Notes to the Annual Financial Statements

	2015 R	2014 R

12. Payables from exchange transactions

Trade payables	15 413 761	17 107 436
Advance payment - consumer debtors	1 778 468	6 108 502
Payroll control	1 761 744	3 334 023
Other trade payables	145 170	145 170
Retention provision	6 116 758	891 555
	25 215 901	**27 586 686**

13. Employee benefit obligations

Bonus accrual	4 931 641	4 438 925
Leave accrual	10 758 499	8 701 487
Provision for long service awards	7 281 000	7 043 000
	22 971 140	**20 183 412**

Non-current liabilities	7 281 000	7 043 000
Current liabilities	15 690 140	13 140 412
	22 971 140	**20 183 412**

Defined benefit obligation

The Muncipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ZAQ Consultants and Actuaries ("ZAQ") , a Fellow of the Actuarial Society of South Africa, using the Projected Unit Credit method.

The discount rate that reflects the time value of money is best approximated by reference to market yield at the reporting dates on government bonds.

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 municipality's policy which complies with the minimum thresholds 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 amounts recognised in the statement of financial position are as follows:

Long service awards

Carrying value	7 281 000	7 043 000

	2015 R	2014 R

13. Employee benefit obligations (continued)

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

	2015 R	2014 R
Opening balance	7 043 000	3 708 000
Benefits paid	(734 000)	(272 400)
Net expense recognised in the statement of financial performance	972 000	3 607 400
	7 281 000	**7 043 000**

The amount recognised in the Statement of Financial Performance

	2015 R	2014 R
Current service cost	1 066 000	702 000
Interest cost	575 000	285 000
Actuarial (gains) / losses	(669 000)	2 620 400
	972 000	**3 607 400**

The principal assumptions for the purpose of valuations are as follows:

Assumptions used at the reporting date:

	2015	2014
Discount rates used	8,50 %	7,96 %
CPI (Consumer price index)	6,23 %	6,33 %
Expected increase in salaries	6,79 %	7,33 %

The expected retirement age is 65 years.

The SA85-90 mortality table was used.

The basis on which the discount rate has been determined is as follows:

The discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2015 is 8.50% per annum

Withdrawal rates

Age	**Males**	**Females**
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
60+	- %	- %

13. Employee benefit obligations (continued)

Other assumptions

The assumed increase in salaries has a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in the assumed increase in salaries would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 072 000	1 774 000
Effect on defined benefit obligation	7 801 000	6 814 000

Amounts for the current and previous years are as follows:

	2015 R	2014 R	2013 R
Defined benefit obligation	7 281 000	7 043 000	3 708 000

Other employee benefit obligations

Bonus accrual

Bonuses are paid out to all employees, excluding some senior managers, in September each year and are based on a 13th monthly basic salary.

Leave pay acccrual

The leave pay accrual is calculated using the leave days owing to employees at the end of the financial year. The number of days that can be carried over is limited to 48 days in accordance with the Municipality's leave policy.

2015	**Opening balance**	**Additions**	**Utilised during the year**	**Closing balance**
Bonus accrual	4 438 925	4 931 641	(4 438 925)	4 931 641
Leave pay accrual	8 701 487	10 758 499	(8 701 487)	10 758 499
	13 140 412	**15 690 140**	**(13 140 412)**	**15 690 140**

2014	**Opening balance**	**Additions**	**Utilised during the year**	**Closing balance**
Bonus accrual	4 834 173	4 438 925	(4 834 173)	4 438 925
Leave pay accrual	7 259 883	8 701 487	(7 259 883)	8 701 487
	12 094 056	**13 140 412**	**(12 094 056)**	**13 140 412**

Notes to the Annual Financial Statements

	2015 R	2014 R

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015 R	2014 R
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	3 729 766	19 110 868
Municipal Systems Improvement Grant (MSIG)	2 029	1 000
Dept of Housing (Centane Survey)	43 158	80 795
Dept of Housing (Centane Planning)	3 298	131 646
Dept of Housing (Siyanda Survey)	32 927	351 997
Dept of Housing (Ngqamakhwe Survey)	101 019	101 019
Municipal Support Programme (MSP)	24 946	24 946
Dept of Housing (Siyanda Planning)	87 506	87 506
Intervention	23 623	23 623
Local Government (LGSETA)	1 132 371	1 162 507
Dept of Housing and Local Government	28 029	28 029
Municipal Finance Management Grant (FMG)	1 131	25 106
Expanded Public Works Programme(EPWP)	1 052 651	493 846
Dept of Minerals and Energy (Electrification)	5 122 720	3 070 551
Dept of Minerals and Energy (Electricity Demandside Management)	6 870 040	6 870 040
DEAT Investment	224 691	224 691
	18 479 905	**31 788 170**

Movement during the year

	2015 R	2014 R
Balance at the beginning of the year	31 788 171	21 684 051
Additions during the year	79 506 792	63 879 014
Income recognition during the year	(92 367 639)	(53 774 894)
	18 927 324	**31 788 171**

See note 21 for reconciliation of grants from National/Provincial Government.

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

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Reversed during the year	Paid	Total
Environmental rehabilitation	22 918 814	(22 918 814)	-	-
Legal proceedings - settlement provision	1 800 000	-	(1 800 000)	-
	24 718 814	**(22 918 814)**	**(1 800 000)**	**-**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	21 527 807	1 391 007	22 918 814
Legal proceedings	-	1 800 000	1 800 000
	21 527 807	**3 191 007**	**24 718 814**

	2015 R	2014 R

15. Provisions (continued)

Environmental rehabilitation provision

The Municipality operates a landfill site in Butterworth. This site is approximately 5224 square metres. The current legislation indicates that the landfill site is and has been operating illegally as the municipality has no licence to operate the site.

Additionally it is required that this landfill site should be closed in terms of minimum requirements. The legislation however does not specify the time frame within which this must be undertaken.

During the financial year consultants were appointed to calculate the cost of rehabilitating and closing this site. The amount was calculated and has been included above as the provision for the rehabilitation and closure of the site.

Additionally during the financial year the site was not used illegally. The municipaity has applied for a licence and is awaiting approval and issue thereof in order to commence with the process of rehabilitating and closing the site.

Legal proceedings provisions

During the year the municipality lost a legal proceeding with a previous employee whereby they were ordered to pay out the above-mentioned amount. The municipality is contesting this ruling and the amount is therefore included under provisions.

16. Service charges

Refuse removal	3 590 687	3 470 257

17. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2 300 008	2 114 023
Premises	-	-
Garages and parking	-	-
Facilities and equipment	2 300 008	2 114 023

18. Income from agency services

Agency services	2 744 414	2 709 269

The income from agency fees was obtained from motor vehicle licencing and registration on behalf of the provincial government.

19. Other revenue

Hawkers fees	81 623	2 982
Other income	4 993 635	649 009
	5 075 258	**651 991**

20. Investment revenue

Interest revenue		
Bank	5 115 932	4 435 173
	-	-
	5 115 932	4 435 173

Notes to the Annual Financial Statements

	2015 R	2014 R

21. Property rates

Rates received

Property rates	20 889 843	15 390 430
Less: Rebates	(1 505 479)	(3 677 194)
	19 384 364	**11 713 236**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Tariffs applied are as follows:

Residential
A general rate of R0.01178 - (2014: R 0.01532) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial
A general rate of R0.01414 - (2014: R0.018384) is applied to business and commercial property valuations to determine assessment rates.

Vacant
A general rate of R0.01414 - (2014: R0.018384) is applied to vacant and indutrial property valuations to determine assessment rates.

Public Services
A general rate of R0.00295 - (2014: R0.00383) is applied to vacant and indutrial property valuations to determine assessment rates.

Small Holdings and Farms
A general rate of R0.00295 - (2014: R0.00383) is applied to vacant and indutrial property valuations to determine assessment rates.

Industrial
A general rate of R0.01414 - (2014: R0.018384) is applied to indutrial property valuations to determine assessment rates.

Rebates

Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

	2015 R	2014 R

22. Government grants and subsidies

Unconditional grants and subsidies		
Equitable share	190 327 000	168 793 689
Dept of Housing (Centane Planning)	128 348	-
LG SETA	67 929	-
Dept of Housing (Siyanda Survey)	319 070	-
Dept of Housing (Centane Survey)	37 637	-
Finance Management Grant	1 623 975	1 612 480
EPWP	963 195	505 852
Electrification	3 347 831	6 360 344
	190 523 277	168 793 689
Conditional grants		
Municipal Infrastructure Grant (MIG)	85 394 102	40 818 853
Municipal Systems Improvement Grant (MSIG)	932 972	1 083 677
	86 327 074	41 902 530
	283 142 059	**219 174 895**

Equitable Share

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

All registered indigents receive the following subsidies:
1. For paraffin beneficiaries, every ward has 100 beneficiaries at 20 litre person bi-monthly
2. For all electricity beneficiaries, 50 KW per month
3. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	19 110 868	4 165 721
Current-year receipts	70 013 000	56 046 000
Conditions met - transferred to revenue	(85 394 102)	(40 818 853)
Unspent in 2013 paid back to National Treasury	-	(282 000)
	3 729 766	**19 110 868**

The Municipality received an additional allocation of R10 million to cover additional capital expenditure.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	1 000	415 274
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(932 971)	(1 083 677)
Unspent in 2013 paid back to National Treasury	-	(220 597)
	2 029	**1 000**

Centane Survey

Balance unspent at beginning of year	212 441	212 441
Conditions met - transferred to revenue	(37 637)	-
	174 804	**212 441**

Centane Planning

Balance unspent at beginning of year	131 646	131 646

	2015 R	2014 R
22. Government grants and subsidies (continued)		
Current-year receipts	128 348	-
Conditions met - transferred to revenue	(128 348)	-
	131 646	**131 646**

Municipal Support Programme

Balance unspent at beginning of year	24 946	24 946

Siyanda Survey

Balance unspent at beginning of year	439 504	439 504
Conditions met - transferred to revenue	(319 070)	-
	120 434	**439 504**

T/A Intervention

Balance unspent at beginning of year	23 623	23 623

Local government -SETA

Balance unspent at beginning of year	1 162 506	769 492
Current-year receipts	37 793	393 014
Conditions met - transferred to revenue	(67 929)	-
	1 132 370	**1 162 506**

Dept of Housing and Local Government

Balance unspent at beginning of year	28 029	28 029

Dept of Energy (Electricity Demandside Management)

Balance unspent at beginning of year	6 870 040	6 870 040

DEAT Investment

Balance unspent at beginning of year	224 691	224 691

Nqamakwe Survey

Balance unspent at beginning of year	101 019	101 019

Siyanda Planning

Balance unspent at beginning of year	87 506	87 506

Finance Management Grant (FMG)

Balance unspent at beginning of year	25 106	128 586
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 623 975)	(1 612 480)
Grant unspent in 2013 paid back to National Treasury	-	(41 000)
	1 131	**25 106**

	2015 R	2014 R

22. Government grants and subsidies (continued)

Expanded Public Works Programme

Balance unspent at beginning of year	493 846	588 698
Current-year receipts	1 522 000	1 000 000
Conditions met - transferred to revenue	(963 195)	(505 852)
Grant unspent in 2013 paid back to National Treasury	-	(589 000)
	1 052 651	**493 846**

Department of Energy (Electrification)

Balance unspent at beginning of year	3 070 551	7 691 987
Current-year receipts	5 400 000	4 000 000
Conditions met - transferred to revenue	(3 347 831)	(6 360 344)
Grant unspent in 2013 paid back to National Treasury	-	(2 261 092)
	5 122 720	**3 070 551**

	2015 R	2014 R

23. Employee related costs

Basic	87 320 218	71 388 174
Medical aid, Pension and UIF Contributions	5 904 008	5 375 706
UIF	717 079	618 632
WCA	(189 630)	578 858
SDL	1 220 688	945 660
Other payroll levies	40 370	34 197
Leave pay provision charge	3 667 431	2 191 498
Defined contribution plans	14 398 455	12 024 773
Travel, motor car, accommodation, subsistence and other allowances	4 967 212	1 330 414
Overtime payments	1 324 310	1 749 229
13th Cheques	6 972 464	4 577 004
Acting allowances	1 663 435	2 504 280
Transport allowance (bus coupons)	-	22 295
Housing benefits and allowances	106 116	83 650
Other employee related costs	1 917 349	832 016
Cellphone allowances	522 448	214 801
Relocation costs	269 884	-
	130 821 837	**104 471 187**

Remuneration of Municipal Manager - S. Tantsi

Annual Remuneration	860 883	636 998
Car , Housing , Cellphone and other Allowances	258 085	189 000
Contributions to UIF, Medical and Pension Funds	199 297	206 535
	1 318 265	**1 032 533**

Remuneration of Chief Financial Officer - L. Manjingolo

Annual Remuneration	417 111	254 487
Car , Housing, Cellphone and other Allowances	95 794	24 686
Acting allowance	141 248	182 399
Contributions to UIF, Medical and Pension Funds	42 543	1 785
	696 696	**463 357**

The Chief Financial Officer, Mr Manjingolo, acted from November 2013 up until 30 March 2015 and was appointed on the 31 March 2015.

Remuneration of the Former Chief Financial Officer - B. Mashiyi

Annual Remuneration	421 956	2 507 919
Car , Housing, Travel and other Allowances	-	67 583
Contributions to UIF, Medical and Pension Funds	99 956	121 126
	521 912	**2 696 628**

The former Chief Financial Officer, Mr Mashiyi, resigned from the municipality in September 2014.

Remuneration of Director of Strategic Management - L. Nonyongo

Annual Remuneration	552 000	230 000
Car ,Housing, Travel and other Allowances	262 455	10 500
Contributions to UIF, Medical and Pension Funds	123 707	49 077
	938 162	**289 577**

Ms L. Nonyongo commenced her duties in February 2014 as a Director of Strategic Management.

	2015 R	2014 R

23. Employee related costs (continued)

Remuneration of the Director of Corporate Services - D. Mrwetyana

	2015 R	2014 R
Annual Remuneration	552 000	184 000
Car ,Housing, Travel and other Allowances	243 738	75 587
Contributions to UIF, Medical and Pension Funds	143 070	50 275
	938 808	**309 862**

Ms D. Mrwetyana commenced her duties in March 2014 as a Director of Corporate Services.

Remuneration of Director of Infrastructure - K. Clock

	2015 R	2014 R
Annual Remuneration	552 000	184 000
Car ,Housing,Travel and other Allowances	219 580	58 987
Contributions to UIF, Medical and Pension Funds	192 824	64 275
	964 404	**307 262**

Mr K. Clock commenced his duties in March 2014 as a Director of Infrastructure.

Remuneration of the Director of Local Economic Development - V. Madolo

	2015 R	2014 R
Annual Remuneration	552 000	184 000
Car ,Housing, Travel and other Allowances	158 753	49 011
Contributions to UIF, Medical and Pension Funds	226 365	74 251
	937 118	**307 262**

Mr V. Madolo commenced his duties in March 2014 as a Director of Local Economic Development.

Remuneration of the Director of Community Services - Z. Plata

	2015 R	2014 R
Annual Remuneration	552 000	184 000
Car,Housing,Travel and other Allowances	120 385	58 987
Contributions to UIF, Medical and Pension Funds	255 785	64 275
	928 170	**307 262**

Mr Z. Plata commenced his duties in March 2014 as a Director of Community Services.

24. Remuneration of councillors

	2015 R	2014 R
Executive mayor	764 704	719 645
Chief whip	561 157	529 236
Speaker	663 409	571 665
Mayoral committee members	5 102 915	5 167 521
Other councillors	15 048 866	15 166 656
	22 141 051	**22 154 723**

25. Depreciation and amortisation

	2015 R	2014 R
Property, plant and equipment	108 114 827	103 310 321

26. Finance costs

	2015 R	2014 R
Finance leases	624 359	278 000

Notes to the Annual Financial Statements

	2015 R	2014 R

27. Debt impairment

Contributions to debt impairment provision	21 979 911	8 774 086

28. Bulk purchases

Electricity and parraffin	6 439 287	1 865 729

29. General expenses

Advertising	998 449	775 957
Asset write-off	-	205 870
Auditors remuneration	3 153 182	3 041 149
Bank charges	151 866	262 659
Community awareness	39 772	-
Car licenses and registrations	1 554 142	1 086 662
Civic functions	1 445 788	801 982
Cleaning	723 413	550 487
Conferences and seminars	75 360	135 494
Consulting and professional fees	248 738	684 304
Consumables	452 608	381 928
Electricity	5 546 421	2 435 470
Entertainment	34 534	5 849
Fuel and oil	2 817 898	3 731 424
Gas	-	1 848
Hire of equipment	67 920	-
Insurance	281 320	432 942
Sundry expenses	5 132 419	1 510 210
Legal fees	2 489 926	2 019 041
Membership fees	35 961	11 484
Operating lease	2 075 650	2 137 493
Placement fees	5 907	12 704
Printing and stationery	1 918 444	1 656 484
Operating project expenditure	19 404 664	18 094 914
Refuse bags	2 038 753	1 481 940
Security	190 184	547 009
Staff welfare	-	25 122
Subscriptions and membership fees	7 261	1 175
Subsistence and travelling	5 403 568	4 018 901
Sundry expenses	2 540 557	2 182 203
Telephone and fax	4 110 718	5 148 227
Training	1 733 926	281 644
Uniforms	562 318	303 898
Water	1 612 668	1 121 966
	66 854 335	**55 088 440**

30. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	**Total**
Receivables from exchange transactions	12 470 227	12 470 227
Receivables from non-exchange transactions	15 339 245	15 339 245

	2015 R	2014 R

. Financial instruments disclosure (continued)

Cash and cash equivalents	61 123 539	61 123 539
	88 933 011	**88 933 011**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	45 648 081	45 648 081
Finance lease - Short- term potion	415 728	415 728
Finance lease- Long-term portion	203 534	203 534
	46 267 343	**46 267 343**

2014

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 030 259	8 030 259
Other receivables from non-exchange transactions	12 223 855	12 223 855
Cash and cash equivalents	91 147 323	91 147 323
	111 401 437	**111 401 437**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	39 835 545	39 835 545
Finance lease- Short-term portion	436 581	436 581
Finance lease- Long-term portion	553 681	553 681
	40 825 807	**40 825 807**

31. Auditors' remuneration

Fees	3 153 182	3 041 149

	2015 R	2014 R

32. Cash generated from operations

Deficit	(37 296 207)	(60 817 480)
Adjustments for:		
Depreciation and amortisation	108 114 827	103 310 321
Gain on sale of assets and liabilities	682 779	1 729 711
Fair value adjustments	(1 147 751)	(548 766)
Impairment loss	-	3 407
Debt impairment	21 979 911	8 774 086
Movements in employee benefit obligation	2 787 728	4 381 356
Movements in provisions	(24 718 814)	3 191 007
Donations received	(81 623)	-
Changes in working capital:		
Inventories	(1 069 888)	3 704 755
Receivables from exchange transactions	(52 104)	(30 657)
Consumer debtors	(11 148 937)	(9 375 850)
Payables from exchange transactions	(2 370 785)	5 690 875
VAT	(2 800 300)	(2 201 755)
Unspent conditional grants and receipts	(13 308 267)	10 104 121
	39 570 569	**67 915 131**

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	51 024 722	31 201 204
Total capital commitments		
Already contracted for but not provided for	51 024 722	78 179 105

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

The comparative amount on commitments were restated with the compilation of a detailed commitment register. Commitments are only a disclosure note and do not impact on the rest of the financial statements.
This committed expenditure relates to major capital projects and will be financed by available bank facilities, retained surpluses, government subsidies and grants, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	181 524	1 567 783
- in second to fifth year inclusive	594 733	758 228
	776 257	**2 326 011**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term not exceeding three years. No contingent rent is payable.There are no escalation clauses

The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

	2015	2014
	R	R

34. Related parties

Relationships

Municipal Manager	S. Tantsi
Chief Financial Officer	L. Manjingolo
Former Chief Financial Officer	B. Mashiyi
Director of Strategic Management	L. Nonyongo
Director of Corporate Services	D. Mrwetyana
Director of Infrastructure	K. Clock
Director of Community Services	Z. Plata
Director of Local Economic Development	V. Madolo
Mayor	B. Ganjana
Speaker	Z. M. Mnqwazi
Chief Whip	T. P. Ntanga
Exco Councillor	N. Sheleni
Exco Councillor	T. Bikitsha
Exco Councillor	S. Ncetezo
Exco Councillor	T. Madikane
Exco Councillor	L. Mgandela
Exco Councillor	N. Nkamisa
Exco Councillor	N. Skelenge
Exco Councillor	G. Mdudo
Exco Councillor	N. Plaatjie
Exco Councillor	Z. Sogayise
Councillor	M. Molosi
Councillor	Y. Mngonyama
Councillor	A.V Mankune
Councillor	N.Tyala
Councillor	S. Mahlanza
Councillor	N. Q. Sukwana
Councillor	N. Jiya
Councillor	L. M. Mtalo
Councillor	C. N. Makholwa
Councillor	Z. Mnqokoyi
Councillor	N. Luwaca
Councillor	N. S. Tsetse
Councillor	Z. Gobingca
Councillor	Z.Gade
Councillor	N. Phahlane
Councillor	A. Nkaule
Councillor	E. W Nyengule
Councillor	T. Mbelani
Councillor	M. Buso
Councillor	M. D. Mkhwezo
Councillor	N. Zaba
Councillor	N. Njengele
Councillor	N.Sajini
Councillor	M. S. Velaphi
Councillor	N. Mbuku
Councillor	L. K. Ntshebe
Councillor	M. Magqabini
Councillor	N. W. Mzimba
Councillor	Q. A. Mpande
Councillor	V. Bam
Councillor	X. D. Mathanga
Councillor	G. Q. Ngqongolo
Councillor	M. W. Ntongana
Councillor	T. Ntshawuzana
Councillor	T. M. Ntisana
Councillor	M. Zimba

34. Related parties (continued)

Councillor	Z. D. Solontsi
Councillor	C. K. Mpeluza
Councillor	N. Tandela
Councillor	Z. Bomela
Councillor	N. Nqata
Councillor	M. Nyhontso
Councillor	Z. Mqolo
Councillor	N. Dayimani
Councillor	T. Dyani
Councillor	X. C. Doko
Councillor	X. Nkwateni

Transactions with related parties were concluded at arm's length

Apart from remuneration, no further transactions occurred with councillors and section 57 managers.

Refer to note 24 for a breakdown of councillors' remuneration.

Refer to note 23 for a breakdown of amounts paid to section 57 managers.

35. Prior period errors

2014 Opening Balances

Statement of Financial Position	**Previously reported**	**Adjustment**	**As restated**	**Reference**
Consumer debtors	-	14 879 872	14 879 872	1
Receivables from exchange transactions	5 520 850	(5 302 699)	218 151	2
Receivables from non exchange transactions	7 199 884	(7 199 884)	-	3
Inventories	12 652 565	(624 184)	12 028 381	4
VAT Receivable	11 129 585	(8 927 839)	2 201 746	5
Property, plant and equipment	498 576 174	(29 713 117)	468 863 057	6
Payables from exchange transactions	(33 989 866)	12 094 056	(21 895 810)	7
Employee benefit Obligations	-	(12 094 056)	(12 094 056)	8
	501 089 192	**(36 887 851)**	**464 201 341**	**-**

1. The restatement was due to a reclasssification of receivables from exchange and non exhange transaction to consumer debtors.

2. The restatement was due to a reclasssification of receivables from exchange transaction to consumer debtors.

3. The restatement was due to a reclasssification of receivables from non exhange transaction to consumer debtors.

4.The restatement was due to stock adjustments to correct unit prices.

5. This was due to reconcilling of VAT to account for prior year asssessments.

6. The restatement of assets was due to revaluation of assets.

7. The restatement was due to reclassification of employee benefits obligations as per GRAP 25.

8. The restatement was due to reclassification of employee benefits obligations as per GRAP 25.

Current year comparatives

	2015	2014
	R	R

35. Prior period errors (continued)

Statement of Financial Performance	Previously Stated	Adjustments	Restated 2014	Reference
Acturial Gain	-	669 000	669 000	9
Employee Cost	103 960 068	511 120	104 471 188	10
Remuneration of Councillors	22 154 723	(511 120)	21 643 603	11
Depreciation and Impairment	47 699 209	56 211 112	103 910 321	12
Loss on disposal of assets	-	1 729 711	1 729 711	13
Acturial Loss	2 620 400	-	2 620 400	9
	176 434 400	**58 609 823**	**235 044 223**	**-**

9. The gain disposal on disposal was due to change in the accounting estimate.

10. Employee cost restatement was due to a reclassification between the councillors aremunerations and employee related costs.

11. Employee cost restatement was due to a reclassification between the councillors aremunerations and employee related costs.

12. The depreciation movement was due to the restatements of property, plant and equipment.

13. The loss on disposal of asset was due to a derecognition of assets.

-	-

Statement of Financial Position	Previously Stated	Adjustments	Restated 2014	Reference
Consumer debtors	-	15 481 636	15 481 636	14
Receivables from exchange transactions	8 319 512	(8 070 674)	248 838	15
Receivables from non exchange transactions	5 033 645	(5 033 645)	-	16
Inventories	8 947 809	(624 184)	8 323 625	17
VAT Receivable	13 331 340	(8 927 839)	4 403 501	18
Property, plant and equipment	488 321 331	357 962 306	846 283 637	19
Payables from exchange transactions	39 835 544	(12 248 858)	27 586 686	20
Employee benefit obligation	-	13 140 412	13 140 412	21
	563 789 181	**351 679 154**	**915 468 335**	**-**

14. The restatement was due to a reclasssification of receivables from exchange and non exhange transaction to consumer debtors.

15. The restatement was due to a reclasssification of receivables from exchange transaction to consumer debtors.

16. The restatement was due to a reclasssification of receivables from non exhange transaction to consumer debtors.

17.The restatement was due to stock adjustments to correct unit prices.

18. This was due to reconcilling of VAT to account for prior year asssessments.
19. The restatement of assets was due to revaluation of assets.

20. The restatement was due to reclassification of employee benefits obligations as per GRAP 25.

21. The restatement was due to reclassification of employee benefits obligations as per GRAP 25.

Cash flow statement

36. Comparative figures

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

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 35 to the financial statements.

37. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

Credit risk

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

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

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

Financial instrument	2015	2014
Receivables from exchange transactions	12 470 227	8 319 512
Receivables from non-exchange transactions	15 339 245	5 033 645
Bank, cash and cash equivalents	61 123 539	90 601 925

Notes to the Annual Financial Statements

	2015 R	2014 R

38. Going concern

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

The Accounting Officer is of the opinion that the municipality will continue to as a going concern for the forseeable future.

39. Events after the reporting date

The write off of long outstanding debtors balances of R63 308 496 was approved by council on 28 August 2015.

40. Unauthorised expenditure

	2015 R	2014 R
Unauthorised expenditure - Opening balance	89 713 831	83 190 469
Unauthorised capital expenditure	38 706 388	6 523 362
	128 420 219	**89 713 831**

Unauthorised expenditure was analysed per vote. The primary driver was depreciation and debtors impairment that increased in the current year.

41. Fruitless and wasteful expenditure

	2015 R	2014 R
Fruitless and wasteful expenditure Opening balance	3 704 810	3 571 821
Current year	47 295	132 989
	3 752 105	**3 704 810**

Fruitless and wasteful expenditure relates to late payments to service providers.

42. Irregular expenditure

Irregular expenditure	**Previously stated**	**Adjustments**	**Restated 2014**
Opening balance	80 823 630	11 157 345	91 980 975
Current year	59 349 085	3 078 872	62 427 957
Condoned by council	(59 349 085)	110 738 470	51 389 385
	80 823 630	**124 974 687**	**205 798 317**
		-	-

Notes to the Annual Financial Statements

	2015 R	2014 R

42. Irregular expenditure (continued)

Details of irregular expenditure – current year

Reasons		-
Expenditure was more than R2 000 up to R30 000 and was procured without obtaining at least three written price quotations and the deviation was not approved by the CFO or his designate		3 190 156
Minimum 3 quotations not attached, Advert not attached, evaluation report not attached, Company registration, tax clearance and BEE certificate not attached		5 863 633
Tender not advertised on the website, and SCM prescripts were not always adhered to. The deviations was not approved by the accounting officer or a properly delegated person.		97 571 243
The expenditure between R10 000 and R200 000 and was procured without obtaining at least three 3 written price quotations and the deviation was not approved by the CFO or his designate.		4 041 428
The expenditure was more than R100 000 up to R200 0000 and was procured without obtaining at least three 3 written price quotations and the deviation was not approved by the CFO or his designate.		72 006
		110 738 466

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015 R	2014 R
Current year subscription / fee	1 221 847	699 768
Amount paid - current year	(1 221 847)	(699 768)
	-	**-**

Audit fees

	2015 R	2014 R
Opening balance	22 257	-
Current year	3 594 628	3 101 220
Amount paid - current year	(3 570 324)	(3 078 963)
	46 561	**22 257**

The outstanding amount relates to audit fees for June 2015 that were subsequently paid after 30 June 2015.

PAYE and UIF

	2015 R	2014 R
Opening balance	1 421 177	-
Current year	20 022 516	15 022 607
Amount paid - current year	(21 443 693)	(13 601 430)
	-	**1 421 177**

	2015 R	2014 R

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

Pension and Medical Aid Deductions

	2015	2014
Opening balance	513 380	-
Current year subscription / fee	33 339 934	16 944 285
Amount paid - current year	(33 853 314)	(16 430 905)
	-	**513 380**

VAT

	2015	2014
Opening balance	2 079 823	2 895 586
Amount received	(12 494 028)	(10 225 187)
Amount claimed - current year	14 921 053	9 409 424
Amount disallowed & penalties	(1 735 974)	-
	2 770 874	**2 079 823**

VAT receivable is shown in note 5.

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

Councillors' arrear consumer accounts

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

30 June 2015	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Councillor Bikitsha	-	51	51
Councillor Mathanga	-	8 362	8 362
Councillor Mgandela	-	6 411	6 411
Councillor Mngonyama	-	2 207	2 207
Councillor Ntshebe	382	2 809	3 191
	382	**19 840**	**20 222**

	2015 R	2014 R

44. 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 officer and includes a note to the annual financial statements.

1. Services for newpaper delivery to the municipality amounting to R 12 403 . The service provider is the only one in Eastern Cape. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

2. Repairs to the Tractor amounting to R43 471 . This is the only service provider in the area who offer specialised repairs to the tractors . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

3. Payment amounting to R199 500 for the tent hire for prayer day . The local service providers were unable to supply the tent . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

4. Payment amounting to R39 894 for security services . Not all service provider responded to the qoute and was impractical to follow SCM processes. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

5. Payment amounting to R125 942 for procurement of school uniform . This was regarded as urgent and was impractical to follow SCM processes. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

6 Various repairs and maintenance of motor vehicles amounting to R1 407 000 . These repairs were regarded as urgent for service delivery purposes and was impractical to follow SCM processes. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

45. Budget differences

Material differences between budget and actual amounts

Explanations have been provided for the excess of actual expenditure over the final budget of 10%.

45.1. Service Charges
Management planned to implement a revenue enhancement strategy during the financial year. The objective of this programme is to increase the collection rate and expand the revenue base of the municipality however there were challenges in implementing the strategy. These will be addressed in the 2015/2016 financial year.

45.2 Interest Received Trading
Management planned to implement a revenue enhancement strategy during the financial year. The objective of this programme is to increase the collection rate and expand the revenue base of the municipality however there were challenges in implementing the strategy. These will be addressed in the 2015/2016 financial year.

45.3. Interest received (Investments)
Management managed to secure their investments for longer periods than hoped for in the investment accounts and therefore obtained a better return on investment in the current year.

45.4 Personnel
In the current year we under-budgeted for the adjustment in the provision for leave pay. This is due to less employees taking leave versus what was forecasted.

45.5 Depreciation
In the current year the municipality revalued its infrastructure assets. This resulted in a net increase fair value of the assets thereby affecting the depreciation charge.

45.6 Debt Impairment
In the current year council took a resolution to write off a significant portion of receivables which were deemed to be uncollectable as per the policy of council.

45.7 Collection costs
In the current year management under budgeted for collection costs. This was based on a view that through the implementation of the revenue enhancement strategy debt collections would be done in-house.

45.8 Repairs and maintenance
In the current year management under budgeted for repairs and maintenance as the municipality channelled more funds towards the purchase of new plant and vehicles to enhance service delivery.

45.9 Bulk purchases
Due to favourable economic conditions bulk prices were significantly lower than what was initially forecasted by management.

45.10 Inventories
Management did not budget for inventory as this balance is normally not material due to the nature of the operations of the municipality.

45.11 VAT Receivable
Management did not budget for the receivable due to the assessment of the days in debtors for SARS. It was therefore expected that all money receivable to the municipality would be paid prior the end of the financial year

45.12 Consumer debtors
In the current year provision for bad debtors was under budgeted.

45.13 Cash and cash equivalents
Due to under spending in the previous year this balance was over budgeted. In the current year management implemented programmes that ensured that service delivery projects are fast-tracked through investing in new plant and equipment and other basic infrastructure projects.

45.14 Investment property
This is budgeted for under the Property, Plant and Equipment

45. Budget differences (continued)

45.15 Property, Plant and Equipment
In the current year the municipality revalued its infrastructure assets. This resulted in an increase in the fair value of the assets. At the time of compiling the budget it was impractical to determine the direction of the revaluation.

45.16 Intangible Assets
This is budgeted for under the Property, Plant and Equipment

45.17 Finance lease obligation – current liabilities
Management had planned funding for a finance lease of motor vehicles but owing to the costs involved, determined that the investment was not worth pursuing.

45.18 Payables from exchange transactions
During the financial year management implemented strategies to ensure that payments to suppliers are made within a short period. This therefore reduced the accruals for the current year when compared to the prior years.

45.19 Employee benefit obligation – current liabilities
This is budgeted for under Provisions

45.20 Unspent conditional grants
The municipality planned to spend all the conditional grants as per the capital and operating budget of the municipality

45.21 Finance lease obligation – noncurrent liabilities
Management had planned funding for a finance lease of motor vehicles but owing to the costs involved, determined that the investment was not worth pursuing.This is budgeted for under Provisions, The landfill site was rehabilitated during the financial year therefore there is no present obligation that exists at the moment hence the liability has been reversed.

45.22 Revaluation reserve
In the current year the municipality revalued its infrastructure assets. This resulted in an increase in the fair value of the assets. At the time of compiling the budget it was impractical to determine the direction of the revaluation.

45.23 Accumulated surplus
Balance affected by prior period corrections referred to in note 35