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

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates - All types of services rendered by the municipality; Waste Management Services - The collection and disposal of waste, refuse; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.
Council committee	
Mayor / Speaker	Bruintjies LL
Councillors	Auld CA
	Douglas LJ (Elected: April 2014)
	De Lange G (Deceased: March 2014)
	Jack P
	Lombard E
	Maloni QP
	Mentoor BP
	Ndyambo S
Municipal demarcation code	EC128
Grading of local authority	One (1)
Capacity of local authority	Low capacity
Accounting Officer	Caga S
Chief Finance Officer (CFO)	Marambana N
Registered office	Market Square Adelaide 5760
Business address	Market Square Adelaide 5760
Postal address	Private Bag X350 Adelaide 5760
Bankers	First National Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Neville Borman and Botha Attorneys Wikus van Rensburg Attorneys

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

Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SARS	South African Revenue Services
VAT	Value Added Taxation

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and signed :

Accounting Officer
Caga S

Adelaide

31 August 2015

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in the main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates - all types of services rendered by the municipality; waste management services - the collection and disposal of waste, refuse; electricity services - electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. 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.

3. Subsequent events

The accounting officer is aware of one matter or arising since the end of the financial year.

The boundaries of Nxuba Local Municipality and Nkonkobe Local Municipality have been redemarcated. The two municipalities are going to amalgamate. Details as to the official date of the amalgamation is yet to be determined. The financial implications for Nxuba Local Municipality cannot be reliably estimated.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is Caga S.

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	1,115,284	1,885,845
Receivables from exchange transactions	4	11,056,749	8,944,938
Receivables from non-exchange transactions	5	5,209,143	3,050,843
Inventories	7	367,721	497,051
VAT receivable	8	3,409,729	572,542
		21,158,626	**14,951,219**
Non-Current Assets			
Investment property	9	32,480,964	33,193,446
Property, plant and equipment	10	133,730,490	139,139,535
Intangible assets	11	111,535	9,075
Heritage assets	12	70,000	70,000
		166,392,989	**172,412,056**
Non-Current Assets		166,392,989	172,412,056
Current Assets		21,158,626	14,951,219
Total Assets		**187,551,615**	**187,363,275**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	69,148,402	45,314,912
Consumer deposits	14	411,609	392,286
Finance lease obligation	15	227,000	210,964
Unspent conditional grants and receipts	16	1,537,721	3,249,981
Provisions	17	1,427,492	1,395,012
Employee benefit obligation	18	789,000	759,000
		73,541,224	**51,322,155**
Non-Current Liabilities			
Finance lease obligation	15	169,170	381,131
Provisions	17	3,152,984	3,152,984
Employee benefit obligation	18	3,351,000	3,303,000
		6,673,154	**6,837,115**
Non-Current Liabilities		6,673,154	6,837,115
Current Liabilities		73,541,224	51,322,155
Total Liabilities		**80,214,378**	**58,159,270**
Assets		187,551,615	187,363,275
Liabilities		(80,214,378)	(58,159,270)
Net Assets		**107,337,237**	**129,204,005**
Accumulated surplus		107,337,237	129,204,005

* See Note 43

Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	24,040,596	21,488,718
Interest received	21	3,326,009	2,512,671
Rental of facilities and equipment	22	141,392	152,847
Admin and sundry charges	23	522,517	950,746
Licences and permits		2,128,013	2,157,880
Other revenue	24	1,089,932	6,916,297
Total revenue from exchange transactions		**31,248,459**	**34,179,159**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	3,902,579	3,214,734
Transfer revenue			
Government grants and subsidies	26	37,582,260	38,088,562
Fines		682,550	223,500
Total revenue from non-exchange transactions		**42,167,389**	**41,526,796**
		31,248,459	34,179,159
		42,167,389	41,526,796
Total revenue	19	**73,415,848**	**75,705,955**
Expenditure			
Employee related costs	27	(23,799,210)	(21,655,298)
Remuneration of councillors	28	(2,245,651)	(2,105,536)
Debt impairment	29	(8,140,578)	(3,853,599)
Depreciation and amortisation	30	(10,238,720)	(9,811,487)
Finance costs	31	(438,886)	(420,629)
Repairs and maintenance	32	(4,675,766)	(1,000,250)
Bulk purchases	33	(20,496,920)	(23,445,206)
Contracted services	34	(2,356,452)	(5,823,054)
Grants and subsidies paid	35	(7,069,299)	(4,227,357)
General expenses	36	(13,963,386)	(16,801,018)
Free basic refuse		(1,365,034)	-
Loss on disposal of assets		(492,719)	-
Total expenditure		**(95,282,621)**	**(89,143,434)**
		-	-
Total revenue		73,415,848	75,705,955
Total expenditure		(95,282,621)	(89,143,434)
Operating deficit		**(21,866,773)**	**(13,437,479)**
Deficit before taxation		(21,866,773)	(13,437,479)
Taxation		-	-
Deficit for the year		**(21,866,773)**	**(13,437,479)**

* See Note 43

Statement of Changes in Net Assets

	Note	Accumulated surplus R	Total net assets R
Opening balance as previously reported		199,870,698	199,870,698
Prior year adjustments	43	(57,229,213)	(57,229,213)
Balance at 01 July 2013 as restated*		**142,641,485**	**142,641,485**
Changes in net assets			
Deficit for the year		(13,437,480)	(13,437,480)
Total changes		(13,437,480)	(13,437,480)
Restated* Balance at 01 July 2014		**129,204,008**	**129,204,008**
Changes in net assets			
Deficit for the year		(21,866,771)	(21,866,771)
Total changes		(21,866,771)	(21,866,771)
Balance at 30 June 2015		**107,337,237**	**107,337,237**

Note(s)

* See Note 43

Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
Cash flows from operating activities			
Receipts			
Other receipts		4,041,887	9,450,524
Sale of goods and services		24,263,114	21,311,640
Grants		35,870,000	38,024,273
Interest income		3,326,009	2,512,671
		67,501,010	71,299,108
Payments			
Employee costs		(26,044,860)	(23,760,834)
Suppliers		(20,495,747)	(23,445,206)
Finance costs		(397,480)	(376,092)
Other payments		(16,383,781)	(11,449,583)
		(63,321,868)	(59,031,715)
Total receipts		67,501,010	71,299,108
Total payments		(63,321,868)	(59,031,715)
Net cash flows from operating activities	39	**4,179,142**	**12,267,393**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(4,442,774)	(11,035,356)
Purchase of other intangible assets	11	(269,595)	(6,340)
Net cash flows from investing activities		**(4,712,369)**	**(11,041,696)**
Cash flows from financing activities			
Finance lease payments		(237,332)	(3,383)
Net increase/(decrease) in cash and cash equivalents		**(770,559)**	**1,222,314**
Cash and cash equivalents at the beginning of the year		1,885,845	663,531
Cash and cash equivalents at the end of the year	3	**1,115,286**	**1,885,845**

* See Note 43

Nxuba Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference (note 51)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	25,093,631	3,294,000	**28,387,631**	24,040,596	**(4,347,035)**	1
Sundry revenue	-	-	**-**	522,517	**522,517**	
Rental of facilities and equipment	112,000	28,500	**140,500**	141,392	**892**	
Licences and permits	5,650,000	(2,185,000)	**3,465,000**	2,128,013	**(1,336,987)**	2
Other revenue	4,517,745	(1,519,000)	**2,998,745**	1,089,932	**(1,908,813)**	3
Interest received	-	-	**-**	3,326,009	**3,326,009**	
Total revenue from exchange transactions	**35,373,376**	**(381,500)**	**34,991,876**	**31,248,459**	**(3,743,417)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2,255,449	1,681,389	**3,936,838**	3,902,579	**(34,259)**	
Transfer revenue						
Government grants and subsidies	37,608,000	283,297	**37,891,297**	37,582,260	**(309,037)**	4
Fines	38,763	-	**38,763**	682,550	**643,787**	5
Total revenue from non-exchange transactions	**39,902,212**	**1,964,686**	**41,866,898**	**42,167,389**	**300,491**	
'Total revenue from exchange transactions'	35,373,376	(381,500)	**34,991,876**	31,248,459	**(3,743,417)**	
'Total revenue from non-exchange transactions'	39,902,212	1,964,686	**41,866,898**	42,167,389	**300,491**	
Total revenue	**75,275,588**	**1,583,186**	**76,858,774**	**73,415,848**	**(3,442,926)**	
Expenditure						
Employee related costs	(26,830,258)	1,984,781	**(24,845,477)**	(23,799,210)	**1,046,267**	6
Remuneration of councillors	(2,179,569)	-	**(2,179,569)**	(2,245,651)	**(66,082)**	
Depreciation and amortisation	(8,365,728)	-	**(8,365,728)**	(10,238,720)	**(1,872,992)**	7
Finance costs	-	-	**-**	(438,886)	**(438,886)**	
Debt impairment	(8,739,825)	-	**(8,739,825)**	(8,140,578)	**599,247**	8
Free basic refuse	-	(2,703,000)	**(2,703,000)**	(1,365,034)	**1,337,966**	9
Repairs and maintenance	(1,520,000)	499,500	**(1,020,500)**	(4,675,766)	**(3,655,266)**	10
Bulk purchases	(21,445,166)	1,073,510	**(20,371,656)**	(20,496,920)	**(125,264)**	
Contracted services	-	-	**-**	(2,356,452)	**(2,356,452)**	11
Grants and subsidies paid	(4,368,000)	(1,413,000)	**(5,781,000)**	(7,069,299)	**(1,288,299)**	12
General expenses	(9,788,501)	(751,678)	**(10,540,179)**	(13,963,386)	**(3,423,207)**	13
Total expenditure	**(83,237,047)**	**(1,309,887)**	**(84,546,934)**	**(94,789,902)**	**(10,242,968)**	
	75,275,588	1,583,186	**76,858,774**	73,415,848	**(3,442,926)**	
	(83,237,047)	(1,309,887)	**(84,546,934)**	(94,789,902)	**(10,242,968)**	
Operating deficit	**(7,961,459)**	**273,299**	**(7,688,160)**	**(21,374,054)**	**(13,685,894)**	
Loss on disposal of assets	-	-	**-**	(492,719)	**(492,719)**	
	(7,961,459)	273,299	**(7,688,160)**	(21,374,054)	**(13,685,894)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference (note 51)
	-	-	-	(492,719)	(492,719)	
Deficit before taxation	**(7,961,459)**	**273,299**	**(7,688,160)**	**(21,866,773)**	**(14,178,613)**	
Surplus before taxation	(7,961,459)	273,299	(7,688,160)	(21,866,773)	(14,178,613)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(7,961,459)**	**273,299**	**(7,688,160)**	**(21,866,773)**	**(14,178,613)**	

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2015											
Financial Performance											
Property rates	2,255,449	1,681,389	3,936,838	-		3,936,838	3,902,579		(34,259)	99 %	173 %
Service charges	25,093,631	3,294,000	28,387,631	-		28,387,631	24,040,596		(4,347,035)	85 %	96 %
Investment revenue	-	-	-	-		-	3,326,009		3,326,009	DIV/0 %	DIV/0 %
Transfers recognised - operational	37,608,000	283,297	37,891,297	-		37,891,297	37,582,260		(309,037)	99 %	100 %
Other own revenue	10,318,508	(3,675,500)	6,643,008	-		6,643,008	4,564,405		(2,078,603)	69 %	44 %
Total revenue (excluding capital transfers and contributions)	**75,275,588**	**1,583,186**	**76,858,774**	**-**		**76,858,774**	**73,415,849**		**(3,442,925)**	**96 %**	**98 %**
Employee costs	(26,830,258)	1,984,781	(24,845,477)	-	-	(24,845,477)	(23,799,210)	-	1,046,267	96 %	89 %
Remuneration of councillors	(2,179,569)	-	(2,179,569)	-	-	(2,179,569)	(2,245,651)	-	(66,082)	103 %	103 %
Debt impairment	(8,739,825)	-	(8,739,825)			(8,739,825)	(8,140,578)	-	599,247	93 %	93 %
Depreciation and asset impairment	(8,365,728)	-	(8,365,728)			(8,365,728)	(10,238,720)	-	(1,872,992)	122 %	122 %
Finance charges	-	-	-	-	-	-	(438,886)	-	(438,886)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(21,445,166)	1,073,510	(20,371,656)	-	-	(20,371,656)	(20,496,920)	-	(125,264)	101 %	96 %
Transfers and grants	(4,368,000)	(1,413,000)	(5,781,000)	-	-	(5,781,000)	(7,069,299)	-	(1,288,299)	122 %	162 %
Other expenditure	(11,308,501)	(2,955,178)	(14,263,679)	-	-	(14,263,679)	(22,853,356)	-	(8,589,677)	160 %	202 %
Total expenditure	**(83,237,047)**	**(1,309,887)**	**(84,546,934)**	**-**	**-**	**(84,546,934)**	**(95,282,620)**	**-**	**(10,735,686)**	**113 %**	**114 %**
Total revenue (excluding capital transfers and contributions)	75,275,588	1,583,186	76,858,774	-	-	76,858,774	73,415,849	-	(3,442,925)	96 %	98 %
Total expenditure	(83,237,047)	(1,309,887)	(84,546,934)	-	-	(84,546,934)	(95,282,620)	-	(10,735,686)	113 %	114 %
Surplus/(Deficit)	**(7,961,459)**	**273,299**	**(7,688,160)**	**-**		**(7,688,160)**	**(21,866,771)**		**(14,178,611)**	**284 %**	**275 %**

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

Appropriation Statement

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. council approved policy) R	Final budget R	Actual outcome R	Unauthorised expenditure R	Variance R	Actual outcome as % of final budget R	Actual outcome as % of original budget R
Transfers recognised - capital	(9,451,000)	(283,297)	(9,734,297)	-		(9,734,297)	(4,169,935)		5,564,362	43 %	44 %
Surplus/(Deficit)	(7,961,459)	273,299	(7,688,160)	-	-	(7,688,160)	(21,866,771)	-	(14,178,611)	284 %	275 %
Capital transfers and contributions	(9,451,000)	(283,297)	(9,734,297)	-	-	(9,734,297)	(4,169,935)	-	5,564,362	43 %	44 %
Surplus (Deficit) after capital transfers and contributions	**(17,412,459)**	**(9,998)**	**(17,422,457)**	**-**		**(17,422,457)**	**(26,036,706)**		**(8,614,249)**	**149 %**	**150 %**
Surplus (Deficit) after capital transfers and contributions	(17,412,459)	(9,998)	(17,422,457)	-	-	(17,422,457)	(26,036,706)	-	(8,614,249)	149 %	150 %
Surplus/(Deficit) for the year	**(17,412,459)**	**(9,998)**	**(17,422,457)**	**-**		**(17,422,457)**	**(26,036,706)**		**(8,614,249)**	**149 %**	**150 %**

Capital Expenditure and Funds Sources

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows											
Net cash from (used) operating	7,961,458	(273,298)	7,688,160	-		7,688,160	4,179,142		(3,509,018)	54 %	52 %
Net cash from (used) investing	(9,144,000)	(273,298)	(9,417,298)	-		(9,417,298)	(4,712,369)		4,704,929	50 %	52 %
Net cash from (used) financing	-	-	-	-		-	(237,332)		(237,332)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**(1,182,542)**	**(546,596)**	**(1,729,138)**	**-**		**(1,729,138)**	**(770,559)**		**958,579**	**45 %**	**65 %**
Cash and cash equivalents at the beginning of the year	1,886,000	-	1,886,000	-		1,886,000	1,885,845		(155)	100 %	100 %
Net increase / (decrease) in cash and cash equivalents	(1,182,542)	(546,596)	(1,729,138)	-	-	(1,729,138)	(770,559)	-	(958,579)	45 %	65 %
Cash and cash equivalents at the beginning of the year	1,886,000	-	1,886,000	-	-	1,886,000	1,885,845	-	155	100 %	100 %
Cash and cash equivalents at year end	**703,458**	**(546,596)**	**156,862**	**-**		**156,862**	**1,115,286**		**(958,424)**	**711 %**	**159 %**

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 the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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.

1.2 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:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, 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 for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 Provisions.

Useful lives of property, plant and equipment and other assets

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

Post employment benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current 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.

Other key assumptions for retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

Allowance for impairment

For receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

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

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

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

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Accounting Policies

1.3 Investment property (continued)

Cost model

Subsequent to initial measurement 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, on a straight line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	20 to 30 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.

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

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.

1.4 Property, plant and equipment

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

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

Property, plant and equipment are initially recognised at cost.

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 at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

Property, plant and equipment are depreciated on a 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
Buildings	30 years
Community	20 to 30 years
Infrastructure	10 to 80 years
Other assets	3 to 20 years

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

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

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

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

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

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. Such a difference is recognised in surplus or deficit when the item is derecognised.

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

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the 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.

Accounting Policies

1.5 Site restoration and dismantling cost (continued)

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

1.6 Intangible assets

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

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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.

Accounting Policies

1.6 Intangible assets (continued)

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

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

Item	**Useful life**
Computer software	3 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 arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such a difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Initial measurement

Heritage assets are initially recognised cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

Accounting Policies

1.8 Financial instruments

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Consumer deposits	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, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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 in the case of a financial asset.

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 municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-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.

Short-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 municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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.

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

Financial liabilities

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

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.

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 entity 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).

Accounting Policies

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 building elements, the municipality 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 municipality's incremental borrowing rate.

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

Operating leases - lessor

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

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

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

Any contingent rents are recognised separately as revenue in the period in which they are received.

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.

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

Accounting Policies

1.10 Inventories (continued)

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

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

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

1.11 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.12 Impairment of cash-generating assets

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

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 tests 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 is tested for impairment before the end of the current reporting period.

Value in use

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

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

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.

1.12 Impairment of cash-generating assets (continued)

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.

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.

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 uses 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 municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.13 Impairment of non-cash-generating assets

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

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 municipality also tests 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 is tested for impairment before the end of the current reporting period.

Accounting Policies

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

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 asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

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

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

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

1.14 Statutory receivables

Statutory receivables are receivables that:
- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

Accounting Policies

1.14 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the defnition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been inccurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable 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:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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 considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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 12 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 12 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 municipality during a reporting period, the municipality recognises 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 recognises 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 measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises 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 municipality 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 the municipality 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.

Accounting Policies

1.15 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 entity (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 recognises 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 recognises 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 12 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) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are 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.

Accounting Policies

1.15 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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

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

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the 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.

1.16 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 expenditure.

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

A constructive obligation to restructure arises only when the municipality:
- 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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Accounting Policies

1.16 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 municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- 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.

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

1.17 Revenue from exchange transactions

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

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

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.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

When 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.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

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

1.18 Revenue from non-exchange transactions

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are 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 municipality.

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

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

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

1.18 Revenue from non-exchange transactions (continued)

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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 (Property rates for municipalities)

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.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Collection charges and penalties

Collection charges and penalty interest are recognised when:

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

1.18 Revenue from non-exchange transactions (continued)

Fines

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

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

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.

Services in-kind

Services in-kind are not recognised.

1.19 Borrowing costs

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

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. Refer to note 43 for detail.

1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

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

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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

1.23 Irregular expenditure (continued)

All expenditure relating to irregular 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.

1.24 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 40.

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

1.26 Grants in aid

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

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

1.27 Budget information

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

The approved budget covers the fiscal period from 01 Jul 2014 to 30 Jun 2015.

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.

Comparative information is not required.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an 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.

Accounting Policies

1.29 Events after reporting date

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

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

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

The municipality discloses 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.

Notes to the Annual Financial Statements

	2015	2014
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

2. New standards and interpretations (continued)

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	517,035	983,305
Short-term deposits	598,249	902,539
	1,115,284	**1,885,844**

Notes to the Annual Financial Statements

	2015 R	2014 R

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank Ltd - Current account - 2360 000 012	119,237	29,195	168,048	119,237	29,195	168,048
FNB Bank Ltd - Cheque account - 5164 001 1783	397,798	954,111	385,865	397,798	954,111	385,865
ABSA Bank Ltd - Call account - 9130 862 998	586,597	846,604	6,400	586,597	846,604	6,400
ABSA Bank Ltd - Call account - 9167 907 774	4,090	1,997	30,269	4,090	1,997	30,269
ABSA Bank Ltd - Call account - 9081 226 121	1,084	1,224	19,811	1,084	1,224	19,811
ABSA Bank Ltd - Call account - 9116 410 431	6,478	6,258	6,070	6,478	6,258	6,070
FNB Bank Ltd - Money market account - 6206 606 4793	-	46,455	46,061	-	46,455	46,061
Total	**1,115,284**	**1,885,844**	**662,524**	**1,115,284**	**1,885,844**	**662,524**

4. Receivables from exchange transactions

	2015 R	2014 R
Gross balances		
Electricity	10,005,460	6,472,980
Refuse	36,928,451	32,304,555
Admin, sundry and housing	829,888	10,578,127
	47,763,799	**49,355,662**
Less: Allowance for impairment		
Electricity	(3,687,623)	(3,365,397)
Refuse	(32,306,611)	(28,163,529)
Admin, sundry and housing	(712,816)	(8,881,799)
	(36,707,050)	**(40,410,725)**
Net balance		
Electricity	6,317,837	3,107,583
Refuse	4,621,840	4,141,027
Admin, sundry and housing	117,072	1,696,328
	11,056,749	**8,944,938**
Electricity		
Current (0 - 30 days)	1,935,950	1,719,428
31 - 60 days	1,020,217	285,692
61 - 90 days	901,530	248,801
91 - 120+ days	6,147,763	4,219,059
Less: Allowance for impairment	(3,687,623)	(3,365,397)
	6,317,837	**3,107,583**

Notes to the Annual Financial Statements

	2015 R	2014 R

4. Receivables from exchange transactions (continued)

	2015 R	2014 R
Refuse		
Current (0 - 30 days)	737,238	946,606
31 - 60 days	437,959	527,130
61 - 90 days	419,997	517,032
91 - 120+ days	35,333,257	30,313,789
Less: Allowance for impairment	(32,306,611)	(28,163,530)
	4,621,840	**4,141,027**

	2015 R	2014 R
Admin, sundry and housing		
Current (0 - 30 days)	27,503	118,254
31 - 60 days	9,149	99,612
61 - 90 days	6,244	99,099
91 - 120+ days	786,992	10,261,162
Less: Allowance for impairment	(712,816)	(8,881,799)
	117,072	**1,696,328**

Notes to the Annual Financial Statements

	2015 R	2014 R

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2015 R	2014 R
Consumers		
Current (0 - 30 days)	1,481,410	746,249
31 - 60 days	521,190	292,344
61 - 90 days	479,051	289,357
91 - 120+ days	38,051,962	19,356,129
	40,533,613	20,684,079
Less: Allowance for impairment	(34,840,756)	(17,743,349)
	5,692,857	**2,940,730**
Industrial/ commercial		
Current (0 - 30 days)	550,598	527,321
31 - 60 days	83,612	114,736
61 - 90 days	59,038	85,497
91 - 120+ days	2,228,034	2,254,585
	2,921,282	2,982,139
Less: Allowance for impairment	(1,866,294)	(1,680,329)
	1,054,988	**1,301,810**
National and provincial government		
Current (0 - 30 days)	668,683	1,510,975
31 - 60 days	862,522	505,351
61 - 90 days	789,682	490,077
91 - 120+ days	1,988,651	23,183,040
	4,309,538	25,689,443
Less: Allowance for impairment	-	(20,985,641)
	4,309,538	**4,703,802**
Total		
Current (0 - 30 days)	2,700,691	2,784,288
31 - 60 days	1,467,324	912,434
61 - 90 days	1,327,771	864,931
91 - 120+ days	42,268,013	44,794,011
	47,763,799	49,355,664
Less: Allowance for impairment	(36,707,050)	(40,410,725)
	11,056,749	**8,944,939**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(40,410,725)	(37,262,837)
Contributions to allowance	-	(3,147,888)
Reversal of allowance	3,703,675	-
	(36,707,050)	**(40,410,725)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2015 R	2014 R

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 4,168,015 (2014: R 3,698,722) were past due but not impaired.

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

1 month past due	2,700,691	2,784,288
2 months past due	1,467,324	914,434

Receivables from exchange transactions impaired

As of 30 June 2015, receivables from exchange transactions of R 43,596,418 (2014: R 45,658,942) were impaired and provided for.

The amount of the allowance was R 36,707,050 as of 30 June 2015 (2014: R 40,410,725).

The ageing of these receivables is as follows:

3 to 6 months	1,327,771	864,931
Over 6 months	42,268,646	44,794,011

5. Receivables from non-exchange transactions

Fines	140,126	51,380
Government grants and subsidies	1,903,000	-
Interest accrued	1,700	-
Property rates	3,096,448	2,979,803
Sundry deposits	67,869	19,660
	5,209,143	**3,050,843**

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 1,138,149 (2014: R 697,871) were past due but not impaired.

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

1 month past due	742,609	462,301
2 months past due	395,540	235,570

Receivables from non-exchange transactions impaired

As of 30 June 2015, receivables from non-exchange transactions of R 15,614,769 (2014: R 13,870,082) were impaired and provided for.

The amount of the allowance for impairment was R 13,516,344 as of 30 June 2015 (2014: R 11,536,770).

The ageing of these receivables are as follows:

3 to 6 months	336,514	218,183
Over 6 months	15,278,255	13,651,899

Notes to the Annual Financial Statements

	2015 R	2014 R

6. Non-exchange receivables disclosure

Net balance		
Property rates	3,096,448	2,979,803
Fines	140,126	51,380
	3,236,574	**3,031,183**

Property rates		
Current (0 - 30 days)	597,359	453,320
31 - 60 days	262,840	219,249
61 - 90 days	249,914	203,762
91 - 120+ days	14,641,905	13,324,622
Less: Allowance for impairment	(12,655,570)	(11,221,150)
	3,096,448	**2,979,803**

Fines		
Current (0 - 30 days)	145,250	8,981
31 - 60 days	132,700	16,321
61 - 90 days	86,600	14,421
91 - 120+ days	636,350	327,277
Less: Allowance for impairment	(860,774)	(315,620)
	140,126	**51,380**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(11,536,770)	(10,848,341)
Contributions to allowance	(1,884,087)	(688,429)
	(13,420,857)	**(11,536,770)**

7. Inventories

Maintenance materials	367,721	497,051

Inventory pledged as security

Inventory is not pledged as security.

8. VAT receivable

Value-added taxation (note 48)	3,409,729	572,542

VAT is payable on the payment basis.

9. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	38,180,826	(5,699,862)	32,480,964	38,180,826	(4,987,380)	33,193,446

	2015 R	2014 R

9. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	33,193,447	(712,483)	32,480,964

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	33,905,930	(712,483)	33,193,447

	2015	2014
Rental income earned	141,392	152,847

Pledged as security

Investment property is not pledged as security.

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. 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	74,754	-	74,754	74,754	-	74,754
Buildings	8,309,714	(865,700)	7,444,014	3,181,393	(742,325)	2,439,068
Other assets	5,687,638	(2,645,029)	3,042,609	6,173,907	(2,287,840)	3,886,067
Infrastructure	213,898,038	(112,526,179)	101,371,859	213,856,503	(104,589,049)	109,267,454
Community	22,540,364	(5,400,101)	17,140,263	22,540,364	(4,725,088)	17,815,276
Work in progress	4,656,991	-	4,656,991	5,656,916	-	5,656,916
Total	**255,167,499**	**(121,437,009)**	**133,730,490**	**251,483,837**	**(112,344,302)**	**139,139,535**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	74,754	-	-	-	-	74,754
Buildings	2,439,068	-	-	5,128,322	(123,376)	7,444,014
Other assets	3,886,066	272,843	(492,719)	-	(623,580)	3,042,610
Infrastructure	109,267,454	-	-	41,538	(7,937,133)	101,371,859
Community	17,815,276	-	-	-	(675,013)	17,140,263
Work in progress	5,656,916	4,169,935	-	(5,169,860)	-	4,656,991
	139,139,534	**4,442,778**	**(492,719)**	**-**	**(9,359,102)**	**133,730,491**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land	74,754	-	-	-	74,754
Buildings	2,545,114	-	-	(106,046)	2,439,068
Other assets	3,390,880	1,125,921	-	(630,735)	3,886,066
Infrastructure	103,427,683	802,346	12,717,102	(7,679,677)	109,267,454
Community	18,490,288	-	-	(675,012)	17,815,276
Work in progress	9,266,929	9,107,089	(12,717,102)	-	5,656,916
	137,195,648	**11,035,356**	**-**	**(9,091,470)**	**139,139,534**

Pledged as security

Carrying value of the above property, plant and equipment have been pledged as security.

	2015	2014
Other assets Finance lease contracts	292,713	520,513

The municipality does not hold any water or sewer infrastructure as this function falls under Amatole District Municipality.

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.

11. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	303,284	(191,749)	111,535	33,688	(24,613)	9,075

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	9,075	269,595	(167,135)	111,535

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	10,268	6,340	(7,533)	9,075

Pledged as security

None of the above intangible assets have been pledged as security.

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.

	2015 R	2014 R

12. Heritage assets

	2015			2014		
	Valuation	Accumulated impairment losses	Carrying value	Valuation	Accumulated impairment losses	Carrying value
Historical monuments	70,000	-	70,000	70,000	-	70,000

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	70,000	70,000

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments	70,000	70,000

Pledged as security

None of the above heritage assets have been pledged as security.

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.

13. Payables from exchange transactions

	2015 R	2014 R
Trade payables	61,064,656	37,189,791
Unallocated deposits	3,396,918	3,515,619
Accrued leave pay	2,131,193	1,723,287
Accrued 13th cheque	541,454	426,815
Operating lease payables	17,246	18,886
Retention creditor	-	307,592
Accrued employee costs	898,615	1,506,676
Payments received in advance	1,068,572	594,038
Rental deposits	29,748	32,208
	69,148,402	**45,314,912**

14. Consumer deposits

	2015 R	2014 R
Electricity	411,609	392,286

Notes to the Annual Financial Statements

	2015 R	2014 R

15. Finance lease obligation

Minimum lease payments due		
- within one year	251,089	251,841
- in second to fifth year inclusive	178,265	418,902
	429,354	670,743
less: future finance charges	(33,184)	(78,648)
Present value of minimum lease payments	**396,170**	**592,095**

Non-current liabilities	169,170	381,131
Current liabilities	227,000	210,964
	396,170	**592,095**

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

The average lease term was 2 years and the average effective borrowing rate prime.

Interest rates are fixed at the contract date. All leases have fixed repayments.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1,474,687	2,391,309
Integrated National Electrification Grant	-	851,079
Municipal Systems Improvement Grant	7,594	7,594
Local Economic Development Subsidy	55,440	-
	1,537,721	**3,249,982**

Movement during the year

Balance at the beginning of the year	3,249,982	3,314,270
Additions during the year	35,870,000	37,994,400
Income recognised during the year	(37,582,261)	(38,088,561)
Overspent portion expensed	-	29,873
	1,537,721	**3,249,982**

See note 26 or reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

	2015 R	2014 R

17. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	4,547,996	32,480	4,580,476

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation - landfill sites	-	4,547,996	-	4,547,996
Closure liability - landfill sites	4,310,897	-	(4,310,897)	-
	4,310,897	**4,547,996**	**(4,310,897)**	**4,547,996**

	2015	2014
Non-current liabilities	3,152,984	3,152,984
Current liabilities	1,427,492	1,395,012
	4,580,476	**4,547,996**

The provision represents the municipality's estimated obligation at 30 June 2015 to restore the landfill site at the end of its useful life, estimated to be: Adelaide - 28 years (2014: 29 years), Bedford - 93 years (2014: 94 years). The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discount rate of the provision was 3.96% (2014: 3.96%).

18. Employee benefit obligations

Employee benefit obligation

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Long service awards

The municipality provides long service benefits, they are awarded in the form of leave days, awarded once and employee has completed a certain number of years service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by ZAQEN Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service plan service cost, were measured using the Projected Unit Credit Funding Method.

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

	2015	2014
Carrying value		
Present value of the employee benefit obligation-wholly unfunded	(4,140,000)	(4,062,000)

	2015	2014
Non-current liabilities	(3,351,000)	(3,303,000)
Current liabilities	(789,000)	(759,000)
	(4,140,000)	**(4,062,000)**

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

	2015	2014
Opening balance	(3,131,000)	(3,489,000)
Net expense recognised in the statement of financial performance	73,000	358,000
	(3,058,000)	**(3,131,000)**

Notes to the Annual Financial Statements

	2015 R	2014 R

18. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2015 R	2014 R
Current service cost	(289,000)	(296,000)
Interest cost	(293,000)	(286,000)
Actuarial gains	655,000	940,000
	73,000	**358,000**

Changes in the present value of the long service award obligation are as follows:

	2015 R	2014 R
Opening balance	(931,000)	(1,029,000)
Net expense recognised in the statement of financial performance	(151,000)	98,000
	(1,082,000)	**(931,000)**

Net expense of the long service awards obligation recognised in the statement of financial performance

	2015 R	2014 R
Current service cost	105,000	113,000
Interest cost	72,000	79,000
Actuarial losses / (gains)	9,000	(121,535)
Benefits paid	(35,000)	(168,465)
	151,000	**(98,000)**

	2015 R	2014 R

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - defined contribution plan	Yield curve	8.94%
Discount rates used - long service awards	Yield curve	7.96%
Consumer price inflation (CPI) - defined contribution plan	Difference between nominal and yield curves	7.05%
Consumer price inflation (CPI) - long service awards	Difference between nominal and yield curves	6.33%
Medical aid contribution inflation	CPI +1%	8.05%
Normal salary increase rate	CPI +1%	7.33%
Net effective discount rate - defined benefit plan	Yield curve based	0.82%
Average retirement age	63	63

The basis used to determine the discount rates and CPI assumptions are as follows:

The nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing the calculations was used. ZAQEN have changed to this methodology from a point estimate in order to present a more accurate depiction of the liability.

The basis used to determine the medical aid inflation is as follows:

The medical aid contribution inflation rate was set with reference to the past relationship between the yield curve basis discount rate for each relevant time period and the yield curve based medical aid contribution inflation for each relevant time period.

The basis used to determine the normal salary inflation rate is as follows:

ZAQEN derived the underlying future rate of CPI from the relationship between the yield curve based conventional bond rate for each relevant time period and the yield curve based inflation-linked bond rate for each relevant time period. Their assumed rate of salary inflation was set as the assumed value of CPI +1%. The salaries used in the valuation include an assumed increase on 1 July 2015 of 6.79%.

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	600,000	507,000
Effect on employee benefit obligation	3,296,000	2,764,000

Notes to the Annual Financial Statements

	2015 R	2014 R

19. Revenue

Service charges	24,040,596	21,488,718
Property rates	3,902,579	3,214,734
Government grants and subsidies	37,582,260	38,088,562
Interest received	3,326,009	2,512,671
Rental of facilities and equipment	141,392	152,847
Admin and sundry charges	522,517	950,746
Licences and permits	2,128,013	2,157,880
Other revenue (note 24)	1,089,932	6,916,297
Fines	682,550	223,500
	73,415,848	**75,705,955**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	24,040,596	21,488,718
Admin and sundry charges	522,517	950,746
Rental of facilities and equipment	141,392	152,847
Licences and permits	2,128,013	2,157,880
Other revenue (note 24)	1,089,932	6,916,297
Interest received	3,326,009	2,512,671
	31,248,459	**34,179,159**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	3,902,579	3,214,734
Transfer revenue		
Government grants and subsidies	37,582,260	38,088,562
Fines	682,550	223,500
	42,167,389	**41,526,796**

20. Service charges

Sale of electricity	19,124,136	17,155,056
Refuse removal	4,916,460	4,333,662
	24,040,596	**21,488,718**

21. Investment revenue

Interest revenue		
Bank	103,715	36,508
Interest charged on receivables	3,222,294	2,476,163
	3,326,009	**2,512,671**
	-	-
	3,326,009	2,512,671

22. Rental income

Facilities		
Rental of facilities	141,392	152,847
Premises	-	-
Garages and parking	-	-
Facilities and equipment	141,392	152,847

Notes to the Annual Financial Statements

	2015 R	2014 R

23. Admin and sundry charges

Admin and sundry charges	522,517	950,746

24. Other revenue

Actuarial gain on employee benefits	646,000	1,061,535
Building plans	27,856	23,701
Burial fees	96,183	104,842
Clearance and valuation certificates	40,541	23,033
Closure liability	-	4,310,897
Commission: motor registrations	221,304	250,291
Donations in kind: Amatole District Municipality	-	530,500
Insurance claim	41,030	-
Pound fees	17,018	8,077
Sundry income	-	3,935
Suspense write backs	-	599,486
	1,089,932	**6,916,297**

The reason for the substantial decrease in other revenue is due to the movement in the landfill closure liability in the prior year.

Unsubstantiated suspense votes to the value of R599 486 were approved by Council to be written back in the prior year.

25. Property rates

Rates billed

Property rates	3,902,579	3,214,734

Valuations

Residential	345,410,085	257,307,490
Commercial	73,531,998	63,526,000
State	80,556,500	29,670,800
Municipal	15,445,700	1,846,615
Small holdings and farms	883,976,500	635,870,284
	1,398,920,783	**988,221,189**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

	2015 R	2014 R

26. Government grants and subsidies

Equitable share	22,102,850	18,237,417
Library subsidy	522,000	522,000
Indigent subsidy	1,686,150	4,069,583
Integrated National Electrification Grant	1,413,079	748,921
Local Economic Development Subsidy	56,560	117,400
Municipal Infrastructure Grant	8,067,621	10,852,704
Extended Public Works Programme Grant	1,000,000	1,009,900
Financial Management Grant	1,800,000	1,640,679
Municipal Systems Improvement Grant	934,000	889,958
	37,582,260	**38,088,562**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	15,232,000	16,915,400
Unconditional grants received	20,638,000	21,079,000
	35,870,000	**37,994,400**

Equitable Share

Indigent subsidy

Current - year receipts	1,686,150	4,069,583
Conditions met - transferred to revenue	(1,686,150)	(4,069,583)
	-	**-**

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	2,391,309	3,336,011
Current - year receipts	9,451,000	11,136,000
Conditions met - transferred to revenue	(8,067,622)	(10,852,702)
Withheld - Equitable share	(2,300,000)	(1,228,000)
	1,474,687	**2,391,309**

Conditions still to be met - remains a liability (see note 16).

Receiving officers must ensure appropriate programme and project planning and implementation readiness prior to the year of implementation and must be informed by the Integrated Development Plan (IDP) (Chapter 5 of the Municipal Systems Act, 2000) and a three year capital plan.

The municipality must prioritise basic residential infrastructure for water, sanitation, roads, refuse removal, streets lighting, connector and internal bulk infrastructure, and other municipal infrastructure like sport and recreation and community facilities in line with the MIG 2004 policy framework and/or other government sector policies.

Municipalities must use labour-intensive construction methods in terms of EPWP guidelines.

	2015 R	2014 R

26. Government grants and subsidies (continued)

Integrated National Electrification Grant

Balance unspent at beginning of year	851,079	-
Current - year receipts	1,413,000	1,600,000
Conditions met - transferred to revenue	(1,413,079)	(748,921)
Withheld - Equitable share	(851,000)	-
	-	**851,079**

Conditions still to be met - remain liabilities (see note 16).

The purpose is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Plans need to have undergone pre-engineered project feasibility approval. The projects must be prioritised by municipalities in their Integrated Development Plans (IDPs) and supporting letters provided to demonstrate municipalities are in agreement with projects to be undertaken.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	7,594	7,552
Current - year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(889,958)
	7,594	**7,594**

Conditions still to be met - remain liabilities (see note 16).

Municipalities must submit a signed activity plan in the prescribed format with detailed budgets and time frames for the implementation of prioritised measurable outputs.

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	(39,113)
Current - year receipts	1,800,000	1,650,000
Conditions met - transferred to revenue	(1,800,000)	(1,640,679)
Overspent portion expensed	-	29,792
	-	**-**

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

The municipality must establish a Budget and Treasury Office (BTO) with positions filled by appropriately qualified personnel and must appoint at least five interns over a multi-year period.

Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	-	9,820
Current - year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,009,900)
Overspent portion expensed	-	80
	-	**-**

EPWP projects must comply with the project selection criteria determined in the 2012 EPWP Grant Manual; the EPWP guidelines set by the Department of Public Works (DPW) and the Ministerial Determination as updated annually on 1 November each year.

	2015 R	2014 R

26. Government grants and subsidies (continued)

The EPWP grant can only be utilised for EPWP purposes, for the projects approved in each municipality's EPWP project list.

Library subsidy

Current - year receipts	522,000	522,000
Conditions met - transferred to revenue	(522,000)	(522,000)
	-	-

The subsidy is provided for the sole purpose to fund the running of the library.

Local Economic Development Subsidy (LED)

Current - year receipts	112,000	117,400
Conditions met - transferred to revenue	(56,560)	(117,400)
	55,440	-

Conditions still to be met - remain liabilities (see note 16).

To assist the municipality to employ and LED assistant, to drive the municipal LED programme.

Unspent conditional grants are not cash-backed.

27. Employee related costs

Basic	17,595,725	15,285,138
13th cheque	1,245,880	1,190,264
Unemployment insurance fund (UIF)	3,178,469	3,064,694
Compensation commissioner	122,358	1,024,433
Skills development levies (SDL)	86,327	92,653
Defined contribution plans	394,000	409,000
Travel, motor car, accommodation, subsistence and other allowances	434,689	305,905
Overtime payments	225,814	4,038
Housing benefits and allowances	22,848	20,748
Ward committees	384,600	360,390
Learnerships	143,500	66,500
Actuarial benefits paid	(35,000)	(168,465)
	23,799,210	**21,655,298**

Remuneration of the Municipal Manager

Annual remuneration	894,600	840,000
Employer's contributions to UIF	1,785	1,785
	896,385	**841,785**

Remuneration of the Chief Financial Officer - Suspended March 2012

Annual remuneration	-	33,899
Travel allowance	-	25,424
Other allowances	-	123,054
Employer's contributions to UIF	-	297
	-	**182,674**

Notes to the Annual Financial Statements

	2015 R	2014 R

27. Employee related costs (continued)

Remuneration of the Chief Financial Officer - Appointed November 2013

Annual remuneration	471,623	338,993
Travel allowance	69,917	-
Employer's contributions to UIF	1,785	1,189
	543,325	**340,182**

Remuneration of the Technical Services Director - Appointed January 2014 and resigned in November 2014

Annual remuneration	224,403	224,948
Employer's contributions to UIF	744	744
	225,147	**225,692**

Remuneration of the Human Resource Director - Resigned September 2013

Annual remuneration	-	70,433
Leave pay	-	32,118
Employer's contributions to UIF	-	294
	-	**102,845**

Remuneration of the Human Resource Director - Appointed January 2014 and resigned in June 2015

Annual remuneration	535,734	251,519
Employer's contributions to UIF	1,785	744
	537,519	**252,263**

The Director Human Resources post was vacant between October 2013 and December 2013.

Remuneration of the Community Service Director - Appointed September 2014

Annual remuneration	500,000	-
Employer's contributions to UIF	1,487	-
	501,487	**-**

Remuneration of the Acting Director Technical Services - 1 December 2014 to 28 February 2015

Annual remuneration	19,326	-
Employer's contributions to UIF	283	-
	19,609	**-**

Remuneration of the Acting Director Technical Services - 17 March 2015 to 30 April 2015

Annual remuneration	48,259	-
Employer's contributions to UIF	297	-
	48,556	**-**

Notes to the Annual Financial Statements

	2015 R	2014 R

27. Employee related costs (continued)

Remuneration of the Acting Director Technical Services - 11 May 2015 to 30 May 2015

	2015 R	2014 R
Annual remuneration	15,796	-
Employer's contributions to UIF	149	-
	15,945	**-**

The position of Director Technical Services and Director Community Services was combined from 1 June 2015.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

28. Remuneration of councillors

	2015 R	2014 R
Mayor / Speaker	676,291	640,640
Councillors	1,569,360	1,464,896
	2,245,651	**2,105,536**

In-kind benefits

The Mayor is also the Speaker and is full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.

The Mayor is not being provided with the mayoral residence. The Mayor has use of a Council owned vehicle for official duties. The Mayor does not have bodyguards.

2015	Annual remuneration	Travel allowance	Telephone allowances	Total
Mayor / Speaker - Bruintjies LL	484,872	161,051	20,868	666,791
Councillor - Auld CA	148,546	48,315	20,868	217,729
Councillor - Ndyambo S	196,861	-	20,868	217,729
Councillor - Jack P	251,618	-	20,868	272,486
Councillor - Lombard E	148,546	48,315	20,868	217,729
Councillor - Maloni QP	196,861	-	20,868	217,729
Councillor - Mentoor BP	148,546	48,315	20,868	217,729
Councillor - Douglas LJ (Elected: April 2014)	148,546	48,315	20,868	217,729
	1,724,396	**354,311**	**166,944**	**2,245,651**

2014	Annual remuneration	Travel allowance	Telephone allowances	Total
Mayor / Speaker - Bruintjies LL	466,090	154,263	20,287	640,640
Councillor - Auld CA	142,137	46,279	15,926	204,342
Councillor - De Lange (Deceased March 2014)	93,336	30,412	8,970	132,718
Councillor - Jack P	199,275	39,026	15,926	254,227
Councillor - Lombard E	142,137	46,279	15,926	204,342
Councillor - Maloni QP	162,812	26,445	15,926	205,183
Councillor - Mentoor BP	142,978	46,279	15,926	205,183
Councillor - Douglas LJ (Elected: April 2014)	36,601	11,900	5,217	53,718
Councillor - Ndyambo S	142,978	46,279	15,926	205,183
	1,528,344	**447,162**	**130,030**	**2,105,536**

The remuneration of councillors is within the upper limits as per Gazette No. 58.

Notes to the Annual Financial Statements

	2015 R	2014 R

29. Debt impairment

Debt impairment	-	3,836,317
Contributions to allowance for impairment	(1,724,099)	-
Bad debts written off	9,864,678	17,282
	8,140,579	**3,853,599**

A report was tabled before Council to write off sundry and admin charges.

30. Depreciation and amortisation

Property, plant and equipment	9,359,102	9,091,471
Investment property	712,483	712,483
Intangible assets	167,135	7,533
	10,238,720	**9,811,487**

31. Finance costs

Landfill	32,480	-
Finance leases	41,407	44,536
Interest cost - employee benefit obligation	365,000	376,092
	438,887	**420,628**

32. Repairs and maintenance

Repairs and maintenance	4,675,766	1,000,250

Repairs and maintenance increased this year due to roads needing to be re-gravelled. The expenditure was utilised from the Municipal Infrastructure Grant.

33. Bulk purchases

Electricity	20,496,920	23,445,206

Electricity losses
Nxuba Local Municipality experienced an electricity loss of R3 777 570 (13.93%) for the 2014/2015 financial year (2014: R9 169 880 (42.69%). The decrease in the loss can be ascribed to the change in Eskom tariff rates, the new tariffs are significantly lower.

34. Contracted services

Consultants	2,356,452	5,823,054

Notes to the Annual Financial Statements

35. Grants and subsidies paid

	2015 R	2014 R
Other subsidies		
Financial Management Grant Expenses	1,658,896	1,670,471
Municipal Systems Improvement Grant Expenses	933,778	889,958
Extended Public Works Programme Grant Expenses	1,309,286	1,009,980
Integrated National Electrification Grant	3,167,339	656,948
	7,069,299	**4,227,357**
Grants paid to ME's	-	-
Other subsidies	7,069,299	4,227,357

The grant expenditure can be further classfied into the following categories:
The amounts vat inclusive.

Construction R419,108 (2014: R748,921)
Management of maintenance of the financial management system R2,141,040 (2014: R1,511,944)
Eskom - change in tariffs R3,122,582 (2014: R0)
Furniture and equipment R79,347 (2014: R23,261)
Valuation and data cleansing R200,000 (2014: R310,000)
Project management unit and salaries R1,727,912 (2014: R1,695,331)

Notes to the Annual Financial Statements

	2015 R	2014 R

36. General expenses

Advertising	168,245	262,730
Audit committee	163,984	99,481
Auditors remuneration	1,081,334	2,603,826
Awareness campaign project	7,950	11,941
Bank charges	172,244	250,141
Bedford garden festival	405,622	250,000
Computer expenses	296,695	404,261
Department of transport: Agency fees	1,247,376	987,945
Entertainment	22,391	17,708
Fuel and oil	707,078	713,223
Hire	452,479	304,782
IDP review	3,900	22,284
IGR forums	7,250	14,650
Insurance	489,461	513,362
Fines and penalties	292,915	33,355
LED forum	14,988	5,000
Landfill rehabilitation	-	3,734,557
Legal expenses	531,767	426,482
License fees	49,382	269,676
Mayor's fund	10,990	14,000
Motor vehicle expenses	650	2,567
Postage and courier	302,593	286,306
Pound fees	10,179	4,474
Printing and stationery	355,822	108,986
Protective clothing	100,280	59,426
Public participation	6,195	15,900
Refuse bags	39,388	14,227
Special program unit	53,289	25,140
Staff welfare	86,679	46,783
Stores and materials	120,801	(314,782)
Subscriptions and membership fees	511,790	505,368
Telephone and fax	870,474	705,669
Interest paid - trade payables	2,638,186	723,092
Tourism	832	22,597
Training	115,923	322,304
Travel - local	939,430	680,273
Water purchases	1,684,822	2,565,835
Zoning scheme	-	87,450
	13,963,384	**16,801,019**

37. Auditors' remuneration

Fees	1,081,334	2,603,826

Notes to the Annual Financial Statements

	2015 R	2014 R

38. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	1,115,284	1,115,284
Receivables from exchange transactions	11,056,749	11,056,749
Receivables from non-exchange transactions	5,209,143	5,209,143
Unspent conditional grants and receipts	1,537,721	1,537,721
	18,918,897	**18,918,897**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	69,148,402	69,148,402
Consumer deposits	411,609	411,609
Finance lease obligation	396,170	396,170
	69,956,181	**69,956,181**

2014

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	8,944,938	8,944,938
Receivables from non-exchange transactions	3,050,843	3,050,843
Cash and cash equivalents	1,885,844	1,885,844
	13,881,625	**13,881,625**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	45,314,912	45,314,912
Unspent conditional grants and receipts	3,249,981	3,249,981
Finance lease obligation	592,095	592,095
Consumer deposits	392,286	392,286
	49,549,274	**49,549,274**

Notes to the Annual Financial Statements

	2015 R	2014 R
39. Cash generated from operations		
Deficit	(21,866,771)	(13,437,480)
Adjustments for:		
Depreciation and amortisation	10,238,720	9,811,487
Loss on sale of assets	492,719	-
Finance costs - Finance leases	41,407	44,536
Debt impairment	8,140,578	3,853,599
Movements in operating lease assets and accruals	-	(11,526)
Movements in employee benefit obligation	78,000	(358,000)
Movements in provisions	32,480	139,099
Changes in working capital:		
Inventories	129,330	108,924
Receivables from exchange transactions (for municipalities)	(10,252,388)	(7,298,109)
Receivables from non-exchange transactions	(2,158,300)	(914,889)
Payables from exchange transactions	23,833,491	21,346,922
VAT	(2,837,187)	(969,722)
Unspent conditional grants and receipts	(1,712,260)	(64,289)
Consumer deposits	19,323	16,841
	4,179,142	**12,267,393**

	2015 R	2014 R

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	7,632,955	3,904,311
Total capital commitments		
Already contracted for but not provided for	7,632,955	3,904,311

Authorised operational expenditure

Already contracted for but not provided for		
• Professional services	1,111,705	4,512,287
Total operational commitments		
Already contracted for but not provided for	1,111,705	4,512,287

Total commitments

Total commitments		
Authorised capital expenditure	7,632,955	3,904,311
Authorised operational expenditure	1,111,705	4,512,287
	8,744,660	**8,416,598**

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

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	16,788	58,433
- in second to fifth year inclusive	37,401	45,030
	54,189	**103,463**

Certain of the municipality's property is held to generate rental income.

41. Contingencies

Litigation is in the process against the municipality by Gqezengele, relating to a dispute with an employee. The matter has been partly heard but the employee wants to recall witnesses who have already testified. The estimated liability is R150 000.

There are two cases of litigation that are in process against the municipality by Kula. The one case is a review case and the other is regarding enforcement of an award. The estimated liability is R300 000.

Litigation is in the process against the municipality by Mohlomi, the court has ruled that the parties must complete their papers and enroll the matter further if it has not been settled. The estimated liability is R350 000.

Litigation is in the process against the municipality by De Lange. The court ruled that the applicant needs to file a supplementary affidavit. The estimated liability is R100 000.

Litigation is in the process against the municipality by SALGBC. The court is waiting for concilliation sit downs. The estimated liability is R200 000.

Notes to the Annual Financial Statements

	2015 R	2014 R

42. Related parties

Relationships	
Members of key management	Refer to Accounting Officer's report and to employee related costs note 27
Councillors	Refer to the remuneration of councillors note 28
LED Officer	Misa Services and Suppliers (Pty) Ltd
Registry Clerk	Sijila Lumba Trading CC

Related party transactions

	2015 R	2014 R
Purchases from (sales to) related parties		
Misa Services and Suppliers (Pty) Ltd	6,150	-
Sijila Lumbe Trading CC	25,740	-

43. Prior period adjustments

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

	2015 R	2014 R

43. Prior period adjustments (continued)

Statement of Financial Performance for the year ended 30 June 2014		Balance as previously reported	Prior period error	Reclassified (note 13 and 18)	Restated balance
Revenue					
Service charges		21,488,718	-	-	21,488,718
Interest received		2,512,671	-	-	2,512,671
Licences and permits		2,157,880	-	-	2,157,880
Admin, sundry charges		950,746	-	-	950,746
Other revenue		6,916,297	-	-	6,916,297
Rental of facilities and equipment		152,847	-	-	152,847
Property rates		3,214,734	-	-	3,214,734
Government grants and subsidies		38,088,562	-	-	38,088,562
Fines		223,500	-	-	223,500
Total revenue		75,705,955	-	-	75,705,955
Expenditure					
Employee related costs	(21,655,298)	-	-	-	(21,655,298)
Remuneration of councillors	(2,105,536)	-	-	-	(2,105,536)
Debt impairment	(3,853,599)	-	-	-	(3,853,599)
Depreciation and amortisation	(10,179,181)	-	367,694	-	(9,811,487)
Finance costs	(420,629)	-	-	-	(420,629)
Repairs and maintenance	(1,206,742)	-	206,492	-	(1,000,250)
Bulk purchases	(23,445,206)	-	-	-	(23,445,206)
Contracted services	(5,823,054)	-	-	-	(5,823,054)
Grants and subsidies paid	(4,227,357)	-	-	-	(4,227,357)
General expenses	(16,801,018)	-	-	-	(16,801,018)
Total expenditure	(89,717,620)	-	574,186	-	(89,143,434)
Operating deficit	(14,011,664)	-	574,186	-	(13,437,478)
Deficit for the year	(14,011,664)	-	574,186	-	(13,437,478)

Notes to the Annual Financial Statements

	2015 R	2014 R

43. Prior period adjustments (continued)

Statement of Financial Position as at 30 June 2014		Balance as previously reported	Prior period error	Reclassified (note 13 and 18)	Restated balance
Assets					
Current Assets					
Cash and cash equivalents		1,885,845	-	-	1,885,845
Receivables from exchange transactions		10,751,562	(1,806,624)	-	8,944,938
Receivables from non-exchange transactions		3,031,183	-	19,660	3,050,843
VAT receivable		1,013,406	(440,864)	-	572,542
Inventories		1,304,251	(807,200)	-	497,051
Total current assets		17,986,247	(3,054,688)	19,660	14,951,219
Non-current Assets					
Investment property	19,050,283	-	14,143,163	-	33,193,446
Property, plant and equipment	206,508,436	-	(67,368,901)	-	139,139,535
Intangible assets	9,075	-	-	-	9,075
Heritage assets	70,000	-	-	-	70,000
Total non-current assets	225,637,794	-	(53,225,738)	-	172,412,056
Liabilities					
Current Liabilities					
Payables from exchange transactions	44,920,651	-	374,601	19,660	45,314,912
Consumer deposits	392,286	-	-	-	392,286
Finance lease obligation	592,095	-	-	(381,131)	210,964
Unspent conditional grants and receipts	3,249,981	-	-	-	3,249,981
Employee benefit obligation	582,000	-	-	177,000	759,000
Provisions	1,395,012	-	-	-	1,395,012
Long service award	177,000	-	-	(177,000)	-
Total current liabilities	51,309,025	-	374,601	(361,471)	51,322,155
Non-current Liabilities					
Finance lease obligation	-	-	-	381,131	381,131
Employee benefit obligation	2,549,000	-	-	754,000	3,303,000
Provisions	3,152,984	-	-	-	3,152,984
Long service award	754,000	-	-	(754,000)	-
Total non-current liabilities	6,455,984	-	-	-	6,455,984
Net Assets					
Accumulated surplus - Opening balance	185,859,032	-	(57,229,213)	-	128,629,819
Surplus / (deficit) for the year	-	-	574,186	-	574,186
Total net assets	185,859,032	-	(56,655,027)	-	129,204,005

	2015 R	2014 R

43. Prior period adjustments (continued)

1. Value added taxation

Outcome of VAT audit with SARS and vat review project.

Effect of changes on the Statement of financial position		
Vat receivable	-	(411,956)
Accumulated surplus	-	411,956
	-	-

2. Infrastructure assets

The service provider appointed to unbundle work in progress discovered that there were some infrastructure assets that had been duplicated during the infrastructure project in the prior year.

Effect of changes on the Statement of financial position		
Property, plant and equipment	-	(21,565,688)
Payables from exchange transactions	-	(72,191)
Accumulated surplus	-	23,045,172
Vat receivable	-	(28,909)
Effect of changes on the Statement of financial performance		
Depreciation	-	(1,171,892)
Repairs and maintenance	-	(206,492)
	-	-

3. Investment revenue

Auditor general finding COAF 36 - 2013: Understatement of debtors interest. The journal was raised, but has subsequently been found not to be a valid finding. The journal has now been reversed.

Effect of changes on the Statement of financial position		
Receivables from exchange transactions	-	(1,806,624)
Accumulated surplus	-	1,806,624
	-	-

4. Inventory

Land and buildings were reconstructed this year, during this project it was discovered that RDP houses had been incorrectly taken to inventory. RDP houses are not in the control of the municipality and therefore do not meet the definition of an asset.

Effect of changes on the Statement of financial position		
Inventory	-	(807,200)
Accumulated surplus	-	807,200
	-	-

5. Trade payables from exchange transactions

Reconciliation of the salary control account resulted in payments being found that relates to prior years.

Effect of changes on the Statement of financial position

	2015 R	2014 R
43. Prior period adjustments (continued)		
Trade payables from exchange transactions	-	(302,409)
Accumulated surplus	-	302,409
	-	**-**

6. Investment property

The investment property register was reconstructed to apply with GRAP.

	2015 R	2014 R
Effect of changes on the Statement of financial position		
Investment property	-	14,143,164
Accumulated surplus	-	(14,601,722)
Effect of changes on the Statement of financial performance		
Depreciation	-	458,558
	-	**-**

7. Property, plant and equipment

The community assets and land and buildings registers were reconstructed to apply with GRAP.

	2015 R	2014 R
Effect of the changes on the Statement of financial position		
Property, plant and equipment	-	(45,803,214)
Accumulated surplus	-	45,457,574
Effect of the changes on the Statement of financial performance		
Depreciation	-	345,640
	-	**-**

44. Risk management

Financial risk management

Liquidity risk

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

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

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	69,148,402	-	-	-
Consumer deposits	-	-	411,609	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	45,314,911	-	-	-
Consumer deposits	-	-	392,286	-

	2015 R	2014 R

44. Risk management (continued)

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, 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 management.

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

Financial instrument	2015	2014
Receivables from exchange transactions	11,056,749	8,944,938
Receivables from non-exchange transactions	5,209,143	3,050,843
Cash and cash equivalents	1,115,284	1,885,845

45. 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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

46. Events after the reporting date

The boundaries of Nxuba Local Municipality and Nkonkobe Local Municipality have been redemarcated. The two municipalities are going to amalgamate. Details as to the official date of the amalgamation is yet to be determined. The financial implications for Nxuba Local Municipality cannot be reliably estimated.

47. Unauthorised expenditure

Opening balance	29,527,092	11,642,079
Unauthorised expenditure incurred	12,787,898	17,885,013
	42,314,990	**29,527,092**

The unauthorised expenditure resulted from expenses that were needed that were not budgeted for (note 51).

48. Fruitless and wasteful expenditure

Opening balance	4,175,358	1,576,558
Fruitless and wasteful expenditure incurred	4,189,910	2,598,800
	8,365,268	**4,175,358**

49. Irregular expenditure

Opening balance	41,466,818	30,704,048
Add: Irregular expenditure - current year	2,551,956	10,762,770
	44,018,774	**41,466,818**

Notes to the Annual Financial Statements

	2015 R	2014 R

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015 R	2014 R
Opening balance	1,887,333	1,387,333
Current year subscription	510,000	500,000
Amount paid - current year	(250,000)	-
	2,147,333	**1,887,333**

Audit fees

	2015 R	2014 R
Opening balance	7,339,424	4,689,173
Current year fee	1,791,629	3,469,927
Amount paid - current year	(320,000)	(819,676)
	8,811,053	**7,339,424**

PAYE and UIF

	2015 R	2014 R
Opening balance	715,540	661,428
Current year fee	2,610,205	1,760,462
Amount paid - current year	(2,610,205)	(1,706,350)
	715,540	**715,540**

Pension and medical aid deductions

	2015 R	2014 R
Opening balance	(39,067)	(39,067)
Current year subscription	4,683,363	-
Amount paid - current year	(4,744,872)	-
	(100,576)	**(39,067)**

VAT

	2015 R	2014 R
VAT receivable	3,409,729	572,542

VAT output payables and VAT input receivables are shown in note 8.

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

Notes to the Annual Financial Statements

	2015 R	2014 R

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

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
Auld CA	333	-	333
Bruintjies L	302	-	302
Douglas LJ	361	-	361
Jack P	80	-	80
Lombard E	3,856	-	3,856
Maloni QP	93	-	93
Mentoor BP	143	-	143
Ndyambo SA	99	-	99
	5,267	**-**	**5,267**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Auld CA	292	-	292
Bruintjies L	92	-	92
Douglas LJ	1,051	5,109	6,160
Jack P	73	-	73
Lombard E	1,316	-	1,316
Maloni QP	99	-	99
Mentoor BP	81	-	81
Ndyambo SA	73	-	73
	3,077	**5,109**	**8,186**

Notes to the Annual Financial Statements

	2015 R	2014 R

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

Supply chain management regulations

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

Emergency		
Quick and Hurry - On 8 January 2015, Bedford was hit by a severe storm which brought down homes and trees. The trees fell on the municipality's electrical infrastructure cutting the supply to certain areas in Bedford.	2,500	
Sole supplier or agent		
CHM Vuwani Computer Solutions - The proxy server was old and because of loadshedding it stopped working. CHM is the only company that knows the network because they installed the original proxy server.	25,608	
CHM Vuwani Computer Solutions - This is the only company that provided a quote to the municipality. The municipality needed to have their certificate renewed.	4,964	
Dewing Service Station - This is the only service station in Adelaide, it would waste time and resources to tow the vehicle to service station further away.	5,283	
Dewing Service Station - The car that is used to install electrical meter readers needed to be repaired. Dewing Service Station is the only local service station.	1,383	
Dewing Service Station - Vehicle needed repairs, Dewing Service Station is the only service station in Adelaide.	4,993	
Dewing Service Station - Refuse collection truck needed repairs, Dewing Service Station is the only service station in Adelaide.	5,814	
Eya Bantu Professional Services - There was an underground cable fault from Eskom's supply. Eya Bantu Professional Services is the only company that can detect this fault.	6,251	
Prodiba (Pty) Ltd - The only government institution that is permitted to supply the goods needed by the municipality.	4,747	
Urgency		
ARB Electrical Wholesalers - The material bought was needed very urgently and could not wait for the seven day tender period.	58,710	
ARB Electrical Wholesalers - The power was off and the municipality has to deliver.	11,115	
CB Agencies - Mini substation has no locks and some doors are broken. Electricity theft can happen and electricity interruptions. The locks and doors needed to be repaired/replaced.	49,134	
North & Robertson EL (Pty) Ltd - Adelaide CBD had no electricity, both commercial and municipal offices.	25,912	
Noganta's Construction - A service provider was required to transport pavers to the traffic testing station site. The pressure of honouring timeframes set became impossible to overcome without appointing a service provider. Due to the inability of service providers to submit quotations, Noganta's Construction was the only quote received.	5,300	
On The Road Again - A wheel bearing seized on the municipal vehicle, DGS956EC, which is used for electrician services. A standby vehicle was not available.	1,645	
On The Road Again - A bakkie would not start, the wheelbearing seized. Service delivery duties could not be performed and the vehicle could not be left on the side of the road.	3,800	
PG Glass - This is the only supplier of shatterproof glass. Shatterproof glass was needed for the SASSA office.	2,917	
	220,076	

51. Budget differences

Material differences between budget and actual amounts

Adjustments were made to the budget as a consequence of reallocations within the budget.

1 - There was a plan in place to address the distribution losses, but due to capacity the plan could not take place during the financial year.

2 - Overbudgeted in anticipation of the testing station being operational, but due to supplier complications the testing station was only completed in May 2015.

3 - Fluctuation was caused from changes in actuarial benefits for long service awards and defined benefit plan.

4 - Unspent portions withheld.

5 - The budget for fines is on the cash basis, the amount in the financials is on the accrual basis. The actual fines received for the year amounts to R48 650, which is above the budgeted figure.

6 - There were staff vacancies during the financial year that resulted in employee costs being lower than the budget.

7 - The impact of the reconstruction of the land and buildings register and work in progress transferred to assets could not be determined at the time the budget was compiled.

8 - There was a write off of sundry revenue and the related impairment needed to be written back.

9 - The municipality only started subsidising refuse part way through the year.

10 - Roads needed to be re-gravelled.

11 - Financial and I.T. consultants were appointed.

12 - Additional municipal operation funds were utilised in order to complete the EPWP projects.

13 - Sundry revenue was written off in October 2014.

52. In the service of the State

No bids were awarded to family of staff members who are in the service of the State.

Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	74,754	-	-	-	-	**-**	**74,754**	-	-	-	-	-	**-**	74,754
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Buildings (Separate for AFS purposes)	3,181,393	-	-	5,128,322	-	**-**	**8,309,715**	(742,325)	-	-	(123,376)	-	**(865,701)**	7,444,014
	3,256,147	**-**	**-**	**5,128,322**	**-**	**-**	**8,384,469**	**(742,325)**	**-**	**-**	**(123,376)**	**-**	**(865,701)**	**7,518,768**
Infrastructure	**213,856,503**	**-**	**-**	**41,538**	**-**	**-**	**213,898,041**	**(104,589,049)**	**-**	**-**	**(7,937,133)**	**-**	**(112,526,182)**	**101,371,859**
Community Assets	**22,540,364**	**-**	**-**	**-**	**-**	**-**	**22,540,364**	**(4,725,088)**	**-**	**-**	**(675,013)**	**-**	**(5,400,101)**	**17,140,263**

Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Monuments	70,000	-	-	-	-	-	**70,000**	-	-	-	-	-	-	70,000
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	70,000	**-**	**-**	**-**	**-**	**-**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**	**70,000**
Specialised vehicles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	5,656,916	4,169,931	-	-	-	-	**9,826,847**	-	-	(5,169,856)	-	-	**(5,169,856)**	4,656,991
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	6,173,907	272,843	(492,719)	-	-	-	**5,954,031**	(2,287,840)	-	-	(623,580)	-	**(2,911,420)**	3,042,611
	11,830,823	**4,442,774**	**(492,719)**	**-**	**-**	**-**	**15,780,878**	**(2,287,840)**	**-**	**(5,169,856)**	**(623,580)**	**-**	**(8,081,276)**	**7,699,602**

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	3,256,147	-	-	5,128,322	-	**-**	**8,384,469**	(742,325)	-	-	(123,376)	-	**(865,701)**	7,518,768
Infrastructure	213,856,503	-	-	41,538	-	**-**	**213,898,041**	(104,589,049)	-	-	(7,937,133)	-	**(112,526,182)**	101,371,859
Community Assets	22,540,364	-	-	-	-	**-**	**22,540,364**	(4,725,088)	-	-	(675,013)	-	**(5,400,101)**	17,140,263
Heritage assets	70,000	-	-	-	-	**-**	**70,000**	-	-	-	-	-	**-**	70,000
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	11,830,823	4,442,774	(492,719)	-	-	**-**	**15,780,878**	(2,287,840)	-	(5,169,856)	(623,580)	-	**(8,081,276)**	7,699,602
	251,553,837	**4,442,774**	**(492,719)**	**5,169,860**	**-**	**-**	**260,673,752**	**(112,344,302)**	**-**	**(5,169,856)**	**(9,359,102)**	**-**	**(126,873,260)**	**133,800,492**
Agricultural/Biological assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	33,688	269,595	-	-	-	**-**	**303,283**	(24,613)	-	-	(167,135)	-	**(191,748)**	111,535
Other	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	33,688	**269,595**	**-**	**-**	**-**	**-**	**303,283**	**(24,613)**	**-**	**-**	**(167,135)**	**-**	**(191,748)**	**111,535**
Investment properties														
Investment property	38,180,826	-	-	-	-	**-**	**38,180,826**	(4,987,380)	-	-	(712,483)	-	**(5,699,863)**	32,480,963
	38,180,826	**-**	**-**	**-**	**-**	**-**	**38,180,826**	**(4,987,380)**	**-**	**-**	**(712,483)**	**-**	**(5,699,863)**	**32,480,963**
Total														
Land and buildings	3,256,147	-	-	5,128,322	-	**-**	**8,384,469**	(742,325)	-	-	(123,376)	-	**(865,701)**	7,518,768
Infrastructure	213,856,503	-	-	41,538	-	**-**	**213,898,041**	(104,589,049)	-	-	(7,937,133)	-	**(112,526,182)**	101,371,859
Community Assets	22,540,364	-	-	-	-	**-**	**22,540,364**	(4,725,088)	-	-	(675,013)	-	**(5,400,101)**	17,140,263
Heritage assets	70,000	-	-	-	-	**-**	**70,000**	-	-	-	-	-	**-**	70,000
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	11,830,823	4,442,774	(492,719)	-	-	**-**	**15,780,878**	(2,287,840)	-	(5,169,856)	(623,580)	-	**(8,081,276)**	7,699,602
Agricultural/Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Intangible assets	33,688	269,595	-	-	-	**-**	**303,283**	(24,613)	-	-	(167,135)	-	**(191,748)**	111,535
Investment properties	38,180,826	-	-	-	-	**-**	**38,180,826**	(4,987,380)	-	-	(712,483)	-	**(5,699,863)**	32,480,963
	289,768,351	**4,712,369**	**(492,719)**	**5,169,860**	**-**	**-**	**299,157,861**	**(117,356,295)**	**-**	**(5,169,856)**	**(10,238,720)**	**-**	**(132,764,871)**	**166,392,990**

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	74,754	-	-	-	-	**-**	**74,754**	-	-	-	-	-	**-**	74,754
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Buildings (Separate for AFS purposes)	3,181,393	-	-	-	-	**-**	**3,181,393**	(636,279)	-	-	(106,046)	-	**(742,325)**	2,439,068
	3,256,147	**-**	**-**	**-**	**-**	**-**	**3,256,147**	**(636,279)**	**-**	**-**	**(106,046)**	**-**	**(742,325)**	**2,513,822**
Infrastructure	**200,337,055**	**802,346**	**-**	**12,717,102**	**-**	**-**	**213,856,503**	**(96,909,372)**	**-**	**-**	**(7,679,677)**	**-**	**(104,589,049)**	**109,267,454**
Community Assets	**22,540,364**	**-**	**-**	**-**	**-**	**-**	**22,540,364**	**(4,050,076)**	**-**	**-**	**(675,012)**	**-**	**(4,725,088)**	**17,815,276**

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June 2015

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	70,000	-	-	-	-	**-**	**70,000**	-	-	-	-	-	**-**	70,000
Other	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	70,000	**-**	**-**	**-**	**-**	**-**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**	**70,000**
Specialised vehicles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
General vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Plant & equipment	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Computer Equipment	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Computer Software (part of computer equipment)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Furniture & Fittings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Office Equipment	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Office Equipment - Leased	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Abattoirs	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Markets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Airports	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Security measures	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Civic land and buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other land	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Bins and Containers	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Work in progress	9,266,929	9,107,089	-	(12,717,102)	-	**-**	**5,656,916**	-	-	-	-	-	**-**	5,656,916
Other	5,047,986	1,125,921	-	-	-	**-**	**6,173,907**	(1,657,105)	-	-	(630,735)	-	**(2,287,840)**	3,886,067
Other Assets - Leased	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Housing development	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	14,314,915	**10,233,010**	**-**	**(12,717,102)**	**-**	**-**	**11,830,823**	**(1,657,105)**	**-**	**-**	**(630,735)**	**-**	**(2,287,840)**	**9,542,983**

Appendix B
June 2015

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	3,256,147	-	-	-	-	-	**3,256,147**	(636,279)	-	-	(106,046)	-	**(742,325)**	2,513,822
Infrastructure	200,337,055	802,346	-	12,717,102	-	-	**213,856,503**	(96,909,372)	-	-	(7,679,677)	-	**(104,589,049)**	109,267,454
Community Assets	22,540,364	-	-	-	-	-	**22,540,364**	(4,050,076)	-	-	(675,012)	-	**(4,725,088)**	17,815,276
Heritage assets	70,000	-	-	-	-	-	**70,000**	-	-	-	-	-	**-**	70,000
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	14,314,915	10,233,010	-	(12,717,102)	-	-	**11,830,823**	(1,657,105)	-	-	(630,735)	-	**(2,287,840)**	9,542,983
	240,518,481	**11,035,356**	**-**	**-**	**-**	**-**	**251,553,837**	**(103,252,832)**	**-**	**-**	**(9,091,470)**	**-**	**(112,344,302)**	**139,209,535**
Agricultural/Biological assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	27,348	6,340	-	-	-	-	**33,688**	(17,080)	-	-	(7,533)	-	**(24,613)**	9,075
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	27,348	**6,340**	**-**	**-**	**-**	**-**	**33,688**	**(17,080)**	**-**	**-**	**(7,533)**	**-**	**(24,613)**	**9,075**
Investment properties														
Investment property	38,180,826	-	-	-	-	-	**38,180,826**	(4,274,897)	-	-	(712,483)	-	**(4,987,380)**	33,193,446
	38,180,826	**-**	**-**	**-**	**-**	**-**	**38,180,826**	**(4,274,897)**	**-**	**-**	**(712,483)**	**-**	**(4,987,380)**	**33,193,446**
Total														
Land and buildings	3,256,147	-	-	-	-	-	**3,256,147**	(636,279)	-	-	(106,046)	-	**(742,325)**	2,513,822
Infrastructure	200,337,055	802,346	-	12,717,102	-	-	**213,856,503**	(96,909,372)	-	-	(7,679,677)	-	**(104,589,049)**	109,267,454
Community Assets	22,540,364	-	-	-	-	-	**22,540,364**	(4,050,076)	-	-	(675,012)	-	**(4,725,088)**	17,815,276
Heritage assets	70,000	-	-	-	-	-	**70,000**	-	-	-	-	-	**-**	70,000
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	14,314,915	10,233,010	-	(12,717,102)	-	-	**11,830,823**	(1,657,105)	-	-	(630,735)	-	**(2,287,840)**	9,542,983
Agricultural/Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Intangible assets	27,348	6,340	-	-	-	-	**33,688**	(17,080)	-	-	(7,533)	-	**(24,613)**	9,075
Investment properties	38,180,826	-	-	-	-	-	**38,180,826**	(4,274,897)	-	-	(712,483)	-	**(4,987,380)**	33,193,446
	278,726,655	**11,041,696**	**-**	**-**	**-**	**-**	**289,768,351**	**(107,544,809)**	**-**	**-**	**(9,811,486)**	**-**	**(117,356,295)**	**172,412,056**

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable share	Treasury	67,000	78,000	-	93,000	67,000	78,000	-	93,000	-	-	-	51,000	Unspent grants withheld from Mig and Ineg	Yes	
Municipal Infrastructure Grant	Treasury	51,000	-	00,000	-	51,541	23,811	84,383	07,885	-	-	-	-		Yes	
Local Government Financial Manangement	Treasury	00,000	-	-	-	31,891	00,490	81,447	87,559	-	-	-	-		Yes	
Municipal Systems Improvement	Treasury	34,000	-	-	-	76,684	98,000	962	58,354	-	-	-	-		Yes	
Expanded Public Works Programme	Treasury	00,000	00,000	00,000	-	47,547	76,720	02,816	85,830	-	-	-	-		Yes	
Library subsidy	EC: Sport & Recreation	22,000	-	-	-	30,500	74,000	87,000	30,500	-	-	-	-		Yes	
Local Economic Development Capacity	Provincial Department	-	12,000	-	-	28,280	28,280	-	-	-	-	-	-		Yes	
Integrated National Electrification Programme	Treasury	-	13,000	-	-	-	-	13,079	-	-	-	-	13,000)	There was no DoRA allocation	Yes	
		74,000	03,000	00,000	93,000	33,443	79,301	69,687	63,128	-	-	-	38,000			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.