KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

GENERAL INFORMATION

MAYOR / SPEAKER

Cllr. Vuso MS

OTHER MEMBERS OF THE COUNCIL

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N (Deceased)
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street
Kareedouw
3170

Private Bag X11
Kareedouw
3170

GRADING OF THE LOCAL AUTHORITY

Grade 1

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

ABSA Bank Ltd

Accounting Officer

Nkuhlu S

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

GENERAL INFORMATION

Municipal Manager
Nkuhlu S

Chief Financial Officer
Venter N

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 13 to 87, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

Nkuhlu S	Venter N
MUNICIPAL MANAGER	CHIEF FINANCIAL OFFICER
Date	*Date*

MEMBERS OF THE COUNCIL

MAYOR / SPEAKER

Cllr. Vuso MS

COUNCILLORS

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N (Deceased)
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Nkuhlu S
MUNICIPAL MANAGER

Date

KOU-KAMMA MUNICIPALITY
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for the year ended 30 June 2016

MEMBERS OF THE COUNCIL

KOU-KAMMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

		Actual	
	Note	2016	Restated 2015
		R	R
ASSETS			
Current Assets		**27 762 766**	**21 223 466**
Inventories	**2**	392 424	318 816
Receivables from Exchange Transactions	**3**	11 039 734	8 626 940
Receivables from Non-exchange Transactions	**4**	15 185 597	12 036 810
Cash and Cash Equivalents	**6**	1 001 722	165 861
Operating Lease Receivables	**7**	143 289	75 038
Non-Current Assets		**324 032 207**	**328 700 939**
Property, Plant and Equipment	**8**	298 443 997	303 018 708
Intangible Assets	**9**	237 402	376 454
Investment Property	**10**	25 350 809	25 305 778
Total Assets		**351 794 974**	**349 924 405**
LIABILITIES			
Current Liabilities		**42 780 166**	**36 645 063**
Consumer Deposits	**11**	104 700	104 700
Current Portion of Long-term Liabilities	**15**	261 359	271 666
Provisions	**12**	1 880 900	1 316 855
VAT	**5**	1 779 295	767 665
Payables from Exchange Transactions	**13.1**	33 992 552	28 483 078
Payables from Non Exchange Transactions	**13.2**	1 900 000	-
Unspent Conditional Grants and Receipts	**14**	2 861 360	5 701 098
Non-Current Liabilities		**3 896 825**	**4 025 736**
Employee Benefit Liabilities	**15**	2 622 824	2 806 695
Non-current Provisions	**16**	1 274 000	1 219 040
Total Liabilities		**46 676 991**	**40 670 798**
Net Assets		**305 117 983**	**309 253 606**
NET ASSETS		**305 117 982**	**309 253 607**
Accumulated Surplus	**17**	305 117 982	309 253 607
Total Net Assets		**305 117 982**	**309 253 607**

KOU-KAMMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

		Actual	
	Note	2016	Restated 2015
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	**18**	16 036 635	15 487 638
Fines		1 579 946	671 554
Income for Agency Services	**19**	2 841 199	1 491 722
Government Grants and Subsidies Received	**20**	66 392 732	81 284 428
Revenue from Exchange Transactions			
Service Charges	**21**	25 769 671	23 168 945
Rental of Facilities and Equipment	**22**	408 301	333 288
Interest Earned - External Investments	**23**	206 011	296 568
Interest Earned - Outstanding Debtors	**23**	7 441 378	5 554 337
Other Revenue	**24**	2 444 017	1 176 094
Licences and Permits		30 149	8 594
Gain on disposal of Property, Plant and Equipment		-	22 896
Total Revenue		**123 150 038**	**129 496 064**
EXPENDITURE			
Employee Related Costs	**25**	(39 820 073)	(39 116 240)
Remuneration of Councillors	**26**	(3 000 433)	(2 900 839)
Depreciation and Amortisation	**27**	(21 857 879)	(15 340 367)
Bad debts		(19 741 415)	(19 637 706)
Repairs and Maintenance		(1 368 292)	(2 794 964)
Finance Costs	**28**	(995 317)	(649 622)
Bulk Purchases	**29**	(3 198 959)	(2 674 226)
Contracted Services	**30**	(3 839 159)	(3 351 468)
Grants and Subsidies Paid	**31**	(15 846 078)	(25 093 704)
General Expenses	**32**	(17 371 940)	(15 751 744)
Loss on Disposal of Property, Plant and Equipment		(246 118)	
Total Expenditure		**(127 285 663)**	**(127 310 880)**
(DEFICIT) /SURPLUS FOR THE YEAR		**(4 135 625)**	**2 185 183**

KOU-KAMMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2015		
Balance at 1 July 2014	**307 068 423**	**307 068 423**
Surplus/(Deficit) for the year	2 185 183	2 185 183
Restated balance at 30 June 2015	**309 253 607**	**309 253 607**
Note 35		
2016		
Balance at 1 July 2015	**309 253 607**	**309 253 607**
Surplus/(Deficit) for the year	(4 135 625)	305 117 982
Balance at 30 June 2016	**305 117 982**	**305 117 982**

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		Actual	
	Note	**2016**	**2015**
		R	**R**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		26 006 312	35 919 556
Government Grant and Subsidies	**20**	63 552 994	95 740 215
Licence and permits		30 149	8 594
Interest Received	**23**	206 011	710 367
Other Receipts		5 693 517	1 146 158
Payments			
Employee Related Costs	**25**	(39 062 115)	(39 116 240)
Remuneration of Councillors	**26**	(3 000 433)	(2 900 839)
Interest Paid	**28**	(995 317)	(346 188)
Suppliers Paid		-	(67 793 126)
Other Payments		(36 059 995)	(2 845 179)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**33**	**16 371 124**	**15 995 023**
CASH FLOWS UTILISED FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**7**	(17 541 365)	(25 818 356)
Purchase of Intangible Assets	**8**	-	(214 065)
Proceeds on Disposal of Property, Plant and Equipment		106 102	794 213
Movement in unspent conditional grants assets		-	1 120 769
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(17 435 263)**	**(24 117 439)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loan		1 900 000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1 900 000**	**(8 122 417)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	**6**	**835 860**	**(8 122 417)**
Cash and Cash Equivalents at Beginning of Period		165 861	8 288 278
Cash and Cash Equivalents at End of Period		1 001 722	165 861

KOU-KAMMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
as at 30 June 2016

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 Of The MFMA)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
	R	R	R	R	R	R		R	R	
Financial Performance										
Property Rates	15 741 795	-	15 741 795	16 036 635		294 840	2%	102%	102%	
Service Charges	22 755 581	(332 657)	22 422 924	25 769 671		3 346 747	15%	115%	113%	
Rental of Facilities and Equipment	247 735	72 971	320 706	408 301		87 595	27%	127%	165%	**N1**
Investment Revenue	335 197	(253 358)	81 839	206 011		124 172	152%	252%	61%	**N2**
Interest earned:outstanding debtors	5 000 000	2 012 018	7 012 018	7 441 378		429 360	6%	106%	149%	
Fines	2 000 000	(600 000)	1 400 000	1 579 946		179 946	13%	113%	79%	
Income for the agency fees	2 000 000	-	2 000 000	2 841 199		841 199	42%	142%	142%	**N3**
Licences and Permits	1 169 000	148 000	1 317 000	30 149		(1 286 851)	-98%	2%	3%	**N4**
Government grants and subsidies	63 188 000	18 871 299	82 059 299	66 392 732		(15 666 567)	-19%	81%	105%	**N5**
Other Own Revenue	15 376 008	1 931 301	17 307 309	2 444 017		(14 863 292)	-86%	14%	16%	**N6**
Gain on disposal of asset	-	-	180 313			-				
Total Revenue (Excluding Capital Transfers & Contributions)	**127 813 316**	**21 849 574**	**149 843 204**	**123 150 038**	**-**	**(26 693 165)**	**-18%**	**82%**	**96%**	
Employee Costs	43 273 999	(2 267 151)	41 006 847	39 820 073	(1 186 774)	(1 186 774)	-3%	97%	92%	
Remuneration Of Councillors	4 646 409	(1 725 808)	2 920 601	3 000 433	79 833	79 833	3%	103%	65%	
Debt Impairment	15 387 207	3 381 500	18 768 707	19 741 415	972 708	972 708	5%	105%	128%	
Depreciation & Asset Impairment	22 343 782	-	22 343 782	21 857 879	(485 903)	(485 903)	-2%	98%	98%	
Finance Charges	196 100	211 535	407 635	995 317	587 682	587 682	144%	244%	508%	**N7**
Materials & Bulk Purchases	3 425 233	26 151	3 451 384	3 198 959	(252 425)	(252 425)	-7%	93%	93%	
Repairs and Maintenance	1 731 447	299 290	2 030 737	1 368 292	(662 445)	(662 445)	-33%	67%	79%	**N8**
Contracted Services	3 324 821	102 791	3 427 612	3 839 159	411 547	411 547	12%	112%	115%	
Transfers & Grants	17 364 789	2 957 647	20 322 436	15 846 078	(4 476 358)	(4 476 358)	-22%	78%	91%	**N9**
Other Expenditures	19 519 643	(1 346 045)	18 173 598	17 371 940	(801 659)	(801 659)	-4%	96%	89%	
Loss on disposal of asset		-	-	246 118	246 118	246 118				
Total Expenditure	***131 213 430***	***1 639 911***	***132 853 340***	***127 285 663***	***(5 567 677)***	***(5 567 677)***	***-4%***	***96%***	***97%***	
Surplus/(Deficit)	**(3 400 114)**	**20 209 663**	**16 989 863**	**-4 135 624.86**		**(21 125 488)**	**-124%**	**-24%**	**122%**	
Capital Expenditure	19 280 650	20 053 050	39 333 700	17 541 365		(21 792 335)	-55%	45%	91%	

Notes and Legends:

N1	The municipality budgeted for an increase in rental of halls due to newly build MPCC's, however the community was reluctant to pay the higher price for the use of the facilities.
N2	During the mid-year process, revenue from investments were lower than anticipated at the beginning of the financial year, this was then accordingly amended during the adjustments budget process. However during the second half the investments yielded more revenue than anticipated.
N3	Fire income not budgeted for was received from the Sarah Baartman District municipality.
N4	Incorret allocation of budget
N5	Indirect grants included in the adjustments budget
N6	Anticipated revenue from fire services not received
N7	Bank charges lower than anticipated
N8	Expenditure lower than anticipated
N9	Indirect grants included in the adjustments budget

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments.*

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (Continued)

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 Defined Benefit Plan Liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 15 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Kou-kamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehabilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

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

1. BASIS OF PRESENTATION (Continued)

New Standards and Interpretations

1. 6 Standards and interpretations effective and adopted in the current year

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition. The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense. The effective date of the interpretation is for years beginning on or after 01 April 2013.

GRAP 1 (as revised 2010): Presentation of Financial Statements

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes. Paragraphs added to Changes in accounting policies A change from one basis of accounting to another basis of accounting is a change in accounting policy. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies: The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC. Commentary on the selection of benchmark and alternative accounting policies has been deleted. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes. Dividends or similar distributions declared from pre-acquisition surpluses: Paragraph .36 has been amended to encompass not only securities, but any contributed capital. Various amendments, deletions and additions to examples included in the appendix. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 12 (as revised 2010): Inventories

Cost formulas: Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.
Recognition as an expense: Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added. Fair value measurement: The appendix on how to determine fair value has been deleted. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 13 (as revised 2010): Leases

Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. Non-current Assets Held for Sale and Discontinued.

Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard. Guidance on accounting for finance leases by lessors: The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance. Guidance on operating lease incentives and substance over legal form: The guidance included in the original text on substance over legal form has been deleted. Classification of leases on land and buildings elements: The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 16 (as revised 2010): Investment Property

Recognition of investment property: Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property. This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.

The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably. Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property. Disclosure: Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount. Amendments to be applied as follow: Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 17 (as revised 2010): Property, Plant and Equipment

Scope: The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions. Investment properties under construction have been removed from the scope.
Measurement at initial recognition: Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value. Depreciable amount and depreciation period: An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not
require the entity to amend the previous estimate unless expectations differ from the previous estimate. Derecognition: The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed. Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories. Disclosures: The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used. The requirement to disclose the cost basis for revaluated assets was removed. Amendments to be applied as follow: Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise: a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The standard states the recognition, measurement and disclosure requirements of: short-term employee benefits; all short-term employee benefits; short-term compensated absences; bonus, incentive and performance related payments; post-employment benefits: Defined contribution plans; other long-term employee benefits; an termination benefits. The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. The effective date of the standard is for years beginning on or after 01 April 2013.

The adoption of these amendment is not expected to impact on the results of the municipality, but has resulted in more disclosures in the annual financial statements.

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued February 2011, effective date 15 April 2015
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 32 Service concession arrangements grantor
GRAP 105 Transfers between entities under common control - issued November 2010, effective date 15 April 2015
GRAP 106 Transfers between entities not under common control - issued November 2010, effective date 15 April 2015
GRAP 107 Mergers - issued November 2010, effective date 15 April 2015

1. BASIS OF PRESENTATION (Continued)

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

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.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 Service concession arrangements grantor

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector entity. The effective date of the standard has not been determined yet.

No significant impact on the financial statements of the Municipality is expected.

GRAP 108 Statutory receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The effective date of the standard has not been determined yet.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

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

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 1 Initial Recognition (Continued)

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset at acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The following is an indication of the maximum expected useful life of the assets:

	Years		**Years**
Infrastructure		***Buildings***	*30*
Roads and Paving	30		
Electricity	20	***Other***	
Water	20	Specialist Vehicles	20
Landfill Sites	7 - 50	Other Vehicles	7
		Office Equipment	10
Community		Furniture and Fittings	10
Recreational Facilities	30	Specialised Plant and Equipment	15
Security	5	Other Plant and Equipment	5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is 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 item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2013, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

3. INTANGIBLE ASSETS (Continued)

3. 2 Subsequent Measurement, Amortisation and Impairment (Continued)

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	2-10
Website	6

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and

- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

4. INVESTMENT PROPERTY (Continued)

4. 1 Initial Recognition (Continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4. 2 Subsequent Measurement

4. 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.
The land is not depreciated as it has an indefinite useful life.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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.

5. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5. 1. Impairment of Cash generating assets

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

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

5. IMPAIRMENT OF ASSETS (Continued)

5. 1. Impairment of Cash generating assets (Continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

5. 2. Impairment of Non-Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost 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 for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

6. FINANCIAL INSTRUMENTS (Continued)

6. 1 Financial Assets - Classification (Continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost
Vat Receivable	Financial Instruments at Amortised Cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

6. 3 Initial and Subsequent Measurement

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

6. FINANCIAL INSTRUMENTS (Continued)

6. 4 Impairment of Financial Assets (Continued)

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

7. INVENTORIES

7. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7. INVENTORIES (Continued)

7. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8. REVENUE RECOGNITION

8. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8. 1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered , the value of which approximates the consideration received or receivable.

8. 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

8. REVENUE RECOGNITION (Continued)

8. 1. 1 Service Charges (Continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8. 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8. 1. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8. 1. 4 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8. 1. 5 Sale of Goods

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

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8. 1. 6 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8. 2 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8. 2. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

8. REVENUE RECOGNITION (Continued)

8. 2 Revenue from Non-exchange Transactions (Continued)

8. 2. 3 Revenue from conditional grants, building and funding

Income 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. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8. 2. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. PROVISIONS

Provisions are recognised when:

- The municipality has a present legal or constructive obligation as a result of past events;
- 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10. 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10. 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10. 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured at lower of fair value of the asset or the PV of the minimum lease payments, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11. LEASES

11. 1 The Municipality as Lessee

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality’s incremental borrowing rate.

12. BORROWING COSTS

Borrowing costs are expensed as they occur.

13 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 rise to the transfer occurred.

14 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

22. 2 Prior year comparatives

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

22 COMPARATIVE INFORMATION

22. 3 Budget Information

The annual budget figures for the period 1 July 2013 to 30 June 2014 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

	2016 R	2015 R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2016 R	2015 R
Consumable Store	337 853	277 162
Water - at cost	54 572	41 654
Total Inventories	**392 424**	**318 816**

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Service Debtors:	62 718 875	43 075 545
Electricity	373 186	350 220
Refuse	10 636 403	7 620 035
Sewerage	22 776 099	16 538 298
Water	28 562 411	18 566 993
Other Receivables	370 775	206 384
Housing	332 260	152 647
Loan instalments	38 515	53 736
Less: Provision for Impairment	(51 679 141)	(34 654 989)
Electricity	(294 648)	(195 796)
Water	(20 584 453)	(14 741 092)
Sewerage	(16 539 634)	(13 451 318)
Refuse	(8 102 155)	(6 184 510)
Housing rental	(19 789)	(49 379)
Loan instalments	(31 521)	(32 893)
Interest	(6 106 941)	-
Total Receivables from Exchange Transactions	**11 039 734**	**8 626 940**

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

	2016 R	2015 R
Electricity		
Current (0 -30 days)	11 261	(40 125)
31 - 60 days	9 192	24 586
61 - 90 days	9 473	25 547
91 - 120 days	4 020	-
+120 days	290 628	19 731
Interest	48 024	320 481
Allowance for debt impairment	(294 648)	(195 796)
	77 951	**154 424**
Water		
Current (0 -30 days)	442 773	492 129
31 - 60 days	783 394	636 621
61 - 90 days	903 569	508 539
91 - 120 days	875 687	698 452
+120 days	21 901 006	15 115 769
Interest	3 322 909	1 115 483
Allowance for debt impairment	(20 584 453)	(14 741 092)
	7 644 884	**3 825 901**
Sewerage		
Current (0 -30 days)	355 342	433 573
31 - 60 days	441 841	405 839
61 - 90 days	434 237	397 521
91 - 120 days	419 226	336 444
+120 days	17 881 888	13 654 980
Interest	3 123 784	1 309 940
Allowance for debt impairment	(16 539 634)	(13 451 318)
	6 116 685	**3 086 979**

	2016 R	2015 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Refuse		
Current (0 -30 days)	136 496	196 419
31 - 60 days	215 510	187 129
61 - 90 days	211 879	183 047
91 - 120 days	207 463	177 826
+120 days	8 452 276	6 399 571
Interest	1 335 021	476 044
Allowance for debt impairment	(8 102 155)	(6 184 510)
	2 319 995	**1 435 525**
Housing rental		
Current (0 -30 days)	(1 428)	(19 678)
31 - 60 days	13 292	9 055
61 - 90 days	13 292	21 819
91 - 120 days	13 292	5 254
+120 days	255 254	133 281
Interest	24 572	2 917
Allowance for debt impairment	(19 789)	(49 379)
	298 484	**103 268**
Loan instalments (and sundry)		
Current (0 -30 days)	-23	11 638
31 - 60 days	932	-
61 - 90 days	932	-
91 - 120 days	932	-
+120 days	31 528	384
Interest	285	28
Allowance for debt impairment	(31 521)	(32 893)
	3 066	**(20 843)**
Interest: Exchange Transactions		
Interest	7 854 595	-
Allowance for debt impairment	(6 106 941)	-
	1 747 655	**-**

	2016 R	2015 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(34 654 989)	(26 894 440)
(Allowance raised) / reversal of allowance	(17 526 566)	(19 643 025)
Amounts written off as uncollectable	502 413	11 882 476
Balance at end of year	**(51 679 141)**	**(34 654 989)**

Receivables from exchange transactions past due but not impaired

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2016, R 3 981 965 (2015: R 2 937 311) were past due but not impaired.

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

	2016	2015
1 month past due	944 421	570 832
2 months past due	1 464 162	1 252 585
3 months past due	1 573 383	1 113 894
	3 981 965	**2 937 311**

No debtors were pledged as security.

3.3 Ageing of impaired Receivables from Exchange Transactions

As at 30 June 2016	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	944 421	1 464 162	1 573 383	58 424 319	62 406 284
Less: Provision for Impairment	-	-	-	(51 679 141)	(51 679 141)
Net Balances	**944 421**	**1 464 162**	**1 573 383**	**6 745 177**	**10 727 143**

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.3 Ageing of impaired Receivables from Exchange Transactions (Continued)

As at 30 June 2015	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	1 073 956	1 263 230	1 136 473	36 541 691	40 015 350
Less: Provision for Impairment				(34 654 989)	(34 654 989)
Net Balances	**1 073 956**	**1 263 230**	**1 136 473**	**1 886 702**	**5 360 361**

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2016	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Assessment Rates Debtors	27 672 650	(13 226 763)	14 445 888
Other receivables from non exchange transactions	739 709		739 709
Total Receivables from Non-exchange Transactions	**28 412 360**	**(13 226 763)**	**15 185 597**

As at 30 June 2015	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Assessment Rates Debtors	20 367 046	(11 197 562)	9 169 484
Other receivables from non exchange transactions	2 867 326	-	2 867 326
Total Receivables from Non-exchange Transactions	**23 234 372**	**(11 197 562)**	**12 036 810**

The municipality does not hold deposits or other security for its Receivables.

	2016 R	2015 R

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Interest: Non-Exchange Transactions	2016 R	2015 R
Interest	3 988 544	-
Allowance for debt impairment	(2 053 215)	-
	1 935 329	**-**

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2016	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	(483 118)	506 622	446 715	26 081 764	26 551 984
Less: Provision for Impairment				(13 226 763)	(13 226 763)
Net Balances	**(483 118)**	**506 622**	**446 715**	**12 855 001**	**13 325 221**
Other receivables from non exchange transactions:					
Gross Balances	739 709	-	-	-	739 709
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**739 709**	**-**	**-**	**-**	**739 709**

As at 30 June 2015	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	1 053 152	311 958	255 909	18 746 026	20 367 046
Less: Provision for Impairment				(11 197 562)	(11 197 562)
Net Balances	**1 053 152**	**311 958**	**255 909**	**7 548 464**	**9 169 484**

KOU-KAMMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Other receivables from non exchange transactions:

				2016 R	2015 R
Gross Balances	2 867 326	-	-	-	2 867 326
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**2 867 326**	**-**	**-**	**-**	**2 867 326**

Other receivables from non exchange transactions:

Current (0 -30 days)	739 709	2 867 326
31 - 60 days		
	739 709	**2 867 326**

4.1 Ageing of Receivables from Non-exchange Transactions (continued)

Rates

Current (0 -30 days)	(483 118)	1 053 152
31 - 60 days	506 622	311 958
61 - 90 days	446 715	255 909
91 - 120 days	403 560	162 103
+120 days	21 689 660	16 567 743
Interest	3 988 544	2 016 180
Allowance for debt impairment	(13 226 763)	(11 197 562)
	13 325 221	**9 169 484**

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	11 197 562	8 213 773
Impairment Losses recognised	2 183 057	3 382 812
Impairment Losses reversed	(153 856)	(399 023)
Balance at end of year	**13 226 763**	**11 197 562**

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all other Receivables are recoverable within normal credit terms.

	2016 R	2015 R

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2016, R 470 220 (2015: R2 731 310) were past due but not impaired.

	2016 R	2015 R
1 month past due	(483 118)	2 163 443
2 months past due	506 622	311 958
3 months past due	446 715	255 909
	470 220	**2 731 310**

5. VAT

	2016 R	2015 R
Vat Payable	**1 779 295**	**767 665**

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

6. CASH AND CASH EQUIVALENTS

	2016 R	2015 R
Current investment deposits	4 309	1 456
Bank Accounts	996 793	164 095
Total bank balances	**1 001 102**	**165 551**
Cash on hand	620	310
Total Bank, Cash and Cash Equivalents	**1 001 722**	**165 861**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The total bank balances at year end are all cash accounts and the money is available immediately on request. Therefore there are no call deposit accounts that need to be separately disclosed.

	2016 R	2015 R

6. CASH AND CASH EQUIVALENTS (Continued)

The Municipality has the following bank and investment deposit accounts:

Restrictions relate to unspent conditional grants, only if the condition of the grant is met can transfers from cash be done. Refer to note 20.

Account number / description

	Bank statement balances		Cash book balances	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
Bank accounts				
ABSA Bank Ltd - Current Account (Primary account) - 405 280 5864	823 093	34 094	851 518	128 253
ABSA Bank Ltd - Cheque Account - 19 4015 8695	0	304	0	304
ABSA Bank Ltd - Cheque Account - 40 5774 2120	0	696	0	696
ABSA Bank Ltd - Call Account - 90 7906 4583	41 106	18 355	86 419	26 953
ABSA Bank Ltd - Cheque Account - 19 4015 8687	0	756	0	756
ABSA Bank Ltd - Savings Account - 91 0220 9606	58 856	6 822	58 856	6 822
ABSA Bank Ltd - Savings Account - 91 9914 8641	4 309	1 456	4 309	1 456
Total	**927 364**	**62 484**	**1 001 102**	**165 241**

6.1 Cash on hand

Cash Floats and Advances	620	310
Total Cash on hand in Cash Floats, Advances and Equivalents	**620**	**310**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

7. OPERATING LEASE ASSET

Operating leases are recognised on the straight line basis as per requirement of GRAP 13. In respect of non-cancellable leases the following asset has been recognised:

Balance at the beginning of the year	75 038	63 494
Operating lease revenue recorded	68 251	11 544
Operating lease revenue affected	-	-
Balance at the end of the year	**143 289**	**75 038**

8. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	4 903 499	(53 430)	4 850 069	4 903 499	(53 430)	4 850 069
Buildings	6 152 145	(2 486 248)	3 665 897	6 152 145	(2 255 750)	3 896 395
Other property, plant and equipment	11 882 264	(7 929 429)	3 952 835	20 982 105	(16 342 722)	4 639 383
Infrastructure	363 180 496	(134 218 963)	228 961 532	363 180 496	(114 722 124)	248 458 371
Community	27 271 329	(9 804 400)	17 466 929	25 695 389	(8 943 233)	16 752 156
Infrastructure - WIP	39 546 735	-	39 546 735	24 422 333		24 422 333
Total	**452 936 467**	**(154 492 470)**	**298 443 997**	**445 335 967**	**(142 317 259)**	**303 018 708**

Reconciliation of property, plant and equipment - 2016

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-	-	-		-	4 850 069
Buildings	3 896 395	-	-		(230 498)	-	3 665 897
Other property, plant and equipment	4 639 383	841 024	(1 514 916)		(12 656)		3 952 835
Infrastructure	248 458 371		-		(19 496 838)	-	228 961 532
Community	16 752 156	1 575 940	-		(861 168)	-	17 466 928
Infrastructure - WIP	24 422 334	15 124 401					39 546 735
	303 018 707	**17 541 365**	**(1 514 916)**	**-**	**(20 601 161)**	**-**	**298 443 996**

Reconciliation of property, plant and equipment - 2015

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-	-	-	-	-	4 850 069
Buildings	4 066 226	-	-	-	(169 831)	-	3 896 395
Other property, plant and equipment	13 597 613	626 481	(2 410 349)	(8 425 949)	1 251 587	-	4 639 383
Infrastructure	249 589 550	11 962 689	(2 742 455)	-	(10 351 414)	-	248 458 371
Community	13 198 230	4 182 523	-	-	(628 597)	-	16 752 156
Infrastructure - WIP	6 949 722	9 046 663	-	8 425 949	-		24 422 334
	292 251 409	**25 818 356**	**(5 152 804)**	**-**	**(9 898 254)**	**-**	**303 018 707**

9. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer software	767 918	(530 516)	237 401.62	1 804 627	(1 428 173)	376 454

Reconciliation of intangible assets - 2016	**Opening**	**Additions**	**Disposals/ Amortisation**	**Total**
Computer software	376 454		(139 044)	237 410

Reconciliation of intangible assets - 2015	**Opening**	**Additions**	**Amortisation**	**Total**
Computer software	737 721	214 065	(575 340)	376 454

10. INVESTMENT PROPERTY

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Investment property - Land	24 970 100		24 970 100	25 094 100	(46 000)	25 048 100
Investment property - Buildings	869 937	(489 228)	380 709	869 937	(612 259)	257 678
	25 840 037	(489 228)	25 350 809	25 964 037	(658 259)	25 305 778

Reconciliation of investment property - 2016	-	**Opening**	**Disposal**	**Depreciation**	**Total**
Investment property - Land		25 048 100	(78 000)		24 970 100
Investment property - Buildings		257 678		123 031	380 709
		25 305 778	(78 000)	123 031	25 350 809

Reconciliation of investment property - 2015	**Opening**	**Disposal**	**Depreciation**	**Total**
Investment property - Land	25 094 100	(46 000)	-	25 048 100
Investment property - Buildings	282 408		(24 730)	257 678
	25 376 508	(46 000)	(24 730)	25 305 778

Details of property

No investment property has been given 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.

	2016 R	2015 R

11. CONSUMER DEPOSITS

Electricity and Water	104 700	104 700
Total Consumer Deposits	**104 700**	**104 700**

12. PROVISIONS

Total Provisions	**1 880 900**	**1 316 855**

Provisions raised include provision for workmans compensation, performance bonuses and annual bonuses

Provision for workmen's compensation has not been paid for the 2011/2012 financial year. A provision has been raised for the amount outstanding. The amount of R 673 336 has been estimated based on an invoice received for the 2012/2013 financial year.

Provision for bonuses includes both performance bonuses of s57 employees and 13th cheque of all other employees. Provision for performance bonuses was made for the 2015/16 financial year. Performance bonuses for the 2014/15 and 2013/14 financial years were paid in the 2015/16 financial period. A correction has been made to the estimate, as the actual performance bonuses paid was substantially less than what was provided for. Refer to note 35.

13. PAYABLES

13.1 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	21 109 400	9 516 551
Other payables	3 301 565	15 379 067
Accrued Expenses	9 581 586	3 587 460
Total Payables	**33 992 552**	**28 483 078**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties. Prior year decreased as a result of change in estimate. Refer to note 35.

13.2 PAYABLES FROM NON EXCHANGE TRANSACTIONS

Short term loan	1 900 000	-
	1 900 000	**-**

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Provincial: LED	-	132 028
DSRAC Library	362 475	379 481
Housing rectification	1 590 790	1 812 688
Sarah Baartman District Municipality: Environmental Health Subsidy	-	236 644
National - Department of Water Affairs Grant	288 704	3 140 257
Other Spheres of Government	442 619	-
DoE- INEP	176 772	-
Total Unspent Conditional Grants	**2 861 360**	**5 701 098**

Grants spent during the financial year is in accordance with the conditions thereof.

15. EMPLOYEE BENEFIT LIABILITIES

	2016 R	2015 R
Non current liability		
Post-retirement Health Care Benefits Liability	1 212 799	1 575 655
Provision for Long Service Awards	1 410 025	1 231 040
	2 622 824	**2 806 695**
Current portion of long term liability		
Post-retirement Health Care Benefits Liability	125 508	115 656
Provision for Long Service Awards	135 851	156 010
	261 359	**271 666**

15. 1 Post-retirement Health Care Benefits Liability

	2016 R	2015 R
Balance at beginning of Year	1 691 311	1 180 150
Net actuarial (losses)/profits	-338 697	523 052
Increase due to Discounting	101 349	61 129
Benefits paid	(115 656)	(73 020)
Total Post-retirement Health Care Benefits Liability	**1 338 307**	**1 691 311**
Transfer to Current Provisions	(125 508)	(115 656)
Non-current portion of post-retirement Health Care Benefits Liability	**1 212 799**	**1 575 655**

The assumptions used are based on statistics and market data as at 30 June 2015. The following assumptions, in line with GRAP 25, have been used. Assumptions used at the reporting date:

	2016	2015
Discount rates used	8.52%	8.17% #
General inflation	6.21%	5.97% #
Medical inflation	7.71%	7.47% #
Real rate (GAP)	0.75%	0.65% #

Discount rate assumption:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.52% per annum has been used. The corresponding index-linked yield at this term is 1.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

15.1 Post-retirement Health Care Benefits Liability (Continued)

Health care cost inflation assumption

This assumption is required to reflect the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.71% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.21%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.75%.

Future inflation assumption:

The expected inflation assumption of 6.21% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.70%) and those of fixed interest bonds (8.52%). The next contribution increase was assumed to occur with effect from 1 January 2017.

Net discount rate:

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the “gap” between the two assumptions are more important. This “gap” is referred to as the net discount rate. The net discount rate has increased from 0.46% p.a. to 0.56% p.a. (Derived from a discount rate of 8.17% and the expected medical inflation rate of 7.47%)

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

It has been assumed that husbands will be 4 years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future events. The actual cost of the subsidy will however be dependent on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results.

Real rate of return	Current Assumption 0.46%	0.5% decrease in gap (0.04%)	0.5% increase in gap (0.96%)
Liability	1 338 307	1 271 392	1 405 222
Cost / (Saving)	-	66 915	(66 915)

		2016 R	2015 R

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

Mortality	Current Assumption PA(90)-1	PA(90)	PA(90)-2
Liability	1 338 307	1 276 343	1 400 271
Cost / (Saving)	-	61 964	(61 964)

The amounts recognised in the Statement of Financial Position are as follows:

	2016 R	2015 R
Balance at the beginning of the year	1 691 311	1 180 150
Net actuarial (losses)/profits	-338 697	523 052
Interest cost	101 349	61 129
Benefits paid	(115 656)	(73 020)
Total Recognised Benefit Liability	**1 338 307**	**1 691 311**

The amounts recognised in the Statement of Financial Performance are as follows:

	2016 R	2015 R
Current service cost	-	-
Interest cost	101 349	61 129
Actuarial losses / (gains)	-338 697	523 052
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	**-237 348**	**584 181**

	2016 R	2015 R	2014 R	2013 R	2012 R
Obligation	1 338 307	1 691 311	1 691 311	903 912	1 110 194
Deficit	**1 338 307**	**1 691 311**	**1 691 311**	**903 912**	**1 110 194**

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

15.2 Post-retirement Long Service Awards liability

	2016 R	2015 R
Balance at beginning of Year	1 387 050	1 152 254
Actuarial Gain	3 212	116 070
Increase due to Discounting	103 386	85 074
Benefits paid	(156 010)	(128 824)
Current service cost	208 238	162 476
Balance at end of Year	**1 545 876**	**1 387 050**
Transfer to Current Provisions	(135 851)	(156 010)
Total Post-retirement Long Service Awards liability	**1 410 025**	**1 231 040**

The assumptions used are based on statistics and market data as at 30 June 2016. The following valuation assumptions are consistent with the requirements of GRAP 25.

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

	2016 R	2015 R
Discount rate	8.33%	7.89%
General inflation	6.01%	6.04%
Salary inflation	7.01%	7.04%
Real rate (Gap)	1.24%	0.79%

Discount rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. A discount rate of 8.33% per annum has been used. this is derived by using a liability - weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 1.72%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

Future Inflation Assumption

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employees salary at the date of award. General salary Inflation in most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation. Thus a general salary inflation of 7.01% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. The assumption reflects a net discount rate of 1.24%. It has been assumed that the next salary increase will take place on 1 July 2017.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the “gap” between the two assumptions are more important. This “gap” is referred to as the net discount rate. The net discount rate is 1.24% per annum. (Derived from a discount rate of 8.33% and the expected salary inflation rate of 7.01%).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

Discount rate	Current Assumption 7,89%	Decrease of 0.5%: 7.39%	Increase of 0.5%: 8.39%
Liability	1 545 876	1 468 582	1 623 170
Cost / (Saving)	-	77 294	(77 294)

Retirement	Current Assumption Retire at average age 60	Retire at average age	Retire at average age 57
Liability	1 545 876	1 437 665	1 654 087
Cost / (Saving)	-	108 211	(108 211)

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

The amounts recognised in the Statement of Financial Position are as follows:

	2016 R	2015 R
Balance at the beginning of the year	1 387 050	1 152 254
Current service costs	208 238	162 476
Interest cost	103 386	85 074
Benefits paid	(156 010)	(128 824)
Actuarial (losses) / gains	3 212	116 070
Total Recognised Benefit Liability	**1 545 876**	**1 387 050**

The amounts recognised in the Statement of Financial Performance are as follows:

	2016 R	2015 R
Current service cost	208 238	162 476
Interest cost	103 386	85 074
Actuarial (losses) / gains	3 212	116 070
Total Long service award included in Employee Related Costs (Note 23)	**314 836**	**363 620**

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Obligation	1 545 876	1 387 050	1 152 254	1 104 871	1 076 680
Deficit	**1 545 876**	**1 387 050**	**1 152 254**	**1 104 871**	**1 076 680**

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The municipality operates an unfunded defined benefit plan for all it's employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2016 by C Weiss of Arch Actuarial Consulting, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Expenses recognised in the statement of financial performance.

16. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions

Environmental rehabilitation

	2016 R	2015 R
Opening Balance	1 219 040	1 167 051
Increase in provision due to discounting	54 960	51 989
Expenditure incurred	-	-
Total Non-Current Provision	**1 274 000**	**1 219 040**

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites have been in existence for the following periods:

Kareedouw	25
Joubertina	55
Krakeelrivier	26
Louterwater	49
Coldstream	43
Woodlands	34
Clarkson	13

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

17 ACCUMULATED SURPLUSES

	2016 R	2015 R
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	305 117 982	309 253 607
Total Accumulated surpluses	**305 117 982**	**309 253 607**

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus

18 PROPERTY RATES

	2016	2015
Rates received		
Residential	4 271 294	3 925 520
Commercial	4 903 600	5 123 835
Agricultural	3 075 778	2 865 963
Medical	9 149	8 631
Government	3 700 663	3 491 849
Schools	76 150	71 840
	16 036 635	**15 487 638**
Valuations		
Residential	1 055 056 750	1 055 056 750
Commercial	298 668 915	298 668 915
State	242 931 390	242 931 390
Agriculture	2 088 128 800	2 088 128 800
Exempted properties	102 060 850	102 060 850
	3 786 846 705	**3 786 846 705**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A 6.0 per cent increase in tariffs has been applied.

A general rate of 0.7148c is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners.

Rates are levied on an annual basis, with the option of paying the rates on a monthly basis.

19 INCOME FROM AGENCY SERVICES

The following income is generated:

	2016 R	2015 R
Driver License Fees	942 228	822 321
Motor Vehicle licenses	790 566	632 849
Roadworthy certificates	93 404	36 552
Fire Services	1 015 000	-
	2 841 199	**1 491 722**

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

	2016 R	2015 R
National Equitable Share	37 662 000	33 884 000
Financial Management Grant (FMG)	1 800 000	1 800 000
EPWP	1 000 000	1 000 000
Sarah Baartman District Municipality: Environmental Health Subsidy	1 151 423	649 989
PMU- Expenditure Accounted for	750 950	738 250
DSRAC	949 006	759 726
MIG Grant	13 845 596	15 627 398
Flood Relief Cacadu	-	685 822
Local Government: Cacadu District Municipality	130 523	1 890 727
Provincial: IDP	-	4 697
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
Provincial: Department of Housing Grant	435 660	7 646 124
Provincial: LED	132 911	105 796
National: DWAF	5 781 435	7 804 554
Disaster Relief Grant	-	7 753 346
Department of Energy (INEP)	1 823 228	-
Total Government Grants and Subsidies	**66 392 732**	**81 284 428**

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

Financial Management Grant (FMG)

	2016	2015
Balance unspent at beginning of year		-
Current year receipts	1 800 000	1 800 000
Conditions met - transferred to Revenue	(1 800 000)	(1 800 000)
Balance at the end of the year	**-**	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (continued)

Local Government: Cacadu District Municipality

	2016 R	2015 R
Balance unspent at beginning of year	(249 170)	(77 047)
Current year receipts	822 312	1 739 254
Transferred to Revenue	(130 523)	(1 890 727)
Other Adjustments/Refunds		-20 650
Balance at the end of the year	**442 619**	**(249 170)**

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Municipal System Improvement Grant (MSIG)

	2016 R	2015 R
Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to Revenue	(930 000)	(934 000)
Balance at the end of the year	0	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Provincial: IDP

	2016 R	2015 R
Balance unspent at beginning of year	-0	4 697
Transferred to Revenue	-	(4 697)
Balance at the end of the year	**-0**	**-0**

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Provincial: LED

	2016 R	2015 R
Balance unspent at beginning of year	132 028	237 824
Current year receipts	-	-
Transferred to Revenue	(132 911)	(105 796)
Balance at the end of the year	**-883**	**132 028**

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality.

Flood relief C: Sarah Baartman District municipality

	2016 R	2015 R
Balance unspent at beginning of year	-	
Current year receipts	-	685 822
Transferred to Revenue	-	(685 822)
Balance at the end of the year	**-**	**-**

Grant purpose: The purpose of the grant was for rectification and repairs to infrastructure as a result of flood damages in Kou-kamma district.

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

PMU- Expenditure Accounted for

	2016 R	2015 R
Balance unspent at beginning of year	-	
Current year receipts recognised	750 950	738 250
Transferred to Revenue	(750 950)	(738 250)
Balance at the end of the year	**-**	**-**

Sarah Baartman District Municipality: Environmental Health Subsidy

Balance unspent at beginning of year	236 644	
Current year receipts	914 779	886 633
Transferred to Revenue	(1 151 423)	-649 989
Balance at the end of the year	**-**	**236 644**

Purpose of the subsidy : To provide environmental services on behalf of Sarah Baartman District Municipality.

National - Department of Water Affairs Grant

Balance unspent at beginning of year	3 140 257	762 333
Current year receipts	2 929 882	10 182 478
Transferred to Revenue	(5 781 435)	-7 804 554
Balance at the end of the year	**288 704**	**3 140 257**

Grant purpose: The purpose of the grant is for the purchasing of water quality monitoring equipment.

DSRAC Library Subsidy

Balance unspent at beginning of year	379 481	207 207
Current year receipts	932 000	932 000
Transferred to Revenue	(949 006)	(759 726)
Balance at the end of the year	**362 475**	**379 481**

Grant purpose: The purpose of the grant is a subsidy for library services in the Kou-kamma district. The subsidy covers salaries, operation and maintenance costs.

MIG Grant

Balance unspent at beginning of year	(1 040 405)	(10 718)
Current year receipts	15 019 000	14 765 000
Transferred to Revenue	(13 845 596)	(15 627 398)
Other Adjustments/Refunds	(507 802)	-167 289
Balance at the end of the year	**(374 803)**	**(1 040 405)**

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

	2016 R	2015 R
Department of Energy (INEP)		
Balance unspent at beginning of year	-	
Current year receipts	2 000 000	
Transferred to Revenue	(1 823 228)	
Balance at the end of the year	**176 772**	**-**

Grant Purpose: The purpose of the grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

	2016 R	2015 R
Housing rectification		
Balance unspent at beginning of year	1 812 688	1 240 922
Current year receipts	548 812	8 217 890
Transferred to Revenue	(770 711)	(7 646 124)
Balance at the end of the year	**1 590 790**	**1 812 688**

Grant purpose: To provide funding for the creation of sustainable RDP houses.

	2016 R	2015 R
Disaster Relief Grant		
Balance unspent at beginning of year	-0	2 127 346
Current year receipts	-	5 626 000
Transferred to Revenue	-	(7 753 346)
Balance at the end of the year	**-0**	**-0**

Grant purpose: Disaster funding granted to the municipality for the repairs and rehabilitation of roads damaged due to flooding in the 2010 financial year.

	2016 R	2015 R
EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Transferred to Revenue	(1 000 000)	(1 000 000)
Balance at the end of the year	**-**	**-**

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labour intensive projects for example: Road Maintenance and the maintenance of buildings; Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

	2016 R	2015 R

21 SERVICE CHARGES

	2016	2015
Sale of Electricity	2 204 941	2 131 760
Sale of Water	11 619 142	9 735 681
Refuse Removal	3 904 675	3 560 182
Sewerage and Sanitation Charges	8 040 912	7 741 321
Total Service Charges	**25 769 671**	**23 168 945**
Attributable to:		
Continuing Operations	25 769 671	23 168 945
	25 769 671	**23 168 945**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

22 RENTAL OF FACILITIES AND EQUIPMENT

	2016	2015
Operating Lease Rental Revenue:		
Premises	292 122	244 520
Halls	115 574	81 110
Houses	606	7 569
Facilities and equipment	**408 301**	**333 200**
Rental of equipment		-
Rental other	-	88
Total Rental of Facilities and Equipment	**408 301**	**333 288**
Attributable to:		
Continuing Operations	408 301	333 288
	408 301	**333 288**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

23 INTEREST EARNED

	2016	2015
External Investments:		
Bank Account	27 625	136 059
Short-term deposits	178 386	160 509
Total Interest Earned	**206 011**	**296 568**
Outstanding Debtors:		
Debtors	7 441 378	**5 554 337**
Total Interest Earned Outstanding Debtors	7 441 378	**5 554 337**
Total	**7 647 388**	**5 850 905**

24 OTHER REVENUE

	2016 R	2015 R
Connection fees	62 883	55 285
Valuation certificates	12 630	3 076
Building plan fees	213 158	147 808
Land use application fees	7 049	978
Information fees	55 284	51 556
Cemetery fees	63 692	65 363
Donations received	-	348 402
Sundry other fees	2 029 222	503 045
Refuse site	98	582
Total Other Revenue	**2 444 017**	**1 176 094**
Attributable to:		
Continuing Operations	2 444 017	1 176 094
	2 444 017	**1 176 094**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

25 EMPLOYEE RELATED COSTS

	2016 R	2015 R
Employee Related Costs - Salaries and Wages	22 725 202	23 082 700
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 392 540	5 230 759
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 339 642	1 895 603
Housing Benefits and Allowances	187 571	331 109
Overtime Payments	2 622 355	2 358 527
Performance Bonuses	-	1 402 538
Other employee related costs	452 591	260 054
Long-service awards	35 275	100 833
Total Employee Related Costs	**33 755 176**	**34 662 123**
Attributable to:		
Continuing Operations	33 755 176	34 662 123
	33 755 176	**34 662 123**

Included in Employee Related Costs is an amount of R 3 465 969.72 (2015: R 2 140 249.39) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans. For the financial period ending 30 June 2016, contributions due in respect of the 2015/16 reporting period has been accounted for and paid over to the plans accordingly.

25 EMPLOYEE RELATED COSTS (Continued)

Remuneration of Section 57 Employees:

	2016 R	2015 R
Remuneration of the Municipal Manager (Nkuhlu S)		
Annual Remuneration	834 068	760 004
Performance Bonus 2013/14	79 407	-
Performance Bonus 2014/15	105 985	-
Car and Other Allowances	298 056	298 056
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**1 319 300**	**1 059 845**
Remuneration of the Chief Financial Officer (Venter N)		
Annual Remuneration	771 654	712 392
Performance Bonus 2013/14	23 842	-
Performance Bonus 2014/15	25 457	-
Car and Other Allowances	134 400	134 400
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**957 138**	**848 577**
Remuneration of the Manager: Corporate Services (Zenzile M.)		
Annual Remuneration	721 252	660 780
Performance Bonus 2013/14	55 631	-
Performance Bonus 2014/15	50 914	-
Car and Other Allowances	139 500	186 000
Company Contributions to UIF, Medical and Pension Funds	1 338	1 785
Total	**968 635**	**848 565**

The Manager: Corporate Services Mr Zenzile resigned end of March 2016. This post remain vacant.

	2016 R	2015 R
Remuneration of the Manager: Technical Services (O Kwababana)		
Annual Remuneration	565 934	391 473
Performance Bonus 2013/14	-	-
Performance Bonus 2014/15	14 143	-
Car and Other Allowances	340 120	309 690
Company Contributions to UIF, Medical and Pension Funds	1 785	-
Total	**921 982**	**701 163**

25 EMPLOYEE RELATED COSTS (Continued)

	2016 R	2015 R
Remuneration of the Manager: Strategic Services (Mpumlwana M)		
Annual Remuneration	662 454	556 380
Performance Bonus 2013/14	23 842	-
Performance Bonus 2014/15	16 971	
Car and Other Allowances	243 600	290 400
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**948 652**	**848 565**
Remuneration of the Manager: Community Services (Sompani T)		
Annual Remuneration	666 978	607 704
Performance Bonus 2013/14	15 894	-
Performance Bonus 2014/15	25 457	-
Car and Other Allowances	239 076	239 076
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**949 190**	**848 565**
Employee costs		
Employee related costs	33 755 176	34 662 123
Directors	6 064 897	5 155 280
	39 820 073	**39 817 403**

26 REMUNERATION OF COUNCILLORS

Mayor	730 633	672 763
Councillors	1 566 195	2 018 170
Councillors' allowances	703 606	209 906
Total Councillors' Remuneration	**3 000 433**	**2 900 839**
Councillors' remuneration		
Goni P	234 807	201 817
Jacobs S	234 807	201 817
Jantjies B	234 807	201 817
Krige R	234 807	201 817
Mntambo N	156 538	201 817
Nelson L	234 807	201 817
Pottie N	234 807	201 817
Rheeders C	234 807	201 817
Strydom F	234 807	201 817
Smit K	234 807	201 817
	2 269 800	**2 018 170**

	2016 R	2015 R

In-kind Benefits

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

The councillor salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

27 DEPRECIATION AND AMORTISATION

	2016 R	2015 R
Depreciation: Property, Plant and Equipment	21 051 789	16 256 630
Amortisation: Intangible Assets	251 832	508 679
Depreciation: Investment Property	554 258	117 253
Total Depreciation and Amortisation	**21 857 879**	**16 882 562**
Attributable to:		
Continuing Operations	21 857 879	16 882 562
	21 857 879	**16 882 562**

28 FINANCE COSTS

	2016 R	2015 R
Other interest paid	995 315	289 420
Suppliers	2	323 479
Finance Charges	-	36 723
Creditors Overdue	**995 317**	**649 622**
Attributable to:		
Continuing Operations	995 317	649 622
	995 317	**649 622**

29 BULK PURCHASES

	2016 R	2015 R
Electricity	3 174 758	2 637 491
Water	24 201	36 735
Total Bulk Purchases	**3 198 959**	**2 674 226**

30 CONTRACTED SERVICES

	2016 R	2015 R
Professional Fees	91 972	458 321
Security Services	1 804 346	1 649 304
General contract expenses	1 942 841	1 243 843
Total Contracted Services	**3 839 159**	**3 351 468**
Attributable to:		
Continuing Operations	3 839 159	3 351 468
Discontinued Operations	-	-
	3 839 159	**3 351 468**

31 GRANTS AND SUBSIDIES PAID

	2016 R	2015 R
Low income subsidy/ Free basic services	11 166 619	10 432 867
Community projects	4 679 460	14 660 837
Total Grants and Subsidies	**15 846 078**	**25 093 704**

The low income subsidy/ free basic services is in respect of providing basic service levels.

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

The Mayor makes subsidies available on application after consultation with the Municipal Manager on the merits of such an application.

32 GENERAL EXPENSES

Included in General Expenses are the following:

	2016 R	2015 R
Advertising	277 998	356 000
Audit Fees - External	2 872 930	1 262 806
Bank Charges	302 419	226 022
Cleaning	97 202	62 492
Conferences and delegations	4 221	32 686
Consumables	1 660 073	1 561 980
Debt collection	-	274 461
Electricity purchases	3 456 439	3 351 684
Refreshments	65 175	53 553
Fuel and oil	1 462 071	1 493 092
Insurance	471 071	470 710
Legal expenses	1 829 599	585 337
Licence cards & fees - vehicles	181 882	213 539
Medical tests	10 175	15 341
Other expenses	578 258	280 471
Other rentals	108 256	122 015
Postage	34 307	21 056
Printing and stationery	516 798	194 661
Rental of office equipment	227 417	261 181
SPU programs	31 450	193 621
Subscription and publications	18 623	15 990
Telephone cost	1 693 323	1 846 313
Training	88 675	255 218
Materials and stores	188 846	727 369
Travel and subsistence	1 194 732	1 371 242
Tourism and publicity	-	2 905
SALGA	-	500 000
Total General Expenses	**17 371 940**	**15 751 744**

33 CASH GENERATED BY OPERATIONS

	2016 R	2015 R
(Deficit) / Surplus for the Year	-4 135 625	642 988
Adjustment for:		
Depreciation and Amortisation	21 857 879	16 882 562
Straight lining of leases	-68 251	-11 544
Losses / (Gains) on Disposal of Property, Plant and Equipment	246 118	-22 897
Movements in retirement benefit assets and liabilities	-194 178	745 957
Movements in provisions	619 005	384 313
Changes in working capital:		
(Increase) / Decrease in Inventories	-73 608	443 610
(Increase) / Decrease in receivables from exchange transactions	-2 412 794	-3 135 068
(Increase) / Decrease in other receivables from non-exchange transactions	-3 148 787	-3 057 274
Increase / (Decrease) in payables from exchange transactions	5 509 473	478 899
Increase / (Decrease) in VAT payable	1 011 630	1 522 707
Increase / (Decrease) in unspent conditional grants and receipts	-2 839 739	1 120 769
Cash generated by / (utilised in) Operations	**16 371 124**	**15 995 023**

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Unauthorised Expenditure

	2016 R	2015 R
Opening balance	8 882 857	13 452 364
Prior year expenditure approved/condoned council (Rescinded)	-8 882 857	-13 452 364
2015/16 Unauthorised expenditure	-	2 803 323
Unauthorised expenditure : Capital Budget	-	6 079 535
	-	**8 882 857**
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	1 163 104	602 194
Fruitless and Wasteful Expenditure current year	940 356	560 910
	2 103 460	**1 163 104**

34.2 Irregular Expenditure

	2016 R	2015 R
Opening balance	57 458 392	49 812 268
Bridging of the supply chain policy	435 660	7 646 124
	57 894 052	**57 458 392**

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (continued)

Irregular expenditure to be reported to National Treasury as prescribed by section 170 of the MFMA

	R
2014/15 Financial year	57 458 392
2015/16 Financial year	435 660
Total	**57 894 052**

35 CORRECTION OF PRIOR PERIOD ERROR

The correction of the errors / change in accounting policies resulted in adjustments as follows:

35.1 Correction of estimate: Assets

A number of assets were fully depreciated, but still in use by the municipality.

The remaining useful life of these assets were accounted for.

	2016 R	2015 R
Adjustment against opening retained earnings 30 June 2014		
Adjustments affecting the statement of financial position		
Decrease in accumulated depreciation		1 542 195
Adjustments affecting the statement of financial performance		
Depreciation		(1 542 195)
		-

36 *Material losses*

	2016 R	2015 R
Distribution losses on electricity	664 416	2 073 495
Distribution losses on water	15 488 356	6 197 318
	16 152 772	**8 270 812**
Accounted water losses :	Litres per annum	Litres per annum
Volume Distributed (kl)	2 447 160	1 869 554
Volume Billed(kl)	-1 146 138	-996 736
Non-Revenue Water (kl)	**1 301 022**	872 818

Methodology used

The water loss calculations were based on the readings of the bulk water meters on the main line feeding into the distribution systems from the reservoirs and then the end users meters.

In determining the water loss the following where considered:

The methodology is based on the logical intellect or arithmetic principle that a product metered at initial point of the sealed pipeline will be equal to the amount of product metered at the end of the same pipeline

On that case, the volume of water from reservoir metered on the outlet pipe A distributing to point B, C and D is expected to be equals to the sum of water metered at points B, C and D. The difference is therefore considered a loss as it is not been accounted for.

In the absence of meters at point B, C and D, the total volume of water distributed at point A (Reservoir outlet) is considered water loss as it is not accounted for on the distribution mains.

The value of water is based on the expenditure incurred in relation to the volume of water purified from all systems inclusive of bulk water purchases for the entire financial year.

Such information is used to determine the value of water per specific volume. The determined total amount of water unaccounted for is then converted in to rand value based. On this principle

		2016 R	2015 R
37	***Audit fees***		
	Opening balance	7 706 843	5 533 033
	Current year audit fee	3 169 655	2 629 881
	Current year Interest	482 388	216 109
	Interest paid	-	-89 216
	Amount paid - previous years	-3 977 974	-582 964
		7 380 912	**7 706 843**

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality.

		2016 R	2015 R
38	***PAYE and UIF***		
	Current year payroll deductions	6 930 428	4 761 898
	Amount paid - current year	-6 050 394	-4 457 869
		880 034	**304 028**
39	***Pension and medical aid deductions***		
	Current year payroll deductions and Council contributions	7 565 769	8 263 835
	Amount paid - current year	-8 331 070	-7 488 580
		-765 301	**775 255**
40	***VAT***		
	VAT payable	1 779 295	767 665
		1 779 295	767 665

41 COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

The municipality had the following capital commitments at year-end.

	2016 R	2015 R
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**4 316 883**	**19 506 096**
Infrastructure	341 690	7 099 246
Community	2 481 412	11 747 100
Other	1 493 781	659 750
- Approved but Not Yet Contracted for:-	**-**	**-**
Infrastructure	-	-
Community	-	-
Other	-	-
Total Capital Commitments	**4 316 883**	**19 506 096**

	2016 R	2015 R
This expenditure will be financed from:		
Government Grants	2 823 102	18 846 346
District Council Grants		-
Public Contributions		-
Own Resources	1 493 781	659 750
	4 316 883	**19 506 096**

41 COMMITMENTS FOR EXPENDITURE (continued)

41.2 Lease Commitments - Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Operating leases - Municipality as lessee (expense)

	2016	2015
Minimum lease payments due		
- within one year	569 741	360 724
- in second to fifth year inclusive	746 090	715 099
- later than five years	**-**	-
	1 315 831	**1 075 823**

The Municipality has leased portion 250 of Krakeelrivier no, 314 to Strydom Vrugteboerdery for R3,500 per annum with an escalation of 10%. The lease is for an indefinite period.

The municipality has entered into a lease agreement with Telkom to rent the ISDN 30 PRA for a period of 5 years at R2857.58 per month.

The municipality has entered into a lease agreement with Telkom to rent the TI-DIS Gold Access Service for a period of 3 years at R11 195.80 per month.

The Municipality entered into a lease agreement with BJ Kemp, for the use of fountain water and drainage water on Farm Krakeel nr. 114, Joubertina for R4000 pa, with 8% escalation each year. The lease is for a five year period and expires on 30 January 2016.

The Municipality entered into a lease with Wian de Jager for the use of Prt 19 of Farm Melkhoudtkraal 254, Hdorp district as a refuse dumpsite. The lease is for a period of three years at a monthly rental of R25 000 escalating at the higher of 7% or CPI at the anniversary of the lease.

Operating lease payments represent rentals payable by the municipality for certain of its office equipment.
The municipality has entered into an operating lease agreement with Antemax Equipment CC for the rental of 7 bizhub machines and a binder for a period of three (3) years. The lease period commenced in May 2015.

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor;

(ii) The lessee shall not sell, sublet, cede, assign or delegate any of it's rights or obligations on the office equipment; and

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

	2016 R	2015 R
Operating leases - Municipality as lessor (income)		
Minimum lease payments due		
- within one year	233 048	103 456
- in second to fifth year inclusive	922 275	469 184
- later than five years	643 676	140 434
	1 798 998	**713 074**

Operating leases relate to property being leased out to Sarah Baartman District Municipality to operate as clinics for the community. The Municipality has leased four clinics to the Sarah Baartman District Municipality. The Municipality earns R1 per annum for each clinic. The leases expired in 2011 and 2012 and were not been renewed in anticipation of the transfer of these assets to the EC Department of Health. The transfer of Primary Health Care Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority.

The municipality has entered into a lease agreement with Cell C (Pty) Ltd who is a licensed operator of an electronic communications network. Cell C (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network. Vodacom (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network. Vodacom (Pty) Ltd entered into a lease agreement in order to install antennae and equipment on the building situated at Joubertina. The lease contract expired in 2005

The Municipality has entered into a lease agreement with Sentech Soc Ltd to hire a portion of certain property situated off R62 in Joubertina and the unimpeded use of the access road for the purpose of site access.
Interest rate increase is in line with a published index("increases in line with CPI").

The municipality has entered into a lease agreement with Ilitha Creche for the use of a municipal building at R5 per months, no escalation for 9years and 11months.

The municipality has entered into a lease agreement with Kareedouw Youth Programme for the use of a municipal building at R60 per month, no escalation for 3years.

The Municipality has entered into a lease agreement with Atlas Tower Property Limited (MTN) who is a licensed operator of an electronic communications network.
MTN (Pty) Ltd is leasing the Erf 77 in Coldstream. The initial lease period is 9 years and 11 months at R10 260 per month.

42 FINANCIAL INSTRUMENTS

Categories of financial instruments

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets - 2016

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

	At amortised cost	Total
Receivables from Exchange Transactions	11 039 734	11 039 734
Receivables from Non-exchange Transactions	15 185 597	15 185 597
Cash and Cash Equivalents	1 001 722	1 001 722
VAT receivable	1 779 295	1 779 295
	29 006 348	**29 006 348**

Financial Liabilities - 2016

Payables from exchange transactions	33 992 552	33 992 552
Short term loan	1 900 000	
Customer deposits	-	-
Unspent conditional grants	2 861 360	2 861 360
	38 753 912	**36 853 912**

Financial Assets - 2015

Receivables from Exchange Transactions	8 626 940	8 626 940
Receivables from Non-exchange Transactions	12 036 810	12 036 810
Cash and Cash Equivalents	165 861	165 861
VAT receivable	767 665	767 665
	21 597 277	**21 597 277**

Financial Liabilities - 2015

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Payables from exchange transactions	28 483 078	28 483 078
Customer deposits	-	-
Unspent conditional grants	5 701 098	5 701 098
	34 184 176	**34 184 176**

Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

42.1 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Market Risk.
- Liquidity Risk; and
- Credit Risk;

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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 on going review of future commitments and credit facilities.

The municipality intends to pay creditors within 30 days.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

42.2 Market Risk

The municipality’s activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality’s exposure to market risks or the manner in which it manages and measures the risk.

42.3 Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

42.4 Foreign Currency Risk Management

The municipality’s activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

42.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

42 FINANCIAL INSTRUMENTS (Continued)

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality’s exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management’s assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

	2016	2015
	R	R

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
Surplus for the year ended 30 June 2016 has decreased by R1 952 627 . This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Bank balance held with Absa bank Limited is R 994 834 (2015: R62 484).

	2016	2015
	R	R

42.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an on going customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.