Intsika Yethu Municipality
Financial Statements
for the year ended 30 June 2016

General Information

Legal form of entity	The municipality functions as a local municipality, established under Paragraph 151 of the constitution of the Republic of South Africa.
Nature of business and principal activities	Intsika Yethu Municipality is a South African Category C Municipality (Local municipality) as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality's operations are governed by the: - Municipal Finance Management Act, 2003 (Act No. 56 of 2003); - Municipal Systems Act of 2000; and - Various other Acts and regulations.
Mayoral committee	
Mayor	K Vimbayo - Chairperson of Executive Committee
Councillors	NW Mdwayingana - Portfolio Head (Local Economic Development)
	S Myataza - Chief Whip - Portfolio Head (Infra. Planning)
	J Cengani - Speaker
	M Toni - Portfolio Head (Special Programs Unit)
	KF Mdleleni - Portfolio Head (Planning and Dev. Services)
	N Ntsaluba - Portfolio Head (Corporate Services)
	N Nkota-Tshangana - Portfolio Head (Community Services)
	SH Nobongoza - Portfolio Head (Budget and Treasury)
	M Shasha
	NG Baleka
	ML Papiyana
	Z Qayiya
	D Kapsile
	MH Hewu
	M Mahali
	NS Mafanya
	FN Dangazele
	M Yamile
	VG Matomela
	N Magaga
	NA Somdyala
	MA Mbotshane
	MI Bikitsha
	Z Mxi
	S Mkhunyana
	M Gulubela
	NA Rotyi
	N Mto
	NV Hexana
	ZS Matshikiza
	MM Mbebe
	P Nqandela
	N Bani
	N Ntloko
	N Jada
	NH Mgodeli
	M Zulu
	S Tame

General Information

	Z Tutwana N Sindile
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr X Ntikinca
Accounting Officer	Mr Z Shasha
Business address	Building No. 201 Main Street Cofimvaba 5380
Postal address	Private Bag X 1251 Cofimvaba 5380
Telephone number	(047) 874 8700
Fax number	(047) 874 0010
Bankers	First National Bank ABSA Bank
Auditors	Auditor General South Africa

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor General South Africa
SARS	South African Revenue Service
CHDM	Chris Hani District Municipality

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditor is engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by him:

Accounting Officer

Statement of Financial Position as at 30 June 2016

Figures in Rand	Notes	2016	2015 Restated*
Assets			
Current assets			
Inventories	3	58,186,854	58,874,433
Receivables from exchange transactions	4	749,276	445,520
Receivables from non-exchange transactions	5	2,232,795	1,145,679
VAT receivable	6	8,195,632	4,738,485
Other receivables	7	569,115	57,400
Cash and cash equivalents	8	2,864,109	1,701,410
		72,797,781	**66,962,927**
Non-current assets			
Investment property	9	70,030,598	70,660,454
Property, plant and equipment	10	497,930,419	462,893,136
Intangible assets	11	560,860	418,266
		568,521,877	**533,971,856**
Total assets		**641,319,658**	**600,934,783**
Liabilities			
Current liabilities			
Payables from exchange transactions	12	29,873,184	39,640,046
Unspent conditional grants and receipts	13	38,130	26,431
Provisions	14	4,798,359	3,913,305
Other financial liabilities	15	448,579	424,997
Bank overdraft	8	14,566	-
		35,172,818	**44,004,779**
Non-current liabilities			
Other financial liabilities	15	7,192,651	7,646,211
Total liabilities		**42,365,469**	**51,650,990**
Net assets		**598,954,189**	**549,283,793**
Accumulated surplus		598,954,189	549,283,793

* See Note 33

Statement of Financial Performance

Figures in Rand	Notes	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges		597,108	588,326
Rental of facilities and equipment		1,654,846	1,169,317
Interest received		2,693,856	2,188,296
Licences and permits		1,710,589	2,173,032
Pound fees		165,172	192,078
Recoveries		4,810	16,062
Other revenue	16	976,485	2,515,165
Total revenue from exchange transactions		**7,802,866**	**8,842,276**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	3,308,521	3,327,344
Transfer revenue			
Government grants and subsidies	18	215,313,852	167,509,731
Fines		789,176	338,500
Total revenue from non-exchange transactions		**219,411,549**	**171,175,575**
Total revenue		**227,214,415**	**180,017,851**
Expenditure			
Personnel costs	19	(86,730,290)	(78,299,504)
Remuneration of councillors	20	(13,799,582)	(13,027,569)
Depreciation and amortisation	21	(30,814,801)	(30,434,626)
Finance costs	22	(509,567)	(543,604)
Debt impairment	23	(753,283)	(5,397,267)
Transfer of assets	24	(161,404)	(301,200)
Repairs and maintenance		(1,105,766)	(1,025,029)
General expenses	25	(44,224,361)	(55,050,959)
Total expenditure		**(178,099,054)**	**(184,079,758)**
Operating surplus (deficit)		**49,115,361**	**(4,061,907)**
Gain (loss) on disposal of assets and liabilities		555,035	(734,571)
Surplus (deficit) for the year from continuing operations		**49,670,396**	**(4,796,478)**
Discontinued operations	26	-	(4,582,330)
Surplus (deficit) for the year		**49,670,396**	**(9,378,808)**

* See Note 33

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	543,600,675	543,600,675
Prior year adjustments	15,061,926	15,061,926
Balance at 01 July 2014 as restated*	**558,662,601**	**558,662,601**
Deficit for the year	(9,378,808)	(9,378,808)
Total changes	(9,378,808)	(9,378,808)
Balance at 01 July 2015	**549,283,793**	**549,283,793**
Surplus for the year	49,670,396	49,670,396
Total changes	49,670,396	49,670,396
Balance at 30 June 2016	**598,954,189**	**598,954,189**

* See Note 33

Cash Flow Statement

Figures in Rand	Notes	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Grants		215,325,551	167,536,162
Interest income		2,693,856	2,188,296
Other receipts		6,550,837	6,603,910
		224,570,244	176,328,368
Payments			
Employee costs		(103,766,321)	(88,513,452)
Suppliers		(54,432,634)	(47,270,270)
Finance costs		(116,904)	(134,737)
		(158,315,859)	(135,918,459)
Net cash flows from operating activities	27	**66,254,385**	**40,409,909**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(65,334,355)	(53,218,808)
Proceeds from disposal of property, plant and equipment	10	172,498	-
Purchase of other intangible assets	11	(337,580)	(160,400)
Proceeds from disposal of inventory		1,215,826	-
Net cash flows from investing activities		**(64,283,611)**	**(53,379,208)**
Cash flows from financing activities			
Repayment of other financial liabilities		(822,641)	(821,675)
Net increase in cash and cash equivalents		**1,148,133**	**(13,790,974)**
Cash and cash equivalents at the beginning of the year		1,701,410	15,492,384
Cash and cash equivalents at the end of the year	8	**2,849,543**	**1,701,410**

* See Note 33

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	404,940	-	**404,940**	597,108	**192,168**	N1
Rental of facilities and equipment	998,164	-	**998,164**	1,654,846	**656,682**	N2
Interest received (trading)	325,428	-	**325,428**	2,693,856	**2,368,428**	N3
Licences and permits	1,942,592	-	**1,942,592**	1,710,589	**(232,003)**	N4
Fees earned	113,471	-	**113,471**	165,172	**51,701**	N5
Recoveries	-	-	**-**	4,810	**4,810**	N6
Other income	163,364	-	**163,364**	976,485	**813,121**	N7
VAT receivable	9,940,188	-	**9,940,188**	-	**(9,940,188)**	N8
Total revenue from exchange transactions	**13,888,147**	**-**	**13,888,147**	**7,802,866**	**(6,085,281)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	3,919,151	-	**3,919,151**	3,308,521	**(610,630)**	N9
Transfer revenue						
Government grants and subsidies	210,212,000	648,146	**210,860,146**	215,313,852	**4,453,706**	N10
Fines, penalties and forfeits	287,500	-	**287,500**	789,176	**501,676**	N11
Total revenue from non-exchange transactions	**214,418,651**	**648,146**	**215,066,797**	**219,411,549**	**4,344,752**	
Total revenue	**228,306,798**	**648,146**	**228,954,944**	**227,214,415**	**(1,740,529)**	
Expenditure						
Personnel	(75,158,323)	(15,166,735)	**(90,325,058)**	(86,730,290)	**3,594,768**	N12
Remuneration of councillors	(14,167,029)	711,006	**(13,456,023)**	(13,799,582)	**(343,559)**	N13
Depreciation and amortisation	(37,030,000)	-	**(37,030,000)**	(30,814,801)	**6,215,199**	N14
Finance costs	(1,058,000)	(34,547)	**(1,092,547)**	(509,567)	**582,980**	N15
Bad debts written off	(1,798,600)	-	**(1,798,600)**	(753,283)	**1,045,317**	N16
Transfer of assets	-	-	**-**	(161,404)	**(161,404)**	N6
Repairs and maintenance	(6,337,569)	5,508,888	**(828,681)**	(1,105,766)	**(277,085)**	N17
General expenses	(60,996,448)	7,738,051	**(53,258,397)**	(44,224,361)	**9,034,036**	N18
Total expenditure	**(196,545,969)**	**(1,243,337)**	**(197,789,306)**	**(178,099,054)**	**19,690,252**	
Operating surplus	**31,760,829**	**(595,191)**	**31,165,638**	**49,115,361**	**17,949,723**	
Gains on disposal of assets and liabilities	-	-	**-**	555,035	**555,035**	N6
Surplus before taxation	**31,760,829**	**(595,191)**	**31,165,638**	**49,670,396**	**18,504,758**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**31,760,829**	**(595,191)**	**31,165,638**	**49,670,396**	**18,504,758**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Capital						
Intangible assets	1,395,792	-	1,395,792	337,580	1,058,212	N18
Property, plant and equipment	69,193,700	(1,337,620)	67,856,080	65,172,952	2,683,128	N18
	70,589,492	(1,337,620)	69,251,872	65,510,532	3,741,340	

N1 - The budget was based on what the municipality anticipated to collect on service charges and not the actual fees raised, resulting in the difference.

N2 - The budget was based on what the municipality anticipated to collect on service charges and not the actual fees raised, resulting in the difference.

N3 - The municipality did not budget adequately for interest received. Furthermore, efforts were made to maximise the interest on short-term investments.

N4 - Licences and permits are variable based on the needs of the community. Budgeted revenues were not achieved.

N5 - Efforts were made during the current year to ensure that animals are kept off the roads, resulting in an increase in pound fees.

N6 - The municipality did not budget for these amounts.

N7 - The municipality did not budget for the recognition of unallocated receipts as income during the year, which was included under other revenue.

N8 - VAT was budgeted for incorrectly as a receivable instead of as a reduction of the expenditure, resulting in underspending on expenditure.

N9 - Budget was based on an estimated increase in the tariff structure, however the tariff structure remained unchanged from the prior year.

N10 - Additional grant funding was received for the elections.

N11 - Additional controls have been implemented to recover fines, resulting in additional revenue. Furthermore the accounting treatment for fines was incorrect in prior years and was corrected in the current year.

N12 - Some vacancies during the year were filled by internal promotions, resulting in a saving on the budgeted amount.

N13 - The increment for councillors was not adequately budgeted for.

N14 - Depreciation was based on an estimated calculation. There were adjustments toprior year figures, which resulted in the depreciation charge being less than anticipated.

N15 - Total repayment for DBSA loan was budgeted for under finance costs and not just the interest portion.

N16 - Additional measures have been implemented to recover debt during the year and stricter controls have been implemented over receipting, resulting in a decrease in the unallocated receipts and a smaller increase in the provision for impairments.

N17 - The budget was based on an estimated amount. Due to the nature of repairs and maintenance, it is not always possible to project exact amount.

N18 - The municipality implemented strict budgeting controls to ensure that the expenditure was limited to the cash available and not the actual budget. This resulted in a decrease in general expenditure during the year.

N19 - The municipality implemented strict budgeting controls to ensure that the expenditure was limited to the cash available and not the actual budget. This resulted in a decrease in capital expenditure during the year.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

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

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

These accounting policies are consistent with the previous period.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

- GRAP 1 - Presentation of Financial Statements (as revised in 2012)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2012)
- GRAP 5 - Borrowing Costs
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2012)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised 2012)
- GRAP 13 - Leases (as revised 2012)
- GRAP 14 - Events after reporting date (as revised 2010)
- GRAP 16 - Investment property (as revised 2012)
- GRAP 17 - Property, Plant and Equipment (as revised 2012)
- GRAP 19 - Provision, Contingent Liability, Contingent Asset (as revised 2010)
- GRAP 21 - Impairment of Non-cash Generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Non-cash Generating Assets
- GRAP 31 - Intangible Assets
- GRAP 100 - Non- current Assets Held For Sale and Discontinued Operations (as revised in 2010)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

Standards issued, future effective dates can base accounting policies on, or early adopt:

- GRAP 18 - Segmental reporting
- GRAP 20 - Related party disclosure
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers
- GRAP 108 - Standard of GRAP on statutory receivables
- IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest in an asset
- Improvements to standards of GRAP

Interpretations:

- IGRAP 1 - Applying the probability test in initial recognition of exchange revenue
- IGRAP 2 - Change in existing decommissioning, restoration and similar liabilities
- IGRAP 3 - Determining whether an arrangement contains a lease
- IGRAP 4 - Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
- IGRAP 8 - Agreement for the construction of assets from exchange transactions
- IGRAP 10 - Assets received from customers
- IGRAP 13 - Operating leases - incentive
- IGRAP 14 - Evaluating the substance of transactions involving the legal form of a lease
- IGRAP 16 - Intangible assets - Website costs (effective 1 April 2013)

1.1 Presentation currency

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

Accounting Policies

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade and other receivables

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

The impairment for trade and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

Depreciation and amortisation

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

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

1.4 Investment property

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

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

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

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

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

1.4 Investment property (continued)

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

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

Cost model

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

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

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

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

1.5 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Average useful life
Landfill sites	26 years
Buildings	
- Mobile offices	10 years
- Other	30 - 50 years
Computer equipment	5 - 7 years
Plant and machinery	5 - 15 years
Furniture and office equipment	
- Paintings	15 years
- Other	7 - 15 years
Motor vehicles	10 - 15 years
Infrastructure assets	
- Roads and paving	5 - 135 years
Community assets	
- Halls	15 - 50 years
- Libraries	15 - 30 years
Parks and recreation	15 - 70 years
Wastewater network	10 - 30 years
Electricity	20 - 30 years
Land	Indefinite

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

When the use of property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in surplus or deficit to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in the statement of changes in net assets.

Incomplete construction work

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

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 impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

1.7 Intangible assets (continued)

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

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

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

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

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

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

Item	Useful life
Computer software, other	3-5 years

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

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

1.8 Financial instruments

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

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

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

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

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

1.8 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Presentation

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

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

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

1.9 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

1.9 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease if it is practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.13 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

Decommissioning, restoration and similar liability

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

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

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

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

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

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

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

Measurement

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

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Finance income

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

Tariff charges, licences and permits

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

Rentals

Revenue from rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one year a straight line basis is used.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

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

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

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Debt forgiveness and assumption of liabilities

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

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

1.16 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Government grants

Income received from conditional grants, donations and funding recognised as revenue in the statement of financial performance to the extend that the municipality has complied with all the criterias or conditions attached to the funding. Where the conditions or criterias are not fully met, a liability is recognised in the statement of financial position.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related conditions to be fulfilled are recognised in the statement of financial performance in the year in which they have been received.

Interest earned from investment of grant money is treated in accordance with the grant conditions. If it is payable to the funder it is recognised as a liability in the statement of financial position. If the interest is not payable to the funder it will be recognised as interest income or other income in the statement of financial performance of the period to which it was earned.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

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

1.17 Investment income

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

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.19 Discontinued operations

Discontinued operations is a component with seperate operations and cash flows that can be clearly distinguishable, operationally and for financial reporting purposes, that has been disposed of and represents a destinguishable activity, group of activities or geographical are of operations, or is a controlled entity acquired exclusively withthe view to resale.

Discontinued operations are shown seperately from continued operations on the face of the statement of financial performance. Comparative figures are also reflected accordingly.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

Accounting Policies

1.21 Unauthorised expenditure

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

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

1.24 Events after reporting period

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. Non-adjusting events have been disclosed in the notes to the financial statements.

1.25 Offsetting

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

1.26 Commitments

Items are classified as commitments when the Municipality has committed itself to future transactions that will normally result in an outflow of resources ,embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial reporting period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitment note to the financial statements.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

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

1.27 Budget information (continued)

Comparative information is not required.

1.28 Related parties

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

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

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

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

1.29 Value Added Tax (VAT)

Revenue, expenses and assets are recognised net of VAT. The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the statement of financial position.

Municipality accounts for VAT on a payments basis.

1.30 Changes in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting polices, changes in accounting estimates and errors, requirements except to the extent that it is impracticable to determine the period- specific effects or the accumulated effect of the change in policy. In such cases the municipality shall restate the opening balances of the assets and liabilities and net assets for the earliest period for which a retrospective restatement is practicable. Details of the change in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance wit GRAP 3 requirements. Details of change 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 except to the extent 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 the assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior errors are disclosed in the notes to the financial statements where applicable.

Figures in Rand	2016	2015 *Restated

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Council but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

2. New standards and interpretations (continued)

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

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

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

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

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Council agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Council agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

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

2. New standards and interpretations (continued)

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Council agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Council agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

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

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Council agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Council considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

2. New standards and interpretations (continued)

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Council agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Council considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

Notes to the Financial Statements

	2016	2015 Restated*

3. Inventories

Properties held for sale	58,186,854	58,874,433

Inventory relates to property held for sale.

4. Receivables from exchange transactions

Trade debtors	2,681,686	2,514,808
Provision for impairment	(2,095,092)	(2,185,261)
Reallocation of receivables with credit balances to trade payables	162,682	115,973
	749,276	**445,520**

Trade and other receivables from exchange transactions

2016

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Business	38,707	43,983	28,358	778,422	889,470
Government Departments	53,468	(9,417)	52,637	603,832	700,520
Rental debtors	14,227	11,957	11,513	222,943	260,640
Other	972	1,550	1,000	95,234	98,756
Residential	14,173	15,337	13,202	629,947	672,659
Vacant land	1,218	1,760	1,049	55,614	59,641
	122,765	**65,170**	**107,759**	**2,385,992**	**2,681,686**

Debtors by revenue type	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Service charges	88,467	46,963	77,654	1,719,408	1,932,492
Rental income	34,298	18,207	30,105	666,584	749,194
	122,765	**65,170**	**107,759**	**2,385,992**	**2,681,686**

2015

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Business	41,884	38,945	37,575	732,968	851,372
Government Departments	56,365	55,927	55,701	481,585	649,578
Other	1,302	1,191	1,288	93,292	97,073
Rental Debtors	23,831	16,020	23,686	219,793	283,330
Residential	13,488	14,519	14,543	537,870	580,420
Vacant land	1,113	552	1,142	50,228	53,035
	137,983	**127,154**	**133,935**	**2,115,736**	**2,514,808**

Debtors by revenue type	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Services charges	87,027	80,198	84,476	1,334,425	1,586,126
Rental income	50,956	46,956	49,459	781,311	928,682
	137,983	**127,154**	**133,935**	**2,115,736**	**2,514,808**

	2016	2015 Restated*

4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

At 30 June 2016, R593,432 (2015: R206,891) were past due but not impaired.

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

0-30 days	79,264	66,462
31-60 days	8,962	60,200
61-90 days	65,088	67,699
>90 days	440,118	12,530

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R2,088,255 (2015: R2,307,916) were impaired and provided for.

The amount of the provision was R2,095,092 as of 30 June 2016 (2015: R2,185,261).

The ageing of these receivables is as follows:

0-30 days	43,501	71,520
31-60 days	56,208	66,955
61-90 days	42,671	66,238
>90 days	1,945,875	2,103,204

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,185,261	8,113,861
Provision for impairment	(90,169)	888,284
Transfer to water services	-	(6,816,884)
	2,095,092	**2,185,261**

5. Receivables from non-exchange transactions

Property rates	7,991,245	6,466,968
Reallocation of receivables with credit balances to trade payables	484,783	298,231
Impairment of trade and other receivables	(6,243,233)	(5,619,520)
	2,232,795	**1,145,679**

Receivables from non-exchange transactions

2016

	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Business	115,345	131,067	84,505	2,319,646	2,650,563
Government Departments	159,331	(28,062)	156,855	1,799,380	2,087,504
Other	2,895	4,618	2,980	283,791	294,284
Rental debtors	42,394	35,632	34,307	664,356	776,689
Residential	42,235	45,702	39,342	1,877,200	2,004,479
Vacant land	3,629	5,246	3,125	165,726	177,726
	365,829	**194,203**	**321,114**	**7,110,099**	**7,991,245**

* See Note 33

	2016	2015 Restated*

5. Receivables from non-exchange transactions (continued)

Debtors by revenue type	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Property rates	365,829	194,203	321,114	7,110,099	7,991,245

2015

	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Business	107,707	100,150	96,627	1,884,866	2,189,350
Government Departments	144,946	143,819	143,239	1,238,422	1,670,426
Vacant land	2,861	1,419	2,938	129,163	136,381
Other	3,347	3,063	3,313	239,904	249,627
Rental debtors	61,284	41,197	60,911	565,211	728,603
Residential	34,684	37,337	37,398	1,383,162	1,492,581
	354,829	**326,985**	**344,426**	**5,440,728**	**6,466,968**

Debtors by revenue type	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 days	Total
Property rates	354,829	326,985	344,426	5,440,728	6,466,968

Receivables from non-exchange transactions past due but not impaired

At 30 June 2016, R1,768,388 (2015: R532,033) were past due but not impaired.

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

	2016	2015
0-30 days	236,200	170,912
31-60 days	26,706	154,808
61-90 days	193,959	174,091
>90 days	1,311,523	32,222

Receivables from non-exchange transactions impaired

As of 30 June 2016, other receivables from non-exchange transactions of R6,222,856 (2015: R5,934,935) were impaired and provided for.

The amount of the provision was R6,243,233 (2015: R5,619,520).

The ageing of these receivables is as follows:

	2016	2015
0-30 days	129,629	183,918
31-60 days	167,496	172,178
61-90 days	127,155	170,334
>90 days	5,798,576	5,408,505

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2016	2015
Opening balance	5,619,520	2,980,463
Provision for impairment	623,713	2,639,057
	6,243,233	**5,619,520**

6. VAT receivable

	2016	2015
VAT Receivable	8,195,632	4,738,485

Notes to the Financial Statements

	2016	2015 Restated*

7. Other receivables

Chris Hani District Municipality	1,812,524	1,812,524
Sundry debtors	291,976	-
Traffic Fines	554,279	114,800
Provision for impairment	(2,089,664)	(1,869,924)
	569,115	**57,400**

The refund due from CHDM relates to payments made, less income received, after 1 July 2014 for the water services function. As disclosed in note 26, the water services function, along with the related assets and liabilities, was transferred to CHDM with effect from 1 July 2014. Management have been in discussions with CHDM and based on these discussions, the recoverability of the loan is unlikely.

Management have assessed the recoverability of traffic fines and this balance has been impaired to its estimated recoverable amount.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,076	4,095
Bank balances	-	374,682
Short-term deposits	2,858,033	1,322,633
Bank overdraft	(14,566)	-
	2,849,543	**1,701,410**

Current assets	2,864,109	1,701,410
Current liabilities	(14,566)	-
	2,849,543	**1,701,410**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2016**	**30 June 2015**	**30 June 2014**
FNB 62022331003 (Cheque)	(14,566)	374,682	3,070,668	(14,566)	374,682	2,608,185
FNB 62101651398 (Cheque)	115,879	67,552	6,546,141	115,879	67,552	6,546,141
FNB 62022332316 (Money MKT)	57,396	78,249	3,580,088	57,396	78,249	3,580,088
FNB 62090678320 (Money MKT)	174,241	122,146	17,466	174,241	122,146	17,466
FNB 62240443820 (Cheque)	259,195	173,539	1,987,607	259,195	173,539	1,987,607
ABSA 961149096 (32 day call)	710,822	683,954	661,484	710,822	683,954	661,484
FNB 62026740549 (Money MKT)	1,332,315	3,949	28,789	1,332,315	3,949	28,789
FNB 62027101245 (Money MKT)	54,100	173,192	26,851	54,100	173,192	26,851
FNB 62160167500 (Money MKT)	154,085	20,052	4,533	154,085	20,052	4,533
Total	**2,843,467**	**1,697,315**	**15,923,627**	**2,843,467**	**1,697,315**	**15,461,144**

* See Note 33

9. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	73,954,693	(3,924,095)	70,030,598	73,954,693	(3,294,239)	70,660,454

Reconciliation of investment property - 2016

	Opening balance	**Depreciation**	**Total**
Investment property	70,660,454	(629,856)	70,030,598

Reconciliation of investment property - 2015

	Opening balance	**Disposals**	**Depreciation**	**Total**
Investment property	72,024,595	(734,285)	(629,856)	70,660,454

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	64,143,967	(7,375,737)	56,768,230	64,143,967	(6,200,261)	57,943,706
Plant and machinery	42,104,265	(16,443,313)	25,660,952	42,104,265	(13,270,851)	28,833,414
Motor vehicles	11,165,768	(2,549,172)	8,616,596	10,527,562	(1,653,033)	8,874,529
Office equipment	4,528,486	(1,863,391)	2,665,095	4,346,296	(1,476,845)	2,869,451
Computer equipment	2,473,914	(1,354,760)	1,119,154	2,290,183	(996,764)	1,293,419
Infrastructure	385,942,422	(179,679,095)	206,263,327	363,530,806	(156,805,954)	206,724,852
Community	26,710,774	(4,324,735)	22,386,039	25,558,645	(3,792,321)	21,766,324
Work in progress	163,282,237	-	163,282,237	122,892,293	-	122,892,293
Electricity	4,856,330	(493,086)	4,363,244	4,856,330	(264,987)	4,591,343
Landfill site	809,735	(88,325)	721,410	792,862	(52,255)	740,607
Park facilities	7,503,653	(1,724,652)	5,779,001	7,503,653	(1,482,233)	6,021,420
Wastewater network	732,964	(427,830)	305,134	732,964	(391,186)	341,778
Total	**714,254,515**	**(216,324,096)**	**497,930,419**	**649,279,826**	**(186,386,690)**	**462,893,136**

* See Note 33

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	57,943,706	-	-	-	(1,175,476)	56,768,230
Plant and machinery	28,833,414	-	-	-	(3,172,462)	25,660,952
Motor vehicles	8,874,529	827,680	(141,559)	-	(944,054)	8,616,596
Furniture and office equipment	2,869,451	182,190	-	-	(386,546)	2,665,095
Computer equipment	1,293,419	192,520	(4,150)	-	(362,635)	1,119,154
Road transport	206,724,852	22,411,616	-	-	(22,873,141)	206,263,327
Community	21,766,324	1,152,129	-	-	(532,414)	22,386,039
Work in progress	122,892,293	64,017,696	-	(23,627,752)	-	163,282,237
Electricity	4,591,343	-	-	-	(228,099)	4,363,244
Landfill site	740,607	16,873	-	-	(36,070)	721,410
Parks and recreation	6,021,420	-	-	-	(242,419)	5,779,001
Wastewater network	341,778	-	-	-	(36,644)	305,134
	462,893,136	**88,800,704**	**(145,709)**	**(23,627,752)**	**(29,989,960)**	**497,930,419**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	59,117,864	-	-	-	(1,174,158)	57,943,706
Plant and machinery	27,360,612	5,118,462	(250,680)	(404,309)	(2,990,671)	28,833,414
Motor vehicles	4,987,577	4,652,565	(122,873)	-	(642,740)	8,874,529
Office equipment	3,148,214	402,153	(143,426)	(204,628)	(332,862)	2,869,451
Computer equipment	1,145,075	594,861	(109,708)	(47,532)	(289,277)	1,293,419
Road transport	225,224,931	7,463,911	-	(2,629,846)	(23,334,144)	206,724,852
Community	22,061,924	529,963	-	(301,199)	(524,364)	21,766,324
Work in progress	92,905,042	41,843,760	-	(11,856,509)	-	122,892,293
Electricity	772,873	3,862,634	-	-	(44,164)	4,591,343
Landfill site	172,581	607,005	-	-	(38,979)	740,607
Parks and recreation	6,265,403	-	-	-	(243,983)	6,021,420
Wastewater network	385,543	-	-	-	(43,765)	341,778
	443,547,639	**65,075,314**	**(626,687)**	**(15,444,023)**	**(29,659,107)**	**462,893,136**

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. Assets with a carrying value of R 206,315 could not be found. The municipality is in the process of investigating the reasons why these assets could not be found and further action will be taken as a result of the investigation.

11. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1,117,185	(556,325)	560,860	779,605	(361,339)	418,266

Notes to the Financial Statements

	2016	2015 Restated*

11. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	418,266	337,580	(194,986)	560,860

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	403,529	160,401	(145,664)	418,266

12. Payables from exchange transactions

	2016	2015
Trade payables	14,106,635	20,557,342
3rd party payments	3,100,728	7,011,379
Unallocated receipts	598,289	1,120,315
Accrued bonus	1,513,038	1,390,740
Sundry payables	4,199,698	3,819,386
Accrued leave	6,354,796	5,740,884
	29,873,184	**39,640,046**

13. Unspent conditional grants and receipts

Unspent conditional grants comprises of:

	2016	2015
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	38,130	26,431

Movement during the year

	2016	2015
Balance at the beginning of the year	26,431	-
Additions during the year	67,778,551	49,344,276
Income recognition during the year	(67,766,852)	(49,317,845)
	38,130	**26,431**

	2016	2015
Non-current liabilities	-	-
Current liabilities	38,130	26,431
	38,130	**26,431**

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

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

	2016	2015 Restated*

14. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation - landfill site	839,305	17,076	16,873	873,254
Provision for long service	3,074,000	851,105	-	3,925,105
	3,913,305	**868,181**	**16,873**	**4,798,359**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation - landfill sites	219,227	13,072	607,006	839,305
Provision for long service	2,989,000	85,000	-	3,074,000
	3,208,227	**98,072**	**607,006**	**3,913,305**

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites.

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation using an interest rate of 2.00%.

The expected life of the Cofimvaba landfill site is projected to be 20 years from 30 June 2016. The interest rate for the landfill site is 2.00% for 2015/16.

Provision for long service

This provision relates to expected outflows of economic benefits associated with paying employees that have completed a cycle of 5 years in the employ of the municipality.

15. Other financial liabilities

	2016	2015
DBSA loan		
Non-current portion	7,192,651	7,646,211
Current portion	448,579	424,997
	7,641,230	**8,071,208**

The loan is 20 years at a fixed interest rate of 5%. The capital is repayable in 40 equal six - monthly instalments, commencing on the last day of the first half of the year during which the first disbursement was advanced to the Borrower. Penalty interest shall be calculated with regard to actual period during which the amount payable remain unpaid, at a fixed interest rate of the loan, 5% plus 2 % (p.a). Penalty interest shall be compounded six-monthly (01 April to 30 September and /or 01 October to 31 March during the next calender year), payable on demand.

Furthermore paragraph 10.1 of the agreement states that DBSA shall be entitled, after giving the borrower 30 days written notice, to suspend drawdowns from the loan or to terminate this agreement and to claim from the borrower immediate payment from the outstanding amount, should the borrower commit any breach of this agreement.

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

16. Other revenue

Other income	209,338	219,130
Administration fees	54,403	71,925
Insurance refunds	-	32,804
Unallocated deposits revenue	712,744	2,191,306
	976,485	**2,515,165**

17. Property rates

Rates received

Property rates	3,308,521	3,327,344

Valuations

Residential	72,504,400	72,504,400
Commercial	144,148,900	144,148,900
State	153,673,600	153,673,600
Municipal	229,290,800	229,290,800
Place of worship	6,499,000	6,499,000
Private service infrastructure	105,800	105,800
Agriculture properties	17,876,801	17,876,801
Vacant land	9,953,800	9,953,800
Schools	2,751,000	2,751,000
Public Benefit Organisation	13,376,300	13,376,300
	650,180,401	**650,180,401**

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

18. Government grants and subsidies

Equitable share	145,974,000	115,520,000
MIG	43,362,000	38,856,000
LG SETA	290,552	181,616
Integrated National Electrification Programme	19,988,300	5,973,530
Financial Management Grant	1,675,000	1,600,000
Municipal Systems Improvement Grant	930,000	934,000
CHDM Grant	573,000	2,595,585
Extended Public Works Program Grant	1,271,000	1,849,000
Department of Sports, Recreation, Arts and Culture	250,000	-
Local Government	1,000,000	-
	215,313,852	**167,509,731**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	67,766,852	49,394,146
Unconditional grants received	147,547,000	118,115,585
	215,313,852	**167,509,731**

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

18. Government grants and subsidies (continued)

Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	145,974,000	115,520,000
Conditions met - transferred to revenue	(145,974,000)	(115,520,000)
	-	**-**

MIG

Balance unspent at beginning of year	-	-
Current year receipts	43,362,000	38,856,000
Conditions met - transferred to revenue	(43,362,000)	(38,856,000)
	-	**-**

The grant was received from National Treasury for infrastructural development purposes.

LG SETA

Balance unspent at beginning of year	-	-
Current year receipts	290,552	181,616
Conditions met - transferred to revenue	(290,552)	(181,616)
	-	**-**

The grant was received from the Department of Local Government for training purposes.

Integrated National Electrification Programme

Balance unspent at beginning of year	26,430	-
Current year receipts	20,000,000	5,999,960
Conditions met - transferred to revenue	(19,988,300)	(5,973,530)
	38,130	**26,430**

Conditions still to be met - remain liabilities (see note 13).

The grant was received from National Treasury for electrification of the community.

Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,675,000)	(1,600,000)
	-	**-**

The grant was received from National Treasury for financial management support.

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

18. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

	2016	2015 Restated*
Balance unspent at beginning of year	-	-
Current year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

The grant was received for infrastructure improvement purposes.

CHDM Grant

	2016	2015 Restated*
Balance unspent at beginning of year	-	-
Current year receipts	573,000	2,595,585
Conditions met - transferred to revenue	(573,000)	(2,595,585)
	-	-

The grant was received from CHDM for operations and is not conditional.

Extended Public Works Program Grant

	2016	2015 Restated*
Balance unspent at beginning of year	-	-
Current year receipts	1,271,000	1,849,000
Conditions met - transferred to revenue	(1,271,000)	(1,849,000)
	-	-

The grant was received from Department of Public Works for Extendent Public Works Programme.

Department of Sports, Recreation, Arts and Culture

	2016	2015 Restated*
Current year receipts	250,000	-
Conditions met - transferred to revenue	(250,000)	-
	-	-

The grant was received from Department of Sports, Recreation, Arts and Culture.

Local Government

	2016	2015 Restated*
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-

The grant was received from Department of Local Government for the 2016 Local Government elections and is not conditional.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Financial Statements

	2016	2015 Restated*

19. Personnel costs

	2016	2015
Basic	68,055,261	62,762,203
Bonus	4,236,228	3,729,278
SDL	1,477,199	1,218,564
Leave pay provision charge	1,137,643	1,465,250
Travel, motor car, accommodation, subsistence and other allowances	1,069,348	1,158,080
Overtime payments	1,989,567	1,678,020
Long-service awards	972,374	85,000
Acting allowances	478,472	648,867
Housing benefits and allowances	6,624,383	5,554,242
Back pay	689,815	-
	86,730,290	**78,299,504**

Remuneration of key management

2016	Basic salary	Performance bonus	Allowances	Back pay	Total
Mr Z Shasha	763,079	59,324	592,929	65,371	1,480,703
Miss A Ntengenyane (Appointed 1 August 2015)	629,496	44,301	460,754	92,580	1,227,131
Ms Mahlati	706,531	73,478	514,946	65,091	1,360,046
Mr S Koyo	706,531	78,727	514,707	65,091	1,365,056
Mr K Maceba	706,531	73,478	520,501	65,091	1,365,601
Mr X Ntikinca	706,531	52,485	534,697	65,091	1,358,804
	4,218,699	**381,793**	**3,138,534**	**418,315**	**8,157,341**

2015	Basic salary	Performance bonus	Allowances	Back pay	Total
Mr Z Shasha	711,895	75,648	523,716	-	1,311,259
Mrs Y Mniki (Resigned 31/07/2014)	52,485	105,170	127,675	-	285,330
Ms Mahlati	629,818	114,732	459,753	-	1,204,303
Mr S Koyo	629,818	47,805	471,379	-	1,149,002
Mr K Maceba	629,818	105,170	477,243	-	1,212,231
Mr X Ntikinca	629,818	-	489,202	-	1,119,020
	3,283,652	**448,525**	**2,548,968**	**-**	**6,281,145**

20. Remuneration of councillors

	2016	2015
Basic salaries	10,492,130	10,033,264
Travel, subsistence and other allowances	3,307,452	2,994,305
	13,799,582	**13,027,569**

	2016	2015
Mayor	790,501	743,263
Speaker of council	633,650	634,505
Chief whip	596,999	599,264
Councillors	11,778,432	11,050,537
	13,799,582	**13,027,569**

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

20. Remuneration of councillors (continued)

In-kind benefits

The salaries, allowances and benefits of the councillors as disclosed are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Mayor and Speaker have use of Municipal owned vehicles for official duties.

21. Depreciation and amortisation

	2016	2015 Restated*
Property, plant and equipment	30,619,815	30,288,963
Intangible assets	194,986	145,663
	30,814,801	**30,434,626**

22. Finance costs

	2016	2015 Restated*
DBSA loan	392,663	408,867
Other interest paid	116,904	134,737
	509,567	**543,604**

23. Debt impairment

	2016	2015 Restated*
Contribution to debt impairment provision: exchange transactions	(90,169)	888,284
Contribution to debt impairment provision: non-exchange transactions	623,713	2,639,059
Contribution to debt impairment provision: other receivables	219,739	1,869,924
	753,283	**5,397,267**

24. Transfer of assets

	2016	2015 Restated*
Property, plant and equipment - community hall	-	301,200
Work in progress - Vukani Bakery	161,404	-
	161,404	**301,200**

A bakery built for the community was completed and transferred during the year under review.

Notes to the Financial Statements

	2016	2015 Restated*

25. General expenses

Advertising	329,323	500,503
Auditors' remuneration	3,231,422	4,294,930
Books and publications	112,345	40,941
Bank charges	78,536	61,750
Catering	455,216	426,885
Cleaning	78,947	31,954
Community development	3,331,411	5,548,496
Computer expenses	26,791	25,038
Conferences and seminars	35,076	142,540
Consulting and professional fees	8,770,074	11,675,622
Electricity	1,085,099	1,400,646
Free basic electricity	3,177,601	2,435,092
Fuel and oil	2,857,792	2,135,877
Hire of equipment	1,328,683	1,338,845
Insurance	842,625	642,409
IT expenses	1,137,355	1,313,400
Landfill sites mantainance	403,615	143,072
Legal fees	2,747,914	2,168,181
Marketing	-	104,072
Motor vehicle expenses	553,982	1,738,865
Other expenses	442,343	574,125
Policy development	2,276,693	5,873,356
Postage and courier	1,770	2,200
Printing and stationery	67,093	343,816
Protective clothing	215,652	324,570
Security	616,977	219,632
Special programmes	5,637,234	5,679,634
Stores and materials	273	90,790
Subscription and membership	892,089	727,040
Telephone and fax	937,846	996,884
Traditional leaders	227,075	295,862
Training	1,319,058	784,699
Travel and accommodation	956,828	2,287,198
Valuation roll	49,623	682,035
	44,224,361	**55,050,959**

26. Discontinued operations

As of 1 July 2014, the municipality transferred the water services function back to the CHDM. This resulted in a reduction of water services revenue and expenditure as detailed below. The revenue and expenditure has been seperately disclosed in the statement of financial performance and the corresponding figures have been adjusted accordingly, as required by GRAP 100.

Assets transferred

Property, plant and equipment	-	(3,286,316)
Receivables from exchange transactions	-	(3,884,456)
Inventory	-	(301,424)
Payables from exchange transaction	-	1,629,318
VAT receivable	-	1,260,548
	-	**(4,582,330)**

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

27. Cash generated from operations

Surplus (deficit)	49,670,396	(9,378,808)
Adjustments for:		
Depreciation and amortisation	30,814,801	30,434,626
(Loss) gain on sale of assets and liabilities	(555,035)	734,571
Debt impairment	533,544	3,527,340
Movements in provisions	1,621,264	1,112,224
Interest on borrowings	392,663	408,867
Transfer of assets	161,404	301,200
Discontinued operations	-	4,582,330
Changes in working capital:		
Receivables from exchange transactions	(213,587)	68,822
Receivables from non-exchange transactions	(1,710,829)	(1,857,408)
Other receivables	(511,715)	(57,400)
Payables from exchange transactions	(10,503,073)	12,592,945
VAT	(3,457,147)	(2,085,830)
Unspent conditional grants and receipts	11,699	26,430
	66,254,385	**40,409,909**

28. Auditors' remuneration

Fees	3,231,422	4,294,930

* See Note 33

29. Financial instruments disclosure

Categories of financial instruments

2016

Assets

	Financial assets at fair value	Financial assets at amortised cost	Total
Receivables from exchange transactions	-	749,276	749,276
Receivables from non-exchange transactions	-	2,232,795	2,232,795
Cash and cash equivalents	2,864,109	-	2,864,109
	2,864,109	**2,982,071**	**5,846,180**

Liabilities

	At fair value	**At amortised cost**	**Total**
Other financial liabilities	-	7,641,230	7,641,230
Payables from exchange transactions	-	30,063,184	30,063,184
Unspent conditional grants	-	38,130	38,130
Bank overdraft	14,566	-	14,566
	14,566	**37,742,544**	**37,757,110**

2015

Assets

	Financial assets at fair value	Financial assets at amortised cost	Total
Receivables from exchange transactions	-	445,520	445,520
Receivables from non-exchange transactions	-	1,145,679	1,145,679
Cash and cash equivalents	1,701,410	-	1,701,410
	1,701,410	**1,591,199**	**3,292,609**

Liabilities

	At fair value	**At amortised cost**	**Total**
Other financial liabilities	-	8,071,208	8,071,208
Payables from exchange transactions	-	39,640,047	39,640,047
Unspent conditional grants	-	26,431	26,431
	-	**47,737,686**	**47,737,686**

Notes to the Financial Statements

	2016	2015 Restated*

30. Commitments

Authorised capital expenditure

	2016	2015 Restated*
Already contracted for but not provided for		
• Capital commitments	33,107,539	54,402,025
This committed expenditure will be financed from:		
Government grants	33,107,539	54,402,025
Total capital commitments		
Already contracted for but not provided for	33,107,539	54,402,025

Operating leases - as lessee (expense)

	2016	2015 Restated*
Minimum lease payments due		
- within one year	369,181	738,362
- in second to fifth year inclusive	-	369,181
	369,181	**1,107,543**

Operating lease payments represent rentals payable by the municipality for printers and copiers. Leases are negotiated for an average term of five years.

Operating leases - as lessor (income)

	2016	2015 Restated*
Minimum lease payments due		
- within one year	574,223	821,988
- in second to fifth year inclusive	1,887,423	2,007,429
	2,461,646	**2,829,417**

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

31. Contingencies

Contingent liability	923,588	345,594

The contingent liability relates to the following cases against the municipality:

- Zolani Baba vs IYM;
- Thanduxolo Nongawe vs IYM;
- Ayanda Mhlambiso and six others vs IYM;
- Mntonga AG vs IYM;
- Sisiwe Nyakaza vs IYM;
- Zixosile Stata vs IYM;
- Edward Sebenzile Mathanzima vs IYM;
- Vumele Ntsila vs IYM;
- City Hardware and Others vs IYM;
- The Sheriff of the Magistrate Court of Cofimvaba vs IYM;
- MEC for Department of Rural Development and land Reform, Eastern Cape and Others vs IYM;
- Magistrate, Queenstown & Vincemus Investment (Pty) Ltd t/a Kempton Truck Hire vs IYM;
- Unlawful persons unlawfully erecting structures on and unlawfully occupying that portion of remainder Erf 1 Nyanisweni Township vs IYM;
- Zoleka Sipakanisi-Olayi and others vs IYM;
- Thandkhaya Stata station commissioner, Cofimvaba Police Station vs IYM;
- Bravopix 537 CC vs IYM;
- Bantu Tshijila vs IYM;
- Zimele Qamata A/A vs Rhoda Development Trust;
- Atson Madabase Phuphuma vs IYM;
- Litha Hangana vs IYM;
- Sello Motupi and others vs IYM.

These cases are still pending and no jugdement or final decision has been reached.

32. Related parties

Relationships

Cllr. K. Vimbayo - Mayor	Ms.Vimbayo a security guard is a sister to the mayor
Mr. Z. Shasaha - Municipal Manager	Cllr. M. Shasha is a brother to the municipal manager Mr. Totongwana the risk manager is the brother to the municipal manager
Cllr. S. Mkhunyana	Miss. L.Mkunyana who works at ICT is a sister to Councillor S. Mkhunyana
Cllr. S. Myataza	Mrs. B. Myataza who is employeed as a billing clerk is a daughter to councillor S Myataza
Cllr. N. F. Dangazela	Mr. M. Dangazela who is employed as a driver is her son
Cllr. M. Gulubela	Mrs. V. Gulubela, wife of councillor Gulubela works as general worker
Cllr. M. Toni	Mrs. N. Toni (senior accountant expenditure) is a wife to councillor Toni
Cllr. N. Magaga	Miss. N. Magaga who is a student at finance is a daughter to councillor Magaga

Related party transactions

Remuneration of key management: Refer to note 19 and 20 for the remuneration of councillors and other key management.

* See Note 33

	2016	2015 Restated*

33. Prior year adjustments

During the 2016 financial year, the following material adjustments to prior year figures were identified:

Property, plant and equipment and depreciation

Assets were identified that had exceeded their useful lives, however they were still in use. Furthermore, there were some assets that were incorrectly expensed in the prior year. A full review of the asset register and expense accounts was performed and journals were processed to correct the carrying values of the assets and the related depreciation.

It was further identified that the retentions payable on work-in-progress projects had not been recognised in the annual financial statements. Journals were processed to recognise the amounts payable.

As disclosed under payables from exchange transactions and expenditure, certain invoices relating to the prior year were only received by the municipality after the 2015 financial statements had been finalised. These invoices were subsequently raised during the current year and the prior year figures adjusted accordingly. This resulted in work in progress (WIP) being adjusted.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated.

Receivables from exchange transactions

In the prior year, rental was raised for tennants that had erected buildings on municipal land, however these amounts had not been discussed and agreed with the tennants. It was subsequently decided to reverse the prior year charges. The relating provision for impairment on these balances was also reversed.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated.

Payables from exchange transactions and expenditure

Certain invoices relating to prior year were only received by the municipality after the 2015 financial statements had been finalised. These invoices were subsequently raised during the current year and the prior year figures adjusted accordingly.

Furthermore, the municipality had to pay salary-related expenses to Water Services employees who had subsequently been transferred to Chris Hani District Municipality. These expenses related to the 2014 financial year and were previously not recognised in the financial records.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated.

Other receivables

CHDM did not confirm the amount owing relating to subsequent payments, less income received, for the water services function. No liability was disclosed in the CHDM financial statements for the 2015 financial year. Therefore the recoverability of this loan is deemed to be unlikely. A provision was raised to this effect.

The restatement has been corrected retrospectively and comparative figures have been appropriately restated.

	2016	2015 Restated*

33. Prior year adjustments (continued)

Inventory and investment property

During the 2013/14 Financial year, Erf 1 (Investment Property) was sub-divided into Erf 2328 and Erf 176 (Investment Property) was sub-divided into Erf 2327, which then consolidated into Erf 2329 (Inventory). The purpose of this sub-division and then consolidation into Erf 2329 is the proposed development of “Thabo Village”.

A valuation on Erf 2329 was done by a professional valuator and calculatedto be R6 490 000. Therefore, in order to correct the fixed asset register, the following was adjusted in 2013/14:
Erf 2329 (Land): Inventory increased by R6 489 802 (14.8917 Ha @ R43.58/m2, deemed cost per m2 at 31 March 2014 per valuation report)
Erf1 (Land): Investment Property reduced by: 656 917 (12.5127 Ha @ R5.25/m2, cost per m2 at take on date)
Erf 176 (Land): Investment Property reduced by: 624 488 (2.3790 Ha @ R26.25/m2, cost per m2 at take on date)
Profit on sub-division: R5 208 397

Commitments

As disclosed under payables from exchange transactions and expenditure, certain invoices relating to the prior year were only received by the municipality after the 2015 financial statements had been finalised. These invoices were subsequently raised during the current year and the prior year figures adjusted accordingly. This resulted in the commitments being adjusted.

Irregular expenditure

In terms of section 32(2)(b) of the MFMA investigations were conducted of the write off of irregular expenditure recognised in previous years. Based on these investigations it was found that certain items which had been included as irregular expenditure were in fact not irregular. The prior year financial statements were adjusted retrospectively.

Correction of errors resulted in the following prior year adjustments:

Assets - Inventories	
2015 balance as previously reported	52,384,631
Adjustment	6,489,802
2015 restated balance	**58,874,433**

Assets - Receivables from exchange transactions	
2015 balance as previously reported	679,642
Adjustment	(234,122)
2015 restated balance	**445,520**

Assets - Receivables from non-exchange transactions	
2015 balance as previously reported	1,129,586
Adjustment	16,093
2015 restated balance	**1,145,679**

Assets - VAT receivable	
2015 balance as previously reported	4,744,100
Adjustment	(5,615)
2015 restated balance	**4,738,485**

	2016	2015 Restated*

33. Prior year adjustments (continued)

Assets - Other receivables		
2015 balance as previously reported		1,812,524
Adjustment		(1,755,124)
2015 restated balance		**57,400**
Assets - Cash and cash equivalents		
2015 balance as previously reported		1,690,009
Adjustment		11,401
2015 restated balance		**1,701,410**
Assets - Investment property		
2015 balance as previously reported		71,941,859
Adjustment		(1,281,405)
2015 restated balance		**70,660,454**
Assets - Property, plant and equipment		
2015 balance as previously reported		451,154,314
Adjustment		11,738,822
2015 restated balance		**462,893,136**
Assets - Intangible assets		
2015 balance as previously reported		244,931
Adjustment		173,335
2015 restated balance		**418,266**
Liabilities - Payables from exchange transactions		
2015 balance as previously reported		37,507,024
Adjustment		2,133,023
2015 restated balance		**39,640,047**
Reserves - Accumulated surplus		
2015 balance as previously reported		536,263,629
Adjustment		13,020,163
2015 restated balance		**549,283,792**
Revenue - Rental of facilities and equipment		
2015 balance as previously reported		2,304,927
Adjustment		(1,135,610)
2015 restated balance		**1,169,317**
Revenue - Interest received		
2015 balance as previously reported		2,192,575
Adjustment		(4,279)
2015 restated balance		**2,188,296**

	2016	2015 Restated*

33. Prior year adjustments (continued)

Expenditure - Fines

2015 balance as previously reported	223,700
Adjustment	114,800
2015 restated balance	**338,500**

Expenditure - Depreciation and amortisation

2015 balance as previously reported	30,070,378
Adjustment	364,248
2015 restated balance	**30,434,626**

Expenditure - Finance costs

2015 balance as previously reported	538,292
Adjustment	5,312
2015 restated balance	**543,604**

Expenditure - Debt impairment

2015 balance as previously reported	4,670,140
Adjustment	727,127
2015 restated balance	**5,397,267**

Expenditure - Repairs and maintenance

2015 balance as previously reported	1,196,924
Adjustment	(171,895)
2015 restated balance	**1,025,029**

Expenditure - General expenses

2015 balance as previously reported	54,959,078
Adjustment	91,882
2015 restated balance	**55,050,960**

Irregular expenditure

2015 balance as previously reported	89,996,657
Adjustment	(12,620,708)
2015 restated balance	**77,375,949**

Commitments

2015 balance as previously reported	54,497,757
Adjustment	(95,732)
2015 restated balance	**54,402,025**

34. Risk management

Financial risk management

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

* See Note 33

	2016	2015 Restated*

34. **Risk management (continued)**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Credit risk

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

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

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

Financial instrument	**2016**	**2015**
Receivables from exchange transactions	749,276	445,520
Receivables from non-exchange transactions	2,232,795	1,145,679
Cash and cash equivalents	2,864,109	1,701,410

Market risk

Interest rate risk

The municipality interest bearing assets are included under cash and cash equivalents, trade receivables from exchange transactions and receivables from non-exchange transactions. The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of the interest bearing assets.

At year end, the financial liabilities expensed to interest rate risk include those other financial liabilities disclosed in note 15 to the annual financial statements.

Balances with banks, deposits, call current accounts attract interest at rates that vary with the South African prime rate. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the statement of financial performance.

Trade debtors in arrears are charged interest at a rate of 1% per month.

Surplus funds are invested with banks in interest bearing accounts refer to note 8.

Interest rate sensitivity analysis

The sensitivity analysis below assesses the exposure of the Municipality to floating interest rates. Assuming that those financial instruments affected remain unchanged for the full financial year and that all other methods and assumptions used remain unchanged, the impact of a 100 basis points change in interest would result in an increase or decrease of R58,462 (2015: R34,992) in net surplus for the period.

* See Note 33

Notes to the Financial Statements

	2016	2015 Restated*

35. Events after the reporting date

The municipality is not aware of any events after 30 June 2016 that may have a material impact on the financial statements or require disclosure.

36. Unauthorised expenditure

Opening balance	141,715,675	122,147,181
Amount condoned	782,048	19,568,494
	142,497,723	**141,715,675**

37. Fruitless and wasteful expenditure

Opening balance	990,110	817,363
Fruitless and wasteful expenditure	94,658	172,747
	1,084,768	**990,110**

Fruitless and wasteful expenditure relates to interest paid to the following service providers		
AGSA	17,656	29,307
Department of Transport	155	1,454
Eskom	50,488	10,464
FNB	5	31
Nashua	17	-
SARS - interest	-	61,556
SARS - penalties	-	43,391
Telkom	31,508	26,455
Tracker	-	89
	99,829	**172,747**

38. Irregular expenditure

Opening balance	77,375,949	21,581,359
Add: Irregular expenditure - current year	61,278,166	45,593,987
Add: Irregular expenditure - prior year identified in current year	762,949	10,200,603
Less: Irregular expenditure written off	(77,375,949)	-
	62,041,115	**77,375,949**

	2016	2015 Restated*

39. Additional disclosure in terms of the MFMA

Contributions to organised local government

	2016	2015
Opening balance	721,903	896,606
Current year subscription - (SALGA)	1,003,908	776,903
Amount paid - current year	(1,041,383)	(951,606)
	684,428	**721,903**

Material non-compliance with the MFMA

The municipality has not fully complied with the following material sections of the MFMA:

Section 65(2)(e)
Money owed by the muncipality was not always paid within 30 days of receipt of invoice.

Sections 62(1)(d) and 32
Reasonable steps were not taken to prevent irregular expenditure and steps have not been fully implemented to manage the consequences of the irregular expenditure incurred.

Audit fees

	2016	2015
Opening balance	895,790	3,294,012
Current year	3,701,477	4,925,527
Amount paid - current year	(4,556,622)	(7,323,749)
	40,645	**895,790**

VAT

	2016	2015
VAT receivable	8,195,632	4,738,485

VAT output payables and VAT input receivables are included in note 6.

Councillors' arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
MI Bikitsha	451	6,195	6,646

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

* See Note 33

	2016	2015 Restated*

40. Deviation from supply chain management regulations

The following deviations from the Supply Chain Management Policy were approved by the Municipal Manager during the year:

Reason	Number of incidents	Amount
Emergency	5	174,505
Goods or services are produced or available from a single provider	74	1,366,615
Services procured for media adverts	33	196,624
Services or goods procured on a rotational basis	81	409,091
Services related to training	8	98,088
	201	**2,244,923**

41. Change in accounting estimate

The site life of the landfill site was estimated in 2015 to be 25 years. At the beginning of the current period the expert revised their estimate from 25 years to 26 years. There was a change in the net discount rate from 2.03% in 2015 to 2.00% in 2016. In addition, the CPA rate of 5.30% was used to increase the unit costs used to determine the rehabilitation and closure costs since the previous financial year.

The effect of this revision has increased the landfill site asset and the landfill site liability by R16,873 each, composed of:

Net effect of the discount rate	5,411
Net effect of the unit cost adjustment	28,928
Net effect of the change in site life	(17,466)
	16,873

The depreciation charge for the current and the future period has decreased by R2,909 per annum.

* See Note 33