Emalahleni Local Municipality
Financial statements
for the year ended 30 June 2015

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	S.F. Sithole
Speaker	A.D. Mkhwanazi
Chief Whip	S.Z. Mathebula
Members of Mayoral Commitee	D.M. Skosana
	C.M. Simelani
	L.M Nhlapo
	P. Van Castle
	L. Ntshalintshali
	P.L. Mokwena
MPAC Chairperson	C.P. Maseko

General Information

Other Councillors	A.B. Khumalo
	A.V. Phakane
	B.H. Maseko
	B.T. Lukhele
	B.D. Nkosi
	B.H. Maseko
	B.S. Shabangu
	B.T. Lukhele
	W.A. Van Dyk
	M.S. Magagula
	L. Steyn
	N. Naidu
	N.L. Magabotse
	H. Mashiyane
	M.B. Tebane
	M.M. Mahlangu
	M.B. Phahlane
	P.J. Mahlangu
	S.J. Matshipa
	F. Mkhabela
	J.J. Msibi
	J.M Mdluli
	D.E. Mlaba
	P.E. Mashiane
	R.W. Kgomo
	J.T. Khumalo
	R.E. Cronje
	P.J. Djiana
	C.P. Maseko
	M.S. Jallal
	I. Cassim
	T.V. Gwambe
	S.E. Bembe
	T.O. Mashigo
	M. Thulari
	T.S. Mabena
	Z.C. Mbuku
	T.G. Mabula
	C.N. Makofane
	P.M. Maabane
	N.T. Mnisi
	B.H. Maseko
	X.M. Mandi
	G. Ubisi
	D.H. Grobler
	S.L. Mokoena
	N.S. Mdluli
	K.T. Pookgoadi
	K. Silaule
	C.L. Maraba

General Information

	J.M. Louw M. Bhamjee H. Griffiths Schneider Breetzke M.C. Hilton M.B. Hlumbane M. Venter H.J. Venter M.J. Shiba S.E. Shongwe H.J. Scheffer
Acting Municipal Manager	Mr T. Jansen van Vuuren
Acting Chief Financial Officer (CFO)	Mr Thabo Maake
Audit committee members	Mr Butana Ngobeni (Chairperson) Mr Hangi Hlomane Ms Karen Smith Mr Willy Huma
Grading of local authority	4
Registered office	Civic Centre Mandela Street Emalahleni 1035
Central email contact details	admin@emalahleni.gov.za
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa

Index

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

Index

Abbreviations

GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
DOE	Department of Energy
MSIG	Municipal Systems Improvement Grant
APC	Accounting Practice Committee
SAICA	South African Institute of Chartered Accountants
MEC	Member of Executive Council
IAS	International Accounting Standards
PPE	Property, plant and equipment
INCA	Infrastructure Finance Corporation Limited
UIF	Unemployment Insurance Fund
PAYE	Pay as you earn
COGTA	Co-operative Governance and Traditional Affairs
VAT	Value Added Tax
HDF	Housing Development Fund
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
AFS	Annual Financial Statements
LGTF	Local Government Transitional Funds

Accounting Officer's Responsibilities and Approval

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

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

The annual financial statements are based upon appropriate accounting policies consistent with the requirements of GRAP 3 and supported by reasonable and prudent judgements and estimates by management.

The annual financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by the Accounting Officer on the 26 August 2015 and were signed on its behalf by:

Mr T. Jansen van Vuuren
Acting Municipal Manager

Emalahleni

31 August 2015

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The Municipality is engaged in supply of electricity, water, sanitation and revenue collection services and operates principally in South Africa.

Net deficit of the Municipality was R 178 366 524 (2014: R 531 647 834).

2. Going concern

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

3. Subsequent events

Subsequent to the financial year end but prior to the financial statements being authorised for issue, there were changes in the organisational structure of the Municipality. These changes did not have any impact on the financial position of the Municipality at 30 June 2015. Henceforth is the list of events having ensued after year end.

1) The Executive Mayor Ms S.F. Sithole resigned on the 28 July 2015. The succeeding Mayor Ms L. Ntshalintshali was inaugurated on the 14 August 2015.

2) Subsequent to the 2015 financial year end, 1 November 2015, the Acting Chief Financial Officer, Mr Thabo Maake was appointed as the Chief Financial Officer. He was preceded by Mr Ben Dorfling, who resigned on the 15 January 2015.

3) Councillor Mawela replaced Jennifer Martha Louw, who ceased to hold office of councillor in the Municipality.

4) Councillor Paul van Castle resigned as a councillor of the Municipality with immediate effect on the 26 August 2015.

5) The Acting Municipal Manager, Mr Theo Van Vuuren has been appointed as the Municipal Manager with effect 1 December 2015.

Other than the matters refered to in the preceding paragraph, the Accounting Officer is not aware of any matter or circumstance arising since the end of the financial period ending 30 June 2015.

5) Subsequent to the above, the changes made to the Mayoral Committee were as follows:

MMC - Baphehile H. Maseko - LED
MMC - D. Skhosana - Community
MMC - L. Hlapo - DDP
MMC - M.B. Hlumbane - Technical
MMC - T. Mokwena - Corporate Services
MMC - B. Nkosi - Finance

4. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretations of such Statements issued.

5. Accounting Officer

The Acting Municipal Manager of the Municipality during the 2015 financial year and to the date of this report is as follows:

Name
Mr T. Jansen van Vuuren

Accounting Officer's Report

6. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	Restated 2014
Assets			
Current Assets			
Inventories	8	38 377 865	23 468 848
Other financial assets	7	343 333	42 741 354
Receivables from exchange transactions	9	15 414 369	56 366 159
Receivables from non-exchange transactions	10	14 305 423	9 406 618
Consumer receivables	11	613 135 074	448 711 984
Cash and cash equivalents	12	14 756 500	20 305
		696 332 564	**580 715 268**
Non-Current Assets			
Game	3	2 221 559	825 747
Investment property	4	2 720 000	2 820 740
Property, plant and equipment	5	2 260 074 894	2 231 239 767
Heritage assets	6	400 000	400 000
Other financial assets	7	8 552 472	8 848 017
		2 273 968 925	**2 244 134 271**
Total Assets		**2 970 301 489**	**2 824 849 539**
Liabilities			
Current Liabilities			
Other financial liabilities	15	17 127 952	24 749 343
Finance lease obligation	13	3 992 972	5 326 058
Payables from exchange transactions	17	1 632 421 263	1 361 877 193
Consumer deposits	18	117 290 470	105 418 529
Unspent conditional grants and receipts	14	53 639 916	55 131 532
Provisions	16	33 341 813	31 248 737
VAT payable	44	103 499 150	42 508 428
Bank overdraft	12	-	34 414 678
		1 961 313 536	**1 660 674 498**
Non-Current Liabilities			
Other financial liabilities	15	124 108 839	138 185 430
Finance lease obligation	13	2 191 840	3 917 397
Provisions	16	239 138 414	200 156 830
		365 439 093	**342 259 657**
Total Liabilities		**2 326 752 629**	**2 002 934 155**
Net Assets		**643 548 860**	**821 915 384**
Accumulated surplus		643 548 860	821 915 384

Statement of Financial Performance

Figures in Rand	Note(s)	2015	Restated 2014
Revenue			
Revenue from exchange transactions			
Service charges	21	1 175 493 936	1 104 717 927
Rental of facilities and equipment		11 078 943	10 362 865
Interest received (trading)		-	337
Licences and permits		2 504 424	2 424 131
Other income		34 008 360	27 300 308
Interest received - arrear accounts		80 638 601	53 433 018
Gains on disposal of assets		2 566 700	-
Dividends received		-	33 300
Total revenue from exchange transactions		**1 306 290 964**	**1 198 271 886**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	335 273 598	278 823 944
Transfer revenue			
Government grants & subsidies	22	340 487 512	301 189 760
Public contributions and donations		48 399 335	73 862 433
Fines		14 327 007	13 781 719
Total revenue from non-exchange transactions		**738 487 452**	**667 657 856**
Total revenue	19	**2 044 778 416**	**1 865 929 742**
Expenditure			
Employee related costs	25	(493 874 277)	(441 328 829)
Remuneration of councillors	26	(20 086 033)	(18 987 974)
Depreciation and amortisation	29	(140 811 073)	(151 402 677)
Impairment loss		(26 722 275)	-
Finance costs	30	(135 694 040)	(75 177 453)
Bad debts	27	(200 959 188)	(115 843 379)
Repairs and maintenance		(100 468 695)	(99 619 281)
Bulk purchases	33	(789 645 332)	(1 246 321 865)
Contracted services		(103 382 265)	(42 274 570)
Grants and subsidies paid	32	(22 582 944)	(16 145 061)
Loss on disposal of assets	32	-	(1 019 583)
General Expenses	24	(188 918 818)	(189 456 904)
Total expenditure		**(2 223 144 940)**	**(2 397 577 576)**
Operating deficit		**(178 366 524)**	**(531 647 834)**
Deficit for the year		**(178 366 524)**	**(531 647 834)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported - 1 July 2013	1 408 933 311	1 408 933 311
Increase in movement of prior year adjustments previously reported	(55 370 093)	(55 370 093)
Restated balance at 1 July 2013	**1 353 563 218**	**1 353 563 218**
Surplus as previously reported - 2014	118 730 530	118 730 530
Adjustments passed in the 2014 year	(650 378 364)	(650 378 364)
Restated net loss for the year - 2014	(531 647 834)	(531 647 834)
Restated opening balance at 1 July 2014	**821 915 384**	**821 915 384**
Deficit for the year	(178 366 524)	(178 366 524)
Total changes	(178 366 524)	(178 366 524)
Balance at 30 June 2015	**643 548 860**	**643 548 860**
Note(s)		

Cash Flow Statement

Figures in Rand	Note(s)	2015	Restated 2014
Cash flows from operating activities			
Receipts			
Taxation		335 273 598	278 823 944
Sale of goods and services		908 334 198	904 032 086
Grants		338 997 296	261 095 321
Interest income		80 638 601	51 227 098
Dividends received		-	33 300
Other receipts		84 250 592	33 520 942
		1 747 494 285	1 528 732 691
Payments			
Employee costs		(513 960 310)	(413 221 709)
Suppliers		(929 323 831)	(873 681 253)
Finance costs		(135 694 040)	(71 505 498)
		(1 578 978 181)	(1 358 408 460)
Net cash flows from operating activities	34	**168 516 104**	**170 324 231**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(201 086 891)	(192 750 041)
Proceeds from sale of property, plant and equipment	5	2 793 999	-
Proceeds from sale of financial assets		42 693 566	(13 613 191)
Interest Income		-	12 679
Net cash flows from investing activities		**(155 599 326)**	**(206 350 553)**
Cash flows from financing activities			
Repayment of other financial liabilities		(21 697 982)	(22 521 517)
Movement in VAT Liability		60 990 722	16 737 348
Finance lease payments		(3 058 643)	4 059 070
Net cash flows from financing activities		**36 234 097**	**(1 725 099)**
Net increase/(decrease) in cash and cash equivalents		**49 150 875**	**(37 751 421)**
Cash and cash equivalents at the beginning of the year		(34 394 373)	3 357 048
Cash and cash equivalents at the end of the year	12	**14 756 502**	**(34 394 373)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 280 652 037	-	**1 280 652 037**	1 175 493 936	**(105 158 101)**	Shortage was a result of tampering of services
Agency services	22 480 782	-	**22 480 782**	23 392 521	**911 739**	Underbudgeted as additional licence fees were collected by the licence holders
Rental of facilities and equipment	10 865 443	-	**10 865 443**	11 078 943	**213 500**	2% considered immaterial
Interest received (trading)	48 814 505	-	**48 814 505**	78 990 747	**30 176 242**	Increase in the arrear accounts resulting in increased interest raised
Licences and permits	2 417 685	-	**2 417 685**	2 504 424	**86 739**	3% considered immaterial
Other income revenue	10 519 697	-	**10 519 697**	10 615 839	**96 142**	Overbudgeted for
Interest received - investment	1 542 479	-	**1 542 479**	1 647 854	**105 375**	7% considered immaterial
Gains on disposal of assets	-	-	**-**	2 566 700	**2 566 700**	
Total revenue from exchange transactions	**1 377 292 628**	**-**	**1 377 292 628**	**1 306 290 964**	**(71 001 664)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	293 554 759	-	**293 554 759**	335 273 598	**41 718 839**	12% considered immaterial
Government grants & subsidies	347 778 000	-	**347 778 000**	340 487 512	**(7 290 488)**	Not all the grants were realised as per budget
Transfer revenue						
Public contributions and donations	31 717 422	-	**31 717 422**	48 399 335	**16 681 913**	
Fines	5 044 608	-	**5 044 608**	14 327 007	**9 282 399**	IGRAP 1 was adopted in the 2015 year resulting in the provision of R14k thereby bringing about the variance.
Total revenue from non-exchange transactions	**678 094 789**	**-**	**678 094 789**	**738 487 452**	**60 392 663**	
Total revenue	**2 055 387 417**	**-**	**2 055 387 417**	**2 044 778 416**	**(10 609 001)**	
Expenditure						
Personnel	(482 786 149)	2 606 391	**(480 179 758)**	(493 874 277)	**(13 694 519)**	Immaterial

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Remuneration of councillors	(19 143 536)	(942 502)	**(20 086 038)**	(20 086 033)	**5**	
Depreciation and amortisation	(165 000 000)	17 498 769	**(147 501 231)**	(140 811 073)	**6 690 158**	Did not account for movements in assets which resulted in additional charges in depreciation
Impairment loss/ Reversal of impairments	-	-	**-**	(26 722 275)	**(26 722 275)**	
Finance costs	(16 130 161)	(90 930 179)	**(107 060 340)**	(135 694 040)	**(28 633 700)**	Immaterial
Debt impairment	(213 520 030)	147 430 611	**(66 089 419)**	(200 959 188)	**(134 869 769)**	Underestimated on the possible write offs on the debtors account
Repairs and maintenance	(92 109 702)	(17 419 643)	**(109 529 345)**	(100 468 695)	**9 060 650**	Immaterial
Bulk purchases	(738 297 072)	66 767 086	**(671 529 986)**	(789 645 332)	**(118 115 346)**	Immaterial
Contracted Services	(17 648 742)	(66 976 217)	**(84 624 959)**	(103 382 265)	**(18 757 306)**	
Grants and subsidies paid	(34 547 552)	12 129 474	**(22 418 078)**	(22 582 944)	**(164 866)**	Immaterial
General Expenses	(142 360 898)	(70 162 654)	**(212 523 552)**	(188 918 818)	**23 604 734**	Overbudgteted for expenditure, thereby resulting in a saving as cost incurred did not exceed expected outcome
Total expenditure	**(1 921 543 842)**	**1 136**	**(1 921 542 706)**	**(2 223 144 940)**	**(301 602 234)**	
Operating deficit	**(1 921 543 842)**	**1 136**	**(1 921 542 706)**	**(180 933 224)**	**1 740 609 482**	
Gain on disposal of assets and liabilities	-	-	**-**	2 566 700	**2 566 700**	
Surplus/(deficit) for the period	**(28 163 404)**	**28 163 404**	**-**	**(178 366 524)**	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	16 000 000	-	**16 000 000**	38 377 865	**22 377 865**	Increase in the stock at municipal stores not budgeted for
Other financial assets	10 000 000	-	**10 000 000**	343 333	**(9 656 667)**	Investments were realised not budgeted for
Receivables from exchange transactions	87 892 329	-	**87 892 329**	15 414 369	**(72 477 960)**	Provision for bad debts not budgeted for
Receivables from non-exchange transactions	-	-	**-**	14 305 423	**14 305 423**	Traffic fine provision wsa not budgeted for
Consumer debtors	137 945 004	-	**137 945 004**	613 135 074	**475 190 070**	pro rata portion of services other debtors were not budgeted for
Cash and cash equivalents	20 305	-	**20 305**	14 756 500	**14 736 195**	Operation Hlasela was implemented resulting in improvement in the revenue collection process
	251 857 638	**-**	**251 857 638**	**696 332 564**	**444 474 926**	
Non-Current Assets						
Game	-	-	**-**	2 221 559	**2 221 559**	In the prior year game was recognised as inventory. This was reclassified as a non-current asset as it didnot meet the definintion of inventory
Investment property	2 720 000	-	**2 720 000**	2 720 000	**-**	
Property, plant and equipment	2 191 356 889	-	**2 191 356 889**	2 260 074 894	**68 718 005**	Immaterial
Heritage assets	-	-	**-**	400 000	**400 000**	Not budgeted for
Other financial assets	-	-	**-**	8 552 472	**8 552 472**	Financial assets have been reflected under non current assets. Current portion was not calculated underthe budget
	2 194 076 889	**-**	**2 194 076 889**	**2 273 968 925**	**79 892 036**	
Total Assets	**2 445 934 527**	**-**	**2 445 934 527**	**2 970 301 489**	**524 366 962**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Liabilities						
Current Liabilities						
Other financial liabilities	24 184 347	-	**24 184 347**	-	**(24 184 347)**	
Finance lease obligation	-	-	**-**	3 992 972	**3 992 972**	finance leases were not budgeted fo
Payables from exchange transactions	430 000 000	-	**430 000 000**	1 632 421 263	**1 202 421 263**	Increase in the accrual for creditors not accounted for in the previous years. These were not budgeted for
Consumer deposits	75 000 000	-	**75 000 000**	117 290 470	**42 290 470**	Underbudgeted for as there has been an increase ni debtors balances for the year resulting in the corresponding increase in deposits
Unspent conditional grants and receipts	-	-	**-**	53 639 916	**53 639 916**	Not budgeted for
Provisions	-	-	**-**	33 341 813	**33 341 813**	Not budgeted for
VAT payable	-	-	**-**	103 499 150	**103 499 150**	Not budgeted for
	529 184 347	**-**	**529 184 347**	**1 944 185 584**	**1 415 001 237**	
Non-Current Liabilities						
Other financial liabilities	161 445 858	-	**161 445 858**	141 236 791	**(20 209 067)**	
Finance lease obligation	-	-	**-**	2 191 840	**2 191 840**	finance leases were not budgeted for
Provisions	163 176 964	-	**163 176 964**	239 138 414	**75 961 450**	underbudgeted for the rehabilitation for landfill sites
	324 622 822	**-**	**324 622 822**	**382 567 045**	**57 944 223**	
Total Liabilities	**853 807 169**	**-**	**853 807 169**	**2 326 752 629**	**1 472 945 460**	
Net Assets	**1 592 127 358**	**-**	**1 592 127 358**	**643 548 860**	**(948 578 498)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 592 127 358	-	**1 592 127 358**	643 548 860	**(948 578 498)**	

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The Municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 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.

Impairment testing

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

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

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 16 - Provisions.

Useful lives of property, plant and equipment and other assets

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

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 14.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 Investment property

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

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

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

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

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

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

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.

Subsequent measurement

Subsequent to initial measurement investment property is measured using the cost model. The investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

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.

1.2 Investment property (continued)

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.

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

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

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

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

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

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

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**
Infrastructure	
• Roads and Paving	20 years
• Pedestrian Malls	20 years
• Electricity	30 years
• Water	20 years
• Sewerage	20 years

1.3 Property, plant and equipment (continued)

Community	
• Buildings	30 years
• Recreational Facilities	20 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	30 years
Finance lease Assets	
• Office equipment	3
Heritage	
• Buildings	
• Paintings and artifacts	
Other	
• Buildings	30 years
• Specialist vehicles	5 years
• Other vehicles	5 - 7 years
• Office equipment	3 - 5 years
• Furniture and fittings	7 - 10 years
• Watercraft	15 years
• Bins and containers	5 - 10 years
• Specialised plant and equipment	10 - 15 years
• Other items of plant and equipment	5 years
• Landfill sites	15 years
• Quarries	30 years
• Emergency equipment	5 - 15 years
• Computer equipment	3 - 8 years
• Computer software	3 - 5 years
• Graders	10 - 15 year
• Airports / Radio Beacons	20 years
• Security Measures	3 - 5 years

1.4 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.

1.5 Heritage assets

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

Recognition

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

1.5 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

The Municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.6 Financial instruments

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

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.

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 Municipality's statement of financial position.

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

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

1.6 Financial instruments (continued)

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

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

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

Classification

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

Class	Category
Investments	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at fair value

Initial recognition

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

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, 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.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The Municipality 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 OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

Accounting Policies

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

1.8 Inventories

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

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

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

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

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

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

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

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

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

1.9 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

1.9 Construction contracts and receivables (continued)

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.10 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.

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.

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.

1.10 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.

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.

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.

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.11 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 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 Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the Municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The Municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The Municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an Municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an Municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

1.11 Employee benefits (continued)

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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 deficit.

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

A constructive obligation to restructure arises only when an municipality:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the Municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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 1.10 and .
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.13 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

1.14 Revenue from non-exchange transactions

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

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.

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.

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

1.14 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

Measurement

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

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

Transfers

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

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

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.

Gifts and donations, including goods in-kind

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

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the Municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

1.16 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the Municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, the 2014 financial figures have been reclassified to conform to changes in presentation in the 2014 financial year.

1.18 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.

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.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

Accounting Policies

1.21 Presentation of currency

These financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Conditional grants and receipts

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

1.24 Budget information

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 01/07/2013 to 30/06/2014.

1.25 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 entity, including those charged with the governance of the entity 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 entity.

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

1.26 Value-added tax

The Municipality accounts for value-added tax on a cash basis

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board. The municipality has adopted some of these new Standards or amendments thereto, or has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

GRAP 1 (as revised 2012): Presentation of Financial Statements

The revision resulted in various terminology and definition changes. Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP. The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies

- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies

- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions. All amendments to be applied retrospectively.
The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:

Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

All amendments to be applied retrospectively

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

The revision resulted in various terminology and definition changes.

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

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

GRAP 16 (as revised 2012): Investment Property

2. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013. The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

The revision resulted in various terminology and definition changes. Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments to be applied prospectively. The effective date of the amendment is for years beginning on or after 01 April 2013. The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are ‘payables’, as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board’s decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2011.

The entity expects to adopt the amendment for the first time in the 2012 financial statements.

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The following standards of GRAP and Interpretations of standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 32 - Service Concession Arrangement: Grantors	No effective date determined by the Minister of Finance	No significant impact
GRAP 105 - Transfer of functions between entities under common control	No effective date determined by the Minister of Finance	No significant impact
GRAP 106 - Transfer of functions between entities not under common control	No effective date determined by the Minister of Finance	No significant impact
GRAP 107 - Mergers	No effective date determined by the Minister of Finance	No significant impact
GRAP 108 - Statutory receivables	No effective date determined by the Minister of Finance	No significant impact
IGRAP 17 - Service concessions arrangements where a grantor controls a significant residual interest in an asset	No effective date determined by the Minister of Finance	No significant impact

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as 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;

2. New standards and interpretations (continued)

- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as 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;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board 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.

The effective date of the standard is for years beginning on or after 1 April 2013.

The Municipality has adopted the standard for the first time in the 2014 financial statements.

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

Notes to the Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The municipality could not implement IGRAP1 in the 2014 financial year due to challenges experienced on the extraction of information. In the 2015 financial year the new traffic fines management system has been implemented. The municipality adopted IGRAP 1 for the 2015 financial year. The standard was applied retrospectively.

3. Game

	2015			2014		
	Cost / Valuation	**Fair value adjustment**	**Carrying value**	**Cost / Valuation**	**Fair value adjustment**	**Carrying value**
Game in nature reserve	2 221 559	-	2 221 559	825 747	-	825 747

Methods and assumptions used in determining fair value

In the 2014 financial year the Municipality had incorrectly applied GRAP 12 and accounted for the game as inventory. However this game do not meet the definition of inventory as it is not held to be sold or used in the ordinary course of operations, nor is this the agricultural produce at the point of harvest. The activities undertaken are for recreational purposes, i.e. biological assets are on nature reserves,and are not agricultural activities for the purpose of GRAP 27. The auction price has been used in the determination of the market value.

4. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	3 022 220	(302 220)	2 720 000	3 022 220	(201 480)	2 820 740

Reconciliation of investment property - 2015

	Opening balance	**Depreciation**	**Total**
Investment property	2 820 740	(100 740)	2 720 000

Reconciliation of investment property - 2014

	Opening balance	**Transfers**	**Depreciation**	**Total**
Investment property	3 022 220	(100 740)	(100 740)	2 820 740

4. Investment property (continued)

Pledged as security

There was no investment property pledged as security for the period.

5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	171 407 533	-	171 407 533	170 694 386	-	170 694 386
Computer software	3 787 096	(1 721 189)	2 065 907	1 478 860	(1 376 707)	102 153
Infrastructure assets	2 968 487 210	(1 424 537 793)	1 543 949 417	2 799 018 655	(1 294 673 843)	1 504 344 812
Community assets	383 197 523	(126 416 370)	256 781 153	370 313 098	(113 675 656)	256 637 442
Other property, plant and equipment	397 849 421	(127 155 007)	270 694 414	412 882 452	(129 459 187)	283 423 265
Shopping centres	2 757 118	-	2 757 118	2 757 118	-	2 757 118
Leased Assets	10 138 912	(5 987 552)	4 151 360	7 285 995	(1 383 844)	5 902 151
Tip sites rehabilitation	7 494 286	(1 571 753)	5 922 533	7 494 286	(1 571 753)	5 922 533
Housing selling schemes	554 178	-	554 178	554 178	-	554 178
Library books	2 365 511	(574 230)	1 791 281	1 552 552	(650 823)	901 729
Total	**3 948 038 788**	**(1 687 963 894)**	**2 260 074 894**	**3 774 031 580**	**(1 542 791 813)**	**2 231 239 767**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Impairment loss**	**Total**
Land	170 694 386	713 147	-	-	-	171 407 533
Computer software	102 153	2 308 235	-	(344 481)	-	2 065 907
Infrastructure	1 504 344 812	169 468 555	-	(103 141 675)	(26 722 275)	1 543 949 417
Community	256 637 442	12 884 425	-	(12 740 714)	-	256 781 153
Other property, plant and equipment	283 423 265	10 586 216	(200 973)	(23 114 094)	-	270 694 414
Shopping centres	2 757 118	-	-	-	-	2 757 118
Leased Assets	5 902 151	4 236 761	-	(5 987 552)	-	4 151 360
Tip sites rehabilitation	5 922 533	-	-	-	-	5 922 533
Housing selling schemes	554 178	-	-	-	-	554 178
Library books	901 729	889 552	-	-	-	1 791 281
	2 231 239 767	**201 086 891**	**(200 973)**	**(145 328 516)**	**(26 722 275)**	**2 260 074 894**

Figures in Rand	2015	2014

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Land	170 694 386	-	-	170 694 386
Computer software	-	1 478 860	(1 376 707)	102 153
Infrastructure	1 451 366 068	159 167 418	(106 188 674)	1 504 344 812
Community assets	272 271 522	2 613 845	(18 247 925)	256 637 442
Other property, plant and equipment	283 405 105	10 556 494	(10 538 334)	283 423 265
Shopping centres	-	2 757 118	-	2 757 118
Leased assets	-	7 285 995	(1 383 844)	5 902 151
Tip sites rehabilitation	6 488 107	-	(565 574)	5 922 533
Housing development fund	-	554 178	-	554 178
Library books	-	1 552 552	(650 823)	901 729
	2 184 225 188	**185 966 460**	**(138 951 881)**	**2 231 239 767**

Pledged as security

No PPE was pledged as security

6. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Sculptures	400 000	-	400 000	400 000	-	400 000

Reconciliation of heritage assets 2015

	Opening balance	Total
Sulptures	400 000	400 000

Reconciliation of heritage assets 2014

	Opening balance	Total
Sculptures	400 000	400 000

7. Other financial assets

	2015	2014
Designated at fair value		
Listed Shares - Sanlam	2 887 516	2 687 731
Listed Shares - Old Mutual	1 574 587	1 463 936
Call Deposits - ABSA Bank The average rate of return is 5.3%. The maturity date of this investments is on call	304 798	42 705 000
Collateral Investments - Nedbank The increase in investment resulted from interest of R8 064 earned during the 2015 financial year	136 671	128 607
Fixed Deposit - First National Bank	38 535	36 354

Notes to the Financial Statements

Figures in Rand	2015	2014
Long Term Deposits - New Republic Bank An amount of R614 045 was withdrawn during the 2015 financial year. No dividends or interest was paid out or earned during the year.	3 953 698	4 567 743
	8 895 805	**51 589 371**
Non-current assets		
Listed Shares and Investments	8 552 472	8 848 017
Current assets		
Listed Shares and Investments	343 333	42 741 354

8. Inventories

	2015	2014
Consumable stores	32 500 812	16 706 176
Water works Water	428 065	354 738
Stands for sale - at cost	4 172 854	4 181 971
Face value documents - at cost	13 416	27 988
Water works Material	1 262 718	2 197 975
	38 377 865	**23 468 848**

9. Receivables from exchange transactions

	2015	2014
Payments received in advance	1 348 125	72 417
Other receivables	13 227 637	55 231 901
Insurance debtor	-	223 234
Councillors UIF for prior year	763 157	763 157
Funeral expenses - employees and councillors	75 450	75 450
	15 414 369	**56 366 159**

10. Receivables from non-exchange transactions

	2015	2014
Traffic fines	3 050 757	7 370 413
Government grants and subsidies	6 033 473	-
Housing/erven loans	4 855 325	1 973 628
Other receivables from non-exchange revenue	31 372	31 372
Furniture removal loans	334 496	31 205
	14 305 423	**9 406 618**

TRAFFIC FINES
The Municipality adopted IGRAP1 in the 2015 financial year. The receivable was not adjusted for any possible discounts as it is not the Municipality's policy to provide for early settlement discounts to offenders that pay fines within the required timeframe. The AARTO system has not yet been implemented for the Mpumalanga province.

FURNITURE REMOVALS
With new appointments Council pays the removal costs of the relevant employee. This amount is placed on a debtors account in the name of the employee and is written off over a two year period every 6 months.

HOUSING/ERVEN LOANS
When Council sells land to the public, a 60 day period is given for applying for a bond and registration thereof. By failing to do so, the transaction is cancelled.

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 3 050 757 (2014: R 7 370 413) were impaired and provided for.

The amount of the provision was R 15 209 720 as of 30 June 2015

Figures in Rand	2015	2014

10. Receivables from non-exchange transactions (continued)

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

Opening balance revenue from non-exchange transactions- 1 July 2014	7 370 413	-
Revenue raised - 2015 and 2014	13 183 050	10 140 927
Reversal of revenue on a cash basis	(2 292 986)	(2 770 514)
Impairment recognised	(15 209 720)	-
Balance at at 30 June 2015 (After impairment)	**3 050 757**	**7 370 413**

11. Consumer receivables

Gross balances		
Rates	232 067 761	175 639 544
Electricity	398 075 493	330 925 206
Water	582 419 661	417 722 024
Sewerage	206 593 996	146 515 289
Refuse	148 368 365	114 678 877
Other (specify)	142 621 638	159 520 843
	1 710 146 914	**1 345 001 783**
Less: Allowance for impairment		
Rates	(190 151 892)	(135 886 393)
Electricity	(273 833 136)	(225 969 290)
Water	(303 728 189)	(251 217 743)
Sewerage	(116 698 591)	(90 711 454)
Refuse	(96 663 620)	(92 521 087)
Other	(115 936 412)	(99 983 832)
	(1 097 011 840)	**(896 289 799)**
Net balance		
Rates	41 915 869	39 753 151
Electricity	124 242 357	104 955 916
Water	278 691 472	166 504 281
Sewerage	89 895 405	55 803 835
Refuse	51 704 745	22 157 790
Other	26 685 226	59 537 011
	613 135 074	**448 711 984**
Included in above is receivables from exchange transactions		
Electricity	124 242 357	104 955 916
Water	278 691 472	166 504 281
Sewerage	89 895 405	55 803 835
Refuse	51 704 745	22 157 790
	544 533 979	**349 421 822**
Included in above is receivables from non-exchange transactions		
Rates	41 915 869	39 753 151
Other	34 138 942	59 568 383
	76 054 811	**99 321 534**
Net balance	**620 588 790**	**448 743 356**

Figures in Rand	2015	2014

11. Consumer receivables (continued)

Rates

Current (0 -30 days)	4 299 571	4 741 194
31 - 60 days	1 999 939	1 867 410
61 - 90 days	1 674 952	1 400 754
91 - 120 days	1 303 337	1 412 584
121 - 365 days	9 032 511	6 507 991
> 365 days	23 605 559	23 823 218
	41 915 869	**39 753 151**

Electricity

Current (0 -30 days)	17 132 602	12 950 051
31 - 60 days	5 793 316	4 580 581
61 - 90 days	3 640 623	3 068 617
91 - 120 days	2 881 730	3 216 791
121 - 365 days	20 924 617	19 055 888
> 365 days	73 869 469	62 083 988
	124 242 357	**104 955 916**

Water

Current (0 -30 days)	17 476 321	10 274 355
31 - 60 days	10 286 866	7 399 782
61 - 90 days	8 129 180	6 490 866
91 - 120 days	8 361 944	6 138 537
121 - 365 days	54 984 607	38 647 771
> 365 days	179 452 554	97 552 970
	278 691 472	**166 504 281**

Sewerage

Current (0 -30 days)	5 290 194	3 986 989
31 - 60 days	3 160 004	2 221 592
61 - 90 days	2 605 403	2 200 950
91 - 120 days	2 615 378	2 065 916
121 - 365 days	17 862 436	11 775 710
> 365 days	58 361 990	33 552 678
	89 895 405	**55 803 835**

Refuse

Current (0 -30 days)	2 253 635	1 140 721
31 - 60 days	1 392 707	600 797
61 - 90 days	1 238 774	552 737
91 - 120 days	1 097 311	497 712
121 - 365 days	7 945 323	3 409 349
> 365 days	37 776 995	15 956 474
	51 704 745	**22 157 790**

Other (specify)

Current (0 -30 days)	6 735 583	4 075 855
31 - 60 days	2 520 862	193 736
61 - 90 days	1 956 297	335 502
91 - 120 days	1 954 684	344 531
121 - 365 days	6 652 171	9 151 280
> 365 days	6 865 629	45 436 107
	26 685 226	**59 537 011**

Figures in Rand	2015	2014

11. Consumer receivables (continued)

Reconciliation of allowance for impairment

	2015	2014
Balance at beginning of the year	(896 289 799)	(788 620 650)
Contributions to allowance	(200 722 041)	(115 843 378)
Reversal of allowance	-	8 174 229
	(1 097 011 840)	**(896 289 799)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	24 476	20 305
Bank balances	14 732 024	-
Bank overdraft	-	(34 414 678)
	14 756 500	**(34 394 373)**

	2015	2014
Current assets	14 756 500	20 305
Current liabilities	-	(34 414 678)
	14 756 500	**(34 394 373)**

The entity had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
ABSA: Account Number 1360-000-091	14 147 460	41 333 743	9 473 317	8 777 901	(35 735 686)	3 337 543
ABSA BANK LTD - Licencing Account - 4080890928	5 558 892	1 139 346	3 552 831	5 558 892	1 164 229	3 392 672
ABSA - Nics - 4080890952	209 039	127 458	118 658	209 039	127 458	117 258
ABSA - Account Number 4080890928 - Traffic Fines	186 191	-	-	186 191	29 321	-
Total	**20 101 582**	**42 600 547**	**13 144 806**	**14 732 023**	**(34 414 678)**	**6 847 473**

13. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	3 992 972	5 326 058
- in second to fifth year inclusive	2 191 840	3 917 397
	6 184 812	9 243 455
less: future finance charges	(416 254)	(774 732)
Present value of minimum lease payments	**5 768 558**	**8 468 723**

	2015	2014
Present value of minimum lease payments due		
- within one year	3 648 068	4 786 666
- in second to fifth year inclusive	2 120 489	3 682 057
	5 768 557	**8 468 723**

	2015	2014
Non-current liabilities	2 191 840	3 917 397
Current liabilities	3 992 972	5 326 058
	6 184 812	**9 243 455**

The average lease term was 3 years and the average effective borrowing rate was 9% (2014: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Figures in Rand	2015	2014

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts		
Municipal Revenue Enhancement Program	9 804	9 804
Electricity Demand Site	-	4 043
Expanded Public Works Program	-	1 444 364
Housing Accreditation	-	67 939
Department of Energy	-	11 555 382
Human Settlement Grant	53 630 112	42 050 000
	53 639 916	**55 131 532**

See Note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised. Prior year unspent conditional grants were taken by National Treasury through a reduction of the 2014/2015 equitable shares.

15. Other financial liabilities

At amortised cost		
ABSA	3 751 600	4 441 647
Development Bank of South Africa	76 744 994	86 652 294
INCA	22 635 696	26 266 184
Nedbank	38 104 501	45 574 648
	141 236 791	**162 934 773**
Total other financial liabilities	**141 236 791**	**162 934 773**

Refer to Appendix A for more detail on borrowings.

Non-current liabilities		
At amortised cost	124 108 839	138 185 430
Current liabilities		
At amortised cost	17 127 952	24 749 343

Figures in Rand	2015	2014

16. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Change in provision for landfill closure	Total
Provision for rehabilitation of landfill sites	14 329 830	27 789 584	42 119 414
Provision for post-retirement benefit:Medical care contribution	185 827 000	11 192 000	197 019 000
Provision for staff leave	31 248 737	2 093 076	33 341 813
	231 405 567	**41 074 660**	**272 480 227**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provision for rehabilitation of landfill sites	9 343 883	4 985 947	14 329 830
Provision for post-retirement benefit: Medical care contribution	167 016 000	18 811 000	185 827 000
Provision for staff leave	20 295 640	10 953 097	31 248 737
	196 655 523	**34 750 044**	**231 405 567**

Non-current liabilities	239 138 414	200 156 830
Current liabilities	33 341 813	31 248 737
	272 480 227	**231 405 567**

Provision for rehabilitation of landfill sites relates to the legal obligation to restore and rehabilitate the Leeuwpoort and Ga-Nala landfill sites used for waste disposal. In the 2014 financial year only the Leeuwpoort and Ga-Nal landfills were included. As te Phola landfill was commisioned in 2013, this landfill should also have been included in the 2013-14 year.. Therefore the closure provision for the Phola landfill is extrapolated for the 2014 and included in the 2015 year balance. The landfill closure provision that was disclosed in the 2013-14 year was based on an internal assessment by the Municipality. In order to address this and to ensure consistent reporting, the provision for the prior year was extrapolated using the general landfill closure costing model calculations for the 2015 year and adding one year to the remaining life of each landfill.

Actuarial method and assumptions

Objectives

Funding is the making of advance provision to meet the cost of accruing benefit promises. The funding objectives implicit in GRAP25/IAS 19 are to maintain a provision of 100% of the accrued service liability. The maintenance of such a provision gives employees a measure of security in respect of accrued benefit rights and also helps ensure that the employee does not maintain excessive resources within the provision made.

Method

The method of funding prescribed by GRAP 25 is called the "Projected Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to valuation date. Asumptions are made in respect of, inter-alia , medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payment are discounted at the valuation rate of discount to determine the present value of the liabilities at the Valuation Date.

Pace of funding

It is important to note that the assumptions do not affect the actual cost of the benefit paid, only the pace at which those costs are provided for in the accounts of the Emalahleni Local Municipality.

16. Provisions (continued)

An exercise of this nature should be completed every 2 to 3 years in order to monitor progress and ensure the strategy adopted is still appropriate.

Death-in-service Benefits

On death-in-service the surviving spouse and dependants are also entitled to the subsidy of 60% of their medical aid contributions. The liability incurred for death is also valued using the projected unit credit method.

Key Assumptions

	2015	**2014**
Health care cost inflation	7.30%	7.20%
Discount rate	8.75%	8.32%
Real discount rate	1.35%	1.04%
Spouse age difference	4 years	4 years
Continuation at retirement	100%	100%
Retirement age	65 years	65 years
Mortality of in-service members	SA 85-90 (light) Ultimate	SA 85-90 (light) Ultimate
Pensioners mortality tables	PA (90) - 2 Ultimate	PA (90) - 2 Ultimate

The discount rate assumption of 8.75% p.a was set by referring to the yields on long term government bonds in accordance with the requirementof the GRAP25/ IAS19 accounting standard. The variable having the greates effect is the real discount rate, i.e the discount rate net of health care cost inflation. Even relatively small changes to this differential could have a relatively large impact on the liabilities

17. Payables from exchange transactions

	2015	2014
Trade payables	1 329 983 184	1 181 496 114
Payments received in advanced	59 937 656	40 323 623
Other creditors	222 453 525	126 188 057
Retentions	18 091 326	13 046 700
Public contributions	67 072	83 294
Deposits: Other	1 888 500	739 405
	1 632 421 263	**1 361 877 193**

18. Consumer deposits

	2015	2014
Water and electricity	117 290 470	105 418 529

No interest is paid on deposits

Figures in Rand	2015	2014

19. Revenue

Service charges	1 175 493 936	1 104 717 927
Rental of facilities and equipment	11 078 943	10 362 865
Interest earned - external investments	-	337
Licences and permits	2 504 424	2 424 131
Other income	34 008 360	27 300 308
Interest earned - outstanding receivables	80 638 601	53 433 018
Dividends received	-	33 300
Property rates	335 273 598	278 823 944
Government grants and subsidies	340 487 512	301 189 760
Public contributions and donations	48 399 335	73 862 433
Fines	14 327 007	13 781 719
	2 042 211 716	**1 865 929 742**

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

Service charges	1 175 493 936	1 104 717 927
Rental of facilities and equipment	11 078 943	10 362 865
Interest earned - external investments	-	337
Licences and permits	2 504 424	2 424 131
Other income	34 008 360	27 300 308
Interest earned - outstanding receivables	80 638 601	53 433 018
Dividends received	-	33 300
	1 303 724 264	**1 198 271 886**

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

Taxation revenue		
Property rates	335 273 598	278 823 944
Transfer revenue		
Government grants & subsidies	340 487 512	301 189 760
Public contributions and donations	48 399 335	73 862 433
Fines	14 327 007	13 781 719
	738 487 452	**667 657 856**

Notes to the Financial Statements

Figures in Rand	2015	2014

20. Property rates

Rates received

Property rates	335 273 598	278 823 944

eMalahleni, Ga-Nala and Thubelihle

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1st July 2014. The basic rate is 0.012707c in Rand, whilst a rebate of R635.28 p.a (based on the first R50 000 of the valuation roll) is granted to all owners with a "Residential 1,2,3" - zoned property where a house has been erected. Furthermore, an exemption is granted to all pensioners and physical and mentally disabled, who qualifies according to the Property Rates Policy, currently receiving an amount in Pension/ Allowance of up to R150 000 p.a.

Ogies/Phola, Farms & Wilge Township
Rates are the same as for eMalahleni

Kendal Forest
Rate is 0.012707c / Rand values only.

Rural Areas
Rate for Rural Areas is 0.012707c / Rand on land values only.

Valuations

Residential	30 262 476 300	23 745 036 850
Commercial	6 954 812 100	6 215 149 020
State	1 066 262 800	683 154 500
Municipal	2 078 838 900	2 115 049 450
Other (Agriculture , Mining , etc)	7 978 900 860	1 632 111 669
	48 341 290 960	**34 390 501 489**

21. Service charges

Other service charges	4 433 332	3 883 841
Sale of electricity	697 974 214	648 320 629
Sale of water	286 498 097	281 149 074
Sewerage and sanitation charges	113 746 058	107 274 246
Refuse removal	72 842 235	64 090 137
	1 175 493 936	**1 104 717 927**

Figures in Rand	2015	2014

22. Government grants and subsidies

Equitable share	190 858 789	187 445 000
MIG Grant	111 477 000	87 253 497
National Treasury (Fin. Man. Grant)	1 600 000	1 550 000
Grant - E P W P	3 540 000	600 107
Grant - DOE	6 033 473	21 913 000
Grant - Department of Local Government & Housing	67 939	1 538 156
MSIG	934 000	890 000
Grant - Human Settlement	25 976 311	-
	340 487 512	**301 189 760**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 178 (2014: R 184), which is funded from the grant.

Electricity Demand Site Management Grant

Balance unspent at beginning of year	4 043	4 043
Conditions met - transferred to revenue	(4 043)	-
	-	**4 043**

Conditions still to be met - remain liabilities (see note 14).

This grant was used to manage the electricity consumption to decrease the electricity demand on the national electricity network.

Extended Public Works Programme Incentive

Balance unspent at beginning of year	1 444 364	811 471
Current-year receipts	-	1 594 000
Conditions met - transferred to revenue	(1 444 364)	(600 107)
Other	-	(387 000)
	-	26 000
	-	**1 444 364**

Conditions still to be met - remain liabilities (see note 14)

MIG Grant

Balance unspent at beginning of year	-	11 155 497
Current-year receipts	111 477 000	76 098 000
Conditions met - transferred to revenue	(111 477 000)	(87 253 497)
	-	**-**

This grant was used to construct roads, sewerage and water infrastructure, as part of the upgrading of informal and formal settlement areas. Included in the roads, sewerage, water and fencing votes in Annexure B.

DOE Grant

Balance unspent at beginning of year	11 555 382	37 218 382
Conditions met - transferred to revenue	-	(21 913 000)
Returned back to National Treasury	(11 555 382)	(21 913 000)
Receivable from DOE	6 033 473	21 913 000

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

	-	(3 750 000)
	6 033 473	**11 555 382**

Conditions still to be met - remain liabilities (see note 14).

This grant was used to install services to new settlements.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Public contributions and donations

Public contributions and donations	48 399 335	73 862 433

24. General expenses

Advertising	780 261	856 965
Assessment rates & municipal charges	4 003 114	6 664 877
Auditors remuneration	5 542 072	5 475 002
Bank charges	7 395 112	6 146 923
Cleaning	16 998	-
Computer expenses	170 445	163 889
Consulting and professional fees	26 247 427	20 359 850
Debt collection	914 447	1 501 077
Catering	975 769	315 818
Insurance	7 039 892	6 424 921
Conferences and seminars	162 382	-
Rentals	2 750 309	1 421 362
Promotions and sponsorships	101 061	155 429
Skills development levies	4 120 281	3 536 945
Motor vehicle expenses	4 150 996	5 262 044
Fuel and oil	7 551 027	13 146 911
Postage and courier	2 539 631	2 633 663
Printing and stationery	3 710 785	3 878 031
Protective clothing	2 767 623	2 410 870
Software licenses	1 581 658	1 874 899
Subscriptions and membership fees	5 225 260	7 346 043
Telephone and fax	5 429 520	6 807 439
Transport and freight	12 098 029	10 434 546
Training	957 767	1 268 430
Travel - local	2 377 181	2 458 177
Refuse	38 447	24 167
Other expenses	40 882 267	39 121 642
Departmental consumption	2 044 558	7 114 225
Material and provisions	18 252 786	28 934 818
Management: landfill sites	3 881 992	3 717 941
Impairment of traffic fines	15 209 721	-
	188 918 818	**189 456 904**

Figures in Rand	2015	2014

25. Employee related costs

Basic	319 509 867	255 759 113
Bonus	20 900 327	17 065 059
Medical aid - company contributions	49 798 829	52 774 319
Leave pay provision charge	7 251 870	16 811 640
Others short term benefits	207 522	198 603
Post-employment benefits - Pension - Defined contribution plan	55 192 893	49 120 505
Overtime payments	37 125 267	45 945 412
Housing benefits and allowances	3 024 513	2 960 973
Contributions - Group insurance	863 189	693 205
	493 874 277	**441 328 829**

Remuneration of municipal manager

Annual Remuneration	315 084	1 045 852
Car and telephone allowance	117 384	80 000
Contributions to UIF, Medical and Pension Funds	-	153 648
	432 468	**1 279 500**

Theo Van Vuuren was paid by the Department of COGTA during the period he served as administrator at the Municipality. After the administration period, with effect from 1 July an interim appointment agreement was reached with the council, whereby he was appointed as Acting Municipal Manager. The remuneration disclosed above was the backpay owing to him for the months of April, May, June 2015. This was paid to him in July 2015.

Remuneration of chief finance officer

Annual Remuneration	694 411	694 411
Car Allowance	428 928	144 000
Contributions to UIF, Medical and Pension Funds	118 553	118 553
	1 241 892	**956 964**

Remuneration of executive directors

Annual Remuneration	3 138 044	2 758 964
Car Allowance	2 207 692	408 000
Contributions to UIF, Medical and Pension Funds	1 096 955	660 892
	6 442 691	**3 827 856**

26. Remuneration of councillors

Executive Major	745 621	690 159
Mayoral Committee Members	1 746 847	1 658 747
Speaker	604 860	556 101
Councillors Allowances	15 204 445	14 304 988
Councillors' pension and medical aid contributions	1 784 260	1 777 979
	20 086 033	**18 987 974**

Figures in Rand	2015	2014

27. Debt impairment

Bad debts	200 959 188	115 843 379

Debt impairment methodology:
Past history has been analysed to group the categories of debtors. After performing an assessment on the collectability of debtors, this may have resulted in the adjustment of the debtors category. Outstanding debt is divided into 3 categories when calculating the impairment. The categories are as follows:
Category A : No provision is made for Government and current accounts.
Category B : 50% provision is made for irregular payer.
Category C: 100% provision is made for municipal accounts, indigent and non-payers.

28. Investment revenue

Dividend revenue		
Listed shares - Local	-	33 300
Interest revenue		
Interest charged on arrear accounts	80 638 601	53 433 018
	80 638 601	**53 466 318**

The amount included in Investment revenue arising from exchange transactions amounted to R 78 979 542.

29. Depreciation and amortisation

Property, plant and equipment	140 811 073	151 402 677

30. Finance costs

Eskom account	90 423 066	50 778 901
Long term liabilities	16 726 003	18 814 883
Finance lease	755 387	597 722
Landfill sites	27 789 584	4 985 947
	135 694 040	**75 177 453**

31. Auditors' remuneration

Fees	5 542 072	5 475 002

32. Grants and subsidies paid

Other subsidies		
Grants and subsidies paid to the indigent	22 395 827	16 145 061
Grants allocated to other beneficiaries	22 251	-
Extended public works program	164 866	-
	22 582 944	**16 145 061**

33. Bulk purchases

Electricity	734 829 025	1 190 483 169
Water	54 816 307	55 838 696
	789 645 332	**1 246 321 865**
Percentage of electricity losses	37.24%	54.81%
Percentage of water losses	56.11%	38.41%

Figures in Rand	2015	2014

34. Cash generated from operations

Deficit	(178 366 524)	(531 647 834)
Adjustments for:		
Depreciation and amortisation	140 811 073	151 402 677
Gain on sale of assets and liabilities	353 334	-
Finance costs	-	(12 679)
Impairment deficit	26 722 275	-
Provision for bad debts	200 959 188	115 843 379
Movements in provisions	41 074 660	34 750 044
Prior year adjustment and non cash items	(19 444)	338 525 829
Adjustment for landfill site	295 460	277 818
Changes in working capital:		
Inventories	(14 909 017)	(7 243 760)
Receivables from exchange transactions	40 951 790	(40 778 703)
Other receivables from non-exchange transactions	(4 898 805)	624 743
Consumer debtors	(365 382 278)	(324 043 944)
Payables from exchange transactions	270 544 067	461 951 030
Unspent conditional grants and receipts	(1 491 616)	(40 094 120)
Consumer deposits	11 871 941	10 769 751
	168 516 104	**170 324 231**

35. Commitments

Capital commitments

Already contracted for but not provided for		
• Infrastructure projects	168 949 047	135 468 718

Notes to the Financial Statements

Figures in Rand	2015	2014

36. Contingencies

Legal claims against Municipality
Forthwith is a list of possible liability claims where the outcome was unknown at 30 June 2015:

Ben Ntuli	R 28 367
B.T. Monareng Contruction & Others	R 548 003
L.C. Coetzee	R 1 050 000
Mabusa Mahlangu	R 500 000
Mahlalerwa Construction CC	R 4 105 300
Nelisa Sannah Sgudla Obo Sbusiso Zwelizibanzi Nkosi	R 2 500 000
Leko Engineering	R 534 779
Ntswaki Annah Zondo, Mpumalanga Provincial Government	R 500 000
Opththalmicare CC	R 1 743 148
Izingwenya 210 Investments 00 Khuphukani Business	R 6356 295
Oscar De SA Pinto	R 9 735
Pre-Owned V ELM	R 4980 667
Precious Thandiwe Makwaka obo Nthabiseng Pascaline Matsebe	R 2 500 000
Rescue Rod	R 8 944 039
Sasol Gas	R 3 334 111
Senzi Martha Motse	R 702 000
Soundprops	R 9 222 070
SA Local Authorities Pension Fund	R 41 797
Vuka Site Maintenance	R 2 333 115
Vuyile Ngubo	R 33 035
Weccm JN Business Enterprise	R 136 800
Witbank Abbatoir	R 135 708
Witbank Housing Corporation	R 3 000 000
Total value of claims to be recognised as a contingent liability	**R 53 238 969**

37. Related parties

Post employment benefit plan for employees of municipality and/or other related parties.

Compensation to councillors and other key management	Refer to note 25 & 26
The municipality collects licence fees on behalf of the Department of Transport and earns a commission.	

38. Prior period adjustment

During the financial year ended 30 June 2015 the Municipality discovered that the following fundamental errors occurred in the financial year ended 30 June 2014. This resulted in the restatment of the individual account balances and class of transactions. The opening balance on the Accumulated surplus account as at 1 July 2014 is restated at R 821 915 384.

38. Prior period adjustment (continued)

Figures in Rand	2015	2014
Opening Accumulated surplus as previously reported - 1 July 2014	**-**	**1 527 663 841**
Net prior adjustments:		-
Service charges	-	2 648 008
Rental of facilities and equipment	-	(1 048)
Other income	-	1 343 418
Fines	-	7 330 075
Employee related cost	-	(47 095 093)
Depreciation and amortisation	-	(23 752 473)
Finance cost	-	(3 671 955)
Repairs and maintenance	-	(11 745 468)
Bulk Purchases	-	(561 104 179)
Contracted services	-	(2 288 366)
General expenses	-	(12 041 281)
Appropriation	-	(55 370 095)
Less: Net prior year adjustments - 2014	**-**	**(705 748 457)**
Restate opening accumulated surplus - 1 July 2014	-	821 915 384
Deficit for the year	-	(178 366 524)
Closing Accumulated Surplus - 30 June 2015	**-**	**643 548 860**

38. Prior period adjustment (continued)

Service charges - This related to amounts that were receipted in the prior year, however these amounts were allocated to unknown deposits.

Other income - The movement in tender documents comprises of other income relating to the 2014 financial year that was recorded in vote 3010/15/2/31/5701. The movement in the revaluation of shares is due to the consolidation of shares by Old Mutual PLC in 2012 In the 2012 year, Old Mutual PLC announced to consolidate its share capital in a ratio of 7 new consolidated shares for every 8 ordinary shares held. Before the consolidation the holding was 46500 shares. After the consolidation the holding was 40687 shares resulting in a reduction in the value of shares held by the Municipality. The cumulative effect was adjusted to the earliest comparatives, that being the 2014 annual financial statements.

Fines - The Municipality did not adopt IGRAP 1 in the 2013/14 financial year. A retrospective calculation was performed to correctly account for the provision for traffic fines in 2013/14 financial year.

Employee related cost - An exercise was performed for all payroll related expenses that related to the 2014 financial year. Upon completion of this exercise, an allocation was made to the various payroll votes based on the nature of the expenses.

Finance cost - In the 2013/14 financial period the Municipality had erraneously ommited a leased asset from its accounting records. A prior year adjustment was passed to correct the error identified in the 2014/15 year. The corresponding interest entry was passed. Prior year adjustments were passed to long term loans to correctly reconcile the balance to the closing balance as per the loan statement.

Repairs and maintenance - In the 2013/14 year a finding surrounding the completeness of creditors was raised by the Auditor general. Subsequently, an exercise was performed during the course of the 2014/15 year identifying all invoices that had been erraneously omitted from the 2013/14 financial year. This exercise was carried out on 100% of the population. A journal entry was passed to correctly raise the creditor and corresponding class of transaction it relates to.

Bulk purchases - In the previous years the Municipality accounted for expenses using the modified cash basis instead of the accrual basis of accounting. All expenses were raised and captured only upon payment. An exercise was performed for the entire population, identifying invoices relating to the prior years. Journal entries were passed to correct the understatement in the prior years.

Contracted services - These adjustments passed were a result of invoices received from service providers not being captured timeously. Invoices paid were allocated to the appropriation account instead of the corresponding vote it relates to. Journal entries were passed to correct the understatement of these expenses in the 2013/14 financial year.

General expenses - In the previous financial year a finding surrounding the completeness of creditors was raised by the Auditor general. Subsequent to that, an exercise was performed during the course of the 2014/15 year identifying all invoices that had been erraneously omitted from the 2013/14 financial year. This exercise was carried out on 100% of the population. A journal entry was passed to correct the creditor and corresponding class of transactions it relates to.

39. Risk management

Liquidity risk

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

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

At 30 June 2015	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Borrowings	1 427 329	2 854 659	12 845 964	14 121 841
Finance lease liabilities	332 747	665 495	2 994 730	2 191 840
Trade and other payables	1 632 421 263	-	-	-
Other - Consumer deposits	117 290 469	-	-	-

At 30 June 2014	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Borrowings	3 118 494	6 236 989	28 066 448	16 688 573
Finance lease liabilities	447 972	895 943	4 031 745	3 826 906
Trade and other payables	1 361 877 193	-	-	-
Other - Consumer deposits	105 418 529	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and consumer debtors. The Municipality only deposits cash with major banks and limits exposure to any one counter-party.

Consumer debtors comprise a widespread community base. The Municipality manages its credit risk through payment of deposits and disconnection in the case of non-payment.

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

Financial instrument	2015	2014
ABSA Bank Limited	14 750 129	(34 394 473)
Trade and other receivables	642 520 370	514 484 761

These balances represent the maximum exposure to credit risk.

40. Going concern

We draw attention to the fact that at 30 June 2015, the Municipality had an accumulated deficit of R 643 548 860 and that the Municipality's total assets exceeds its total liabilties by R 643 548 860.

Figures in Rand	2015	2014

40. Going concern (continued)

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

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

41. Unauthorised expenditure

Unauthorised expenditure - 2015	219 890 737	-
Unforseen and unavoidable	12 860 746	-
	232 751 483	**-**

42. Fruitless and wasteful expenditure

Opening balance - restated	47 595 060	1 882 409
Fruitless and wasteful expenditure current year - 2015	95 422 229	45 712 651
	143 017 289	**47 595 060**

The above expenditure relates to interest incurred on late payment towards the Eskom and SARS account .

43. Irregular expenditure

Opening balance	46 471 425	22 891 863
Add: Irregular Expenditure - current year	782 572	-
Less: Amounts recoverable (not condoned)	-	23 579 562
	47 253 997	**46 471 425**

44. Additional disclosure in terms of Municipal Finance Management Act

SECTION 125(1)(B) - Contributions to SALGA

Current year fee	5 044 114	3 468 576
Amount paid - current year	(5 044 114)	(3 468 576)
	-	**-**

SECTION 125(1)(C) - Audit fees

Fee	3 944 997	3 586 361
Amount paid - current year	(5 542 072)	(3 586 361)
	(1 597 075)	**-**

PAYE and UIF

Fee	194 221 995	53 481 743
Amount paid - current year	(178 036 829)	(53 481 743)
	16 185 166	**-**

Figures in Rand	2015	2014

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

Pension and Medical Aid Deductions

	2015	2014
Fee	93 799 722	77 337 936
Amount paid - current year	(85 983 078)	(77 337 936)
	7 816 644	**-**

VAT

	2015	2014
VAT receivable	25 054 241	161 707 044
VAT payable	(12 401 849)	(222 060 108)
	12 652 392	**(60 353 064)**

The Municipality pays VAT over to the SARS using the cash basis. However the annual financial statements are prepared using the accrual basis of accounting. Hence the difference between the net VAT due to the Municipality as reflected on the VAT 201 returns and the net VAT payable disclosed on the financial statements as follows:.

Input VAT per the financial statements	R 276 278 848.06
Output VAT per the financial statements	(R 379 777 998.00)
VAT payable	(R 103 499 149.94)

Councillors consumer accounts

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CLLR. LM NHLAPHO	1 594	-	1 594
CLLR. T MASHIGO	833	4 082	4 915
CLLR. J DJIANA	633	360	993
CLLR. C MARABA	723	-	723
CLLR. P MAABANE	548	3 388	3 936
CLLR. H KRUGER	1 638	18 457	20 095
CLLR. T GWAMBE	721	3 644	4 365
CLLR. N NAIDU	33	7 272	7 305
CLLR. A BOTES	-	84	84
CLLR LM NKOSI	444	14 684	15 128
CLLR. M SKOSANA	222	-	222
CLLR. MB MSIBI	765	25 931	26 696
	8 154	**77 902**	**86 056**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor T Gwambe	645	12 477	13 122
Councillor LM Nkosi	1 425	9 707	11 132
Councillor MB Msibi	672	17 132	17 804
	2 742	**39 316**	**42 058**

Arrangement to settle the outstanding balances has been made with the above mentioned councillors.

45. Budget differences

Changes from the approved budget to the final budget

Figures in Rand	2015	2014

The changes between the approved and final budget are a consequence of reallocations and changes within the approved budget parameters and additional resources required during the year. Refer to Statement of comparison of budget and actual amounts for explanation of material variances.