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

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Published

31 August 2015

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the National Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented from page 4.

The annual financial statements set out on pages 4 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr M.D Nthau
Municipal Manager

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2015.

1. Incorporation

Masilonyana Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998).

2. Review of activities

Main business and operations

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

Net surplus of the municipality was R 33 709 434 (2014: deficit R 35 431 897).

3. 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.

4. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year except for the matter disclosed in note 43.

5. Accounting policies

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

6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr M.D Nthau	South Africa	Appointed 01 May 2015
Mr Mtakati	South Africa	Resigned 30 April 2015

7. Bankers

The municipality’s preferred banking institution is:
ABSA Bank
Theunissen
9410

Branch Code: 632005
Acc No: 40 5351 7822

8. Auditors

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

Accounting Officer's Report

9. Jurisdiction

The Masilonyana Municipality includes the following areas:

Brandfort
Soutpan
Theunissen
Verkeerdevlei
Windburg

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	3	12 996	14 355
Receivables from exchange transactions	4	592 862	34 892
Receivables from non-exchange transactions	5	449 139	3 595 780
Consumer debtors	6	21 450 915	9 654 013
Cash and cash equivalents	7	17 679 585	3 578 197
		40 185 497	**16 877 237**
Non-Current Assets			
Investment property	8	69 034 281	69 884 772
Property, plant and equipment	9	618 349 555	531 469 424
Other financial assets	10	95 567	90 743
		687 479 403	**601 444 939**
Total Assets		**727 664 900**	**618 322 176**
Liabilities			
Current Liabilities			
Other financial liabilities	11	429 947	390 916
Finance lease obligation	12	-	462 709
Payables from exchange transactions	13	84 192 606	77 348 032
VAT payable	14	1 185 705	2 934 673
Consumer deposits	15	1 261 778	1 136 367
Employee benefit obligation	16	883 792	856 687
Unspent conditional grants and receipts	17	17 521 215	718 682
Provisions	18	617 170	-
		106 092 213	**83 848 066**
Non-Current Liabilities			
Other financial liabilities	11	2 358 732	2 812 679
Employee benefit obligation	16	7 980 593	7 635 577
Provisions	18	27 945 614	11 492 800
		38 284 939	**21 941 056**
Total Liabilities		**144 377 152**	**105 789 122**
Net Assets		**583 287 748**	**512 533 054**
Accumulated surplus		583 287 748	512 533 054

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	19	66 233 718	64 519 060
Rental of facilities and equipment	20	240 582	244 250
Other income	21	1 353 188	179 101
Interest received	22	5 293 388	8 648 388
Dividends received	22	4 692	5 026
Total revenue from exchange transactions		**73 125 568**	**73 595 825**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	16 674 127	15 615 464
Transfer revenue			
Government grants & subsidies	24	162 831 000	146 560 026
Fines, Penalties and Forfeits		43 053	16 005
Total revenue from non-exchange transactions		**179 548 180**	**162 191 495**
Total revenue		**252 673 748**	**235 787 320**
Expenditure			
Employee related costs	25	72 068 476	62 653 191
Remuneration of councillors	26	4 964 033	5 438 500
Depreciation and amortisation	27	25 220 479	28 812 144
Finance costs	28	4 769 287	1 657 112
Lease rentals on operating lease		557 353	1 776 068
Debt Impairment	29	31 641 207	93 110 791
Repairs and maintenance		6 015 154	6 226 644
Bulk purchases	30	34 203 344	31 808 304
General Expenses	31	39 343 568	39 736 596
Total expenditure		**218 782 901**	**271 219 350**
Operating surplus (deficit)	32	**33 890 847**	**(35 432 030)**
Fair value adjustments	33	4 824	2 509
Actuarial gains/losses	16	(186 235)	(2 377)
		(181 411)	**132**
Surplus (deficit) for the year		**33 709 436**	**(35 431 898)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	543 726 360	543 726 360
Adjustments		
Correction of errors	4 238 591	4 238 591
Balance at 01 July 2013 as restated*	**547 964 951**	**547 964 951**
Changes in net assets		
Surplus for the year	(35 431 897)	(35 431 897)
Total changes	(35 431 897)	(35 431 897)
Balance at 01 July 2014	**549 578 314**	**549 578 314**
Changes in net assets		
Surplus for the year	33 709 434	33 709 434
Total changes	33 709 434	33 709 434
Balance at 30 June 2015	**583 287 748**	**583 287 748**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 606 646	35 764 489
Grants		182 804 475	136 936 913
Interest income		5 293 388	8 648 388
Dividends received		4 692	5 026
Fines, penalties and forfeits		43 053	16 005
		228 752 254	181 370 821
Payments			
Employee costs		(75 927 612)	(67 274 267)
Suppliers		(76 358 635)	(44 556 668)
Finance costs		(3 520 908)	(1 657 112)
Taxation		(1 378 062)	(5 609 557)
		(157 185 217)	(119 097 604)
Net cash flows from operating activities	35	**71 567 037**	**62 273 217**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(56 588 025)	(63 140 852)
Cash flows from financing activities			
Repayment of other financial liabilities		(414 916)	(436 066)
Finance lease payments		(462 708)	(1 416 812)
Net cash flows from financing activities		**(877 624)**	**(1 852 878)**
Net increase/(decrease) in cash and cash equivalents		**14 101 388**	**(2 720 513)**
Cash and cash equivalents at the beginning of the year		3 578 197	6 298 710
Cash and cash equivalents at the end of the year	7	**17 679 585**	**3 578 197**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	17 908 000	-	**17 908 000**	16 674 127	**(1 233 873)**	49
Service charges	67 826 000	8 757 000	**76 583 000**	66 233 718	**(10 349 282)**	49
Investment revenue	1 000	97 000	**98 000**	5 293 388	**5 195 388**	49
Transfers recognised - operational	88 607 000	(3 447 000)	**85 160 000**	89 123 725	**3 963 725**	49
Other own revenue	7 070 000	5 288 000	**12 358 000**	1 641 515	**(10 716 485)**	49
Total Revenue (excluding capital transfers and contributions)	**181 412 000**	**10 695 000**	**192 107 000**	**178 966 473**	**(13 140 527)**	
Expenditure by type						
Employee costs	(64 554 000)	(1 500 000)	**(66 054 000)**	(70 845 123)	**(4 791 123)**	49
Remuneration of councillors	(6 712 000)	-	**(6 712 000)**	(4 964 033)	**1 747 967**	49
Debt impairment	(11 869 000)	(27 968 000)	**(39 837 000)**	(31 641 207)	**8 195 793**	49
Depreciation & asset impairment	(1 007 000)	(27 783 000)	**(28 790 000)**	(25 220 479)	**3 569 521**	49
Finance charges	(1 316 000)	328 000	**(988 000)**	(3 507 626)	**(2 519 626)**	49
Materials and bulk purchases	(35 298 000)	(14 625 000)	**(49 923 000)**	(40 218 498)	**9 704 502**	49
Other expenditure	(60 552 000)	13 997 000	**(46 555 000)**	(39 900 921)	**6 654 079**	49
Total expenditure	**(181 308 000)**	**(57 551 000)**	**(238 859 000)**	**(216 297 887)**	**22 561 113**	
Surplus	**104 000**	**(46 856 000)**	**(46 752 000)**	**(37 331 414)**	**9 420 586**	
Transfers recognised - capital	74 731 000	6 500 000	**81 231 000**	73 707 275	**(7 523 725)**	49
Contributions recognised - capital & contributed assets	12 394 000	(2 123 000)	**10 271 000**	-	**(10 271 000)**	
Deficit after capital transfers & contributions	**87 229 000**	**(42 479 000)**	**44 750 000**	**36 375 861**	**(8 374 139)**	
Deficit for the year	**87 229 000**	**(42 479 000)**	**44 750 000**	**36 375 861**	**(8 374 139)**	
Reconcilation						
Basis difference						
Fair value adjustment				4 824		49
Actuarial gains/losses				(186 235)		49
Unwinding of discount - Landfill site obligation				(604 117)		49
Finance charges - Finance leases				(13 282)		49
Unwinding of discount - Post-employment medical benefits				(235 925)		49
Unwinding of discount - Long service awards				(408 337)		49
Provision for leave and bonus				(722 018)		49
Provision for compensation commissioner				(501 336)		49
Actual Amount in the Statement of Financial Performance				**33 709 435**		

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and have been rounded to nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

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. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

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 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality 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 16.

Effective interest rate

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.4 Investment property

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

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

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

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

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

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

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.

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- land held for a currently undetermined future use;
- a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis and a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- The municipality may hold property to earn rental and for capital appreciation or both and this will be classified as investment property. Investment property generates cash flows largely independently of the other assets held by an entity.
- The production or supply of goods or services (or the use of property for administrative purposes) can also generate cash flows that are attributable not only to property, but also to other assets used in the production or supply process. For example, the municipality may use a building to provide goods and services to recipients in return for full or partial cost recovery. However, the building is held to facilitate the production of goods and services and the cash flows are attributable not merely to the building, but also to other assets used in the production or supply process. The Standard of GRAP on *Property, Plant and Equipment* applies to owner-occupied property.

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of 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.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 Years
Furniture and fixtures	Straight line	6 - 7 Years
Motor vehicles	Straight line	4 - 15 Years
Office equipment	Straight line	3 - 10 Years
IT equipment	Straight line	3 Years
Infrastructure	Straight line	10 - 100 Years
Community	Straight line	3 - 100 Years

Accounting Policies

1.5 Property, plant and equipment (continued)

Other property, plant and equipment	Straight line	1 - 40 Years
Roads and Paving Infrastructure	Straight line	15 - 100 Years
Refuse Infrastructure	Straight line	15 Years
Electricity Infrastructure	Straight line	40 - 75 Years
Water Infrastructure	Straight line	10 - 100 Years
Sewerage Infrastructure	Straight line	45 - 60 Years
Housing Infrastructure	Straight line	30 Years
Watercraft	Straight line	15 Years
Bins and containers	Straight line	5 Years
Specialised plant and equipment	Straight line	1 - 40 Years
Landfill sites	Straight line	10 - 100 Years
Quarries	Straight line	5 - 25 Years
Emergency equipment	Straight line	5 - 7 Years
Water/Electricity meters	Straight line	20 Years
Solar lights	Straight line	50 Years
High mast lights	Straight line	40 Years
Street lights	Straight line	40 Years
Finance lease assets	Straight line	3 - 5 Years
Specialised vehicles	Straight line	3 - 60 Years

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Financial instruments

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

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

Classification

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

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

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

Class	Category
Finance lease obligations	Financial liability measured at amortised cost
Other liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at cost
Consumer deposits	Financial liability measured at cost

1.7 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Reclassification

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

1.7 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

1.7 Financial instruments (continued)

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

Presentation

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

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.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

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

1.8 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 municipality's incremental borrowing rate.

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

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

1.8 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 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.

1.10 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.

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

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

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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.

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.

1.10 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

1.10 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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

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

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity 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 entity, 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 entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, 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 entity to reimburse it for employee benefits already paid.

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

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

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.

1.12 Employee benefits (continued)

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.12 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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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 entity 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 entity 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.

1.12 Employee benefits (continued)

The entity 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 entity 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 entity 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 entity 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
- 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.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.13 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 deficits.

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.14 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

1.15 Revenue from exchange transactions (continued)

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.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 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.

Measurement

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

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

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Transfers

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

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.

1.16 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset 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.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Investment income

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

1.18 Borrowing costs

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

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

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

Accounting Policies

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.23 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 49.

Comparative information is not required.

1.24 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 local sphere of government are considered to be related parties.

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

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

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

1.25 Events after reporting date

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Inventories

Water	12 996	14 355
Inventories recognised as an expense during the year	4 762 844	3 852 532

Inventory pledged as security

No inventory was pledged as security for any liabilities for the current and prior year.

4. Receivables from exchange transactions

Trade debtors	592 862	34 892

Trade and other receivables pledged as security

No trade receivables have been pledged as security for the current and prior year.

The carrying amount of trade and other receivables are denominated in the following currencies:

Rand	592 862	34 892

5. Receivables from non-exchange transactions

Government grants and subsidies	-	3 170 943
Other receivables	449 139	424 837
	449 139	**3 595 780**

Receivables from non-exchange transactions pledged as security

No trade receivables have been pledged as security for the current and the prior year.

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	449 139	3 595 780

6. Consumer debtors

Gross balances		
Rates	50 015 512	76 797 880
Electricity	130 376 053	65 485 549
Water	71 026 760	59 017 611
Refuse	37 801 453	30 490 866
Sewerage	72 724 390	64 450 413
Other	1 412 553	15 442 571
	363 356 721	**311 684 890**
Less: Allowance for impairment		
Rates	(47 180 056)	(74 351 164)
Electricity	(122 630 472)	(63 409 639)
Water	(66 807 093)	(57 392 210)
Refuse	(35 555 686)	(29 525 958)
Sewerage	(68 403 867)	(62 400 502)
Other	(1 328 634)	(14 951 405)
	(341 905 808)	**(302 030 878)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. Consumer debtors (continued)

Net balance		
Rates	2 835 457	2 446 716
Electricity	7 745 582	2 075 910
Water	4 219 667	1 625 401
Refuse	2 245 767	964 908
Sewerage	4 320 523	2 049 911
Other	83 919	491 167
	21 450 915	**9 654 013**

Rates		
Current (0 -30 days)	1 132 015	2 022 074
31 - 60 days	808 817	(743 683)
61 - 90 days	1 088 960	724 349
+90 days	46 985 719	74 795 140
Min: Provision for doubtful debt	(47 180 054)	(74 351 164)
	2 835 457	**2 446 716**

Electricity		
Current (0 -30 days)	1 405 466	1 386 361
31 - 60 days	1 170 328	(1 861 383)
61 - 90 days	965 121	(196 904)
+90 days	126 835 139	66 157 475
Min: Provision for doubtful debt	(122 630 472)	(63 409 639)
	7 745 582	**2 075 910**

Water		
Current (0 -30 days)	2 010 008	3 462 229
31 - 60 days	1 962 210	(467 760)
61 - 90 days	1 894 319	1 557 187
+90 days	65 160 223	54 465 955
Min: Provision for doubtful debt	(66 807 093)	(57 392 210)
	4 219 667	**1 625 401**

Refuse		
Current (0 -30 days)	874 507	1 504 017
31 - 60 days	840 822	(33 614)
61 - 90 days	827 124	688 305
+90 days	35 259 000	28 332 158
Min: Provision for doubtful debt	(35 555 686)	(29 525 958)
	2 245 767	**964 908**

Sewerage		
Current (0 -30 days)	1 804 180	3 220 370
31 - 60 days	1 764 571	(4 778)
61 - 90 days	1 738 293	1 614 266
+90 days	67 417 347	59 620 555
Min: Provision for doubtful debt	(68 403 868)	(62 400 502)
	4 320 523	**2 049 911**

Figures in Rand	2015	2014

6. Consumer debtors (continued)

Other

Current (0 -30 days)	14 036	301 279
31 - 60 days	25 219	(120 736)
61 - 90 days	15 966	91 580
+90 days	1 357 332	15 170 449
Min: Provision for doubtful debt	(1 328 634)	(14 951 405)
	83 919	**491 167**

Reconciliation of allowance for impairment

Balance at beginning of the year	(305 074 641)	(195 898 571)
Contributions to allowance	(36 831 166)	(106 132 304)
	(341 905 807)	**(302 030 875)**

Consumer debtors pledged as security

No consumer debtors were pledged as security for the current and prior financial year.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 341 905 806 (2014: R 302 030 875) were impaired and provided for.

The amount of the provision was R 36 831 165 as of 30 June 2015 (2014: R 106 132 304).

The ageing of these loans is as follows:

Current	5 791 636	11 322 288
30 days	5 869 978	(2 471 312)
60 days	5 672 495	4 264 661
90 days	5 523 786	4 199 665
+90 days	319 047 910	284 715 573

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	21 450 915	9 654 013

Figures in Rand	2015	2014

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	8 225 843	2 494 383
Short-term deposits	9 453 742	1 083 814
	17 679 585	**3 578 197**

None of the above accounts have been provided as security or have been pledged as collateral.

No restrictions have been placed on the use of the cash and cash equivalents for the operations of the entity.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
AA	17 698 959	3 578 197

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
ABSA Bank: Cheque Account nr 40-5351-7822	8 245 217	2 494 383	3 534 895	8 245 217	2 494 383	3 534 895
ABSA Bank Account nr 90 6109 6643	8 368 062	1 000	1 688 448	8 368 062	1 000	1 688 448
ABSA Bank Account nr 20 4640 4292	-	12 843	11 620	-	12 843	11 620
ABSA Bank Account nr 20 4900 4718	-	22 348	21 242	-	22 348	21 242
ABSA Bank Account nr 91 0161 0864	1 085 680	1 047 623	1 009 689	1 085 680	1 047 623	1 009 689
Total	**17 698 959**	**3 578 197**	**6 265 894**	**17 698 959**	**3 578 197**	**6 265 894**

8. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	72 209 400	(3 175 119)	69 034 281	72 209 400	(2 324 628)	69 884 772

Reconciliation of investment property - 2015

	Opening balance	**Depreciation**	**Total**
Investment property	69 884 772	(850 491)	69 034 281

Reconciliation of investment property - 2014

	Opening balance	**Depreciation**	**Total**
Investment property	70 735 263	(850 491)	69 884 772

Pledged as security

None of the above carrying value of assets are pledged as security.

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

Revenue recognised on rental on investment property

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	240 582	244 250

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

The carrying value of these assets approximates their fair value.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Emergency equipment	397 314	(144 097)	253 217	397 314	(65 897)	331 417
Furniture and fixtures	3 390 890	(2 589 456)	801 434	3 390 890	(2 150 100)	1 240 790
IT equipment	3 469 580	(1 180 416)	2 289 164	1 371 264	(662 216)	709 048
Infrastructure	859 065 787	(518 780 782)	340 285 005	852 576 695	(538 412 874)	314 163 821
Land and Buildings	85 750 200	(1 437 509)	84 312 691	57 272 046	(1 758 345)	55 513 701
Leased assets	4 015 409	(2 589 977)	1 425 432	4 015 409	(2 251 458)	1 763 951
Motor vehicles	7 234 119	(2 626 407)	4 607 712	7 234 119	(2 211 238)	5 022 881
Office equipment	297 681	(254 253)	43 428	297 681	(178 806)	118 875
Plant and machinery	5 953 694	(3 604 301)	2 349 393	5 953 694	(3 043 602)	2 910 092
Work in Progress	181 982 079	-	181 982 079	149 694 848	-	149 694 848
Total	**1 151 556 753**	**(533 207 198)**	**618 349 555**	**1 082 203 960**	**(550 734 536)**	**531 469 424**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Transfers**	**Componentisation**	**Depreciation**	**Total**
Emergency equipment	331 416	-	(37 017)	-	(41 182)	253 217
Furniture and fixtures	1 240 790	-	(3 675)	-	(435 681)	801 434
IT equipment	709 048	2 073 176	-	-	(493 061)	2 289 163
Infrastructure	314 163 822	277 592	15 461 681	31 569 294	(21 187 385)	340 285 004
Land	55 513 701	21 342 827	8 292 696	-	(836 533)	84 312 691
Leased assets	1 763 951	-	-	-	(338 519)	1 425 432
Motor vehicles	5 022 880	-	(369 065)	-	(46 103)	4 607 712
Office equipment	118 875	-	(46 015)	-	(29 433)	43 427
Plant and machinery	2 910 092	-	369 125	-	(929 824)	2 349 393
Work in Progress	149 694 848	56 041 608	(23 754 377)	-	-	181 982 079
	531 469 423	**79 735 203**	**(86 647)**	**31 569 294**	**(24 337 721)**	**618 349 552**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Transfers**	**Depreciation**	**Total**
Emergency equipment	89 269	249 866	-	(7 719)	331 416
Furniture and fixtures	1 639 736	45 966	-	(444 912)	1 240 790
IT equipment	179 049	640 723	-	(110 724)	709 048
Infrastructure	324 401 400	611 818	13 058 530	(23 907 926)	314 163 822
Land and buildings	54 109 299	2 110 600	-	(706 198)	55 513 701
Leased assets	2 861 199	-	-	(1 097 248)	1 763 951
Motor vehicles	5 577 578	-	-	(554 698)	5 022 880
Office equipment	173 450	25 773	-	(80 348)	118 875
Plant and machinery	3 907 425	54 500	-	(1 051 833)	2 910 092
Work in Progress	101 241 172	61 512 206	(13 058 530)	-	149 694 848
	494 179 577	**65 251 452**	**-**	**(27 961 606)**	**531 469 423**

Pledged as security

None of the carrying values of assets are pledged as security.

Figures in Rand	2015	2014

9. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Leased assets	1 425 432	1 763 951

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

10. Other financial assets

At amortised cost		
Senwes and Senwes Beleggings Limited Senwes Limited (4 857 shares at R10.40 per share) and Senwes Beleggings Limited (7 447 shares at R6.05 per share). Dividends of R4 691 (2014: R5 025) were received recorded in surplus and deficit. None of the above are pledged as collateral.	95 567	90 743
Non-current assets		
At amortised cost	95 567	90 743

Financial assets at amortised cost

Financial assets at amortised cost past due but not impaired

None of the above other financial assets are past due not impaired.

Financial assets at amortised cost impaired

None of the above other financial assets are impaired.

11. Other financial liabilities

At amortised cost		
Infrastructure Corporate Finance Limited - BDT114UUS908 The Infrastructure Finance Corporate Limited loans expire on 30th September 2014, the terms stipulates that payments should be made half yearly September and March, interest accrues on the outstanding balance and the rate is 16% per annum.	-	18 258
Infrastructure Corporate Finance Limited - THN114US879 The Infrastructure Finance Corporate Limited loans expire on 30th September 2014, the terms stipulates that payments should be made half yearly September and March, interest accrues on the outstanding balance and the rate is 16% per annum.	-	17 175
Development Bank of South Africa The Development Bank of SouthAfrica loan expires on 1st April 2020, and the terms stipulates that payments should be made quarterly, interest accrues on the outstanding balance and the rate is12,5% per annum and at 14,5% per annum on payments in arrears.	2 788 679	3 168 163
	2 788 679	**3 203 596**
Total other financial liabilities	**2 788 679**	**3 203 596**
Non-current liabilities		
At amortised cost	2 358 732	2 812 679
Current liabilities		
At amortised cost	429 947	390 916

Financial liabilities at amortised cost

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Other financial liabilities (continued)

Defaults and breaches

There was no default during the period of principal, interest, sinking fund or redemption terms of loans payable. No terms were renegotiated before the financial statements were authorised for issue.

12. Finance lease obligation

Minimum lease payments due		
- within one year	-	475 991
	-	475 991
less: future finance charges	-	(13 283)
Present value of minimum lease payments	**-**	**462 708**

Present value of minimum lease payments due		
- within one year	-	462 709

The Copperleaf finance lease agreement (Rental of Photocopiers) loans expire on 1 January 2015, the terms stipulates that payments should be made monthly of R67 998, interest accrues on the outstanding balance and the rate is 14.08% per annum.

The Multitech Corporation finance lease agreement (Rental of Telephone system) loans expire on 30th May 2014, the terms stipulates that payments should be made monthly of R65 000, interest accrues on the outstanding balance and the rate is 9.28% per annum.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9. The lease contract has expired and are on a mont-to-month basis.

Defaults and breaches

There was no default during the period of principal, interest, sinking fund or redemption terms of loans payable. No terms were renegotiated before the financial statements were authorised for issue.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	-	462 709

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 41.

The fair value of finance lease liabilities approximates their carrying amounts.

13. Payables from exchange transactions

Trade payables	62 551 891	61 086 035
South African Revenue Service - EMP	2 303 379	626 743
Accrued leave pay	7 481 186	6 731 755
Accrued bonus	933 656	951 215
Accrued expense - employee cost	3 602 008	1 817 616
Accrued expense - retentions	1 176 560	1 962 688
Unidentified deposits	2 809 225	1 338 615
Accrued expense - compensation commisioner	3 334 701	2 833 365
	84 192 606	**77 348 032**

Payables are being recognised net of discounts.

The carrying amount of the payables from exchange transactions approximates its fair value.

Figures in Rand	2015	2014

13. Payables from exchange transactions (continued)

The carrying amount of loans to and from shareholders are denominated in the following currencies:

Rand	84 192 606	77 348 032

14. VAT payable

Tax refunds payables	1 185 705	2 934 673

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

The total amount of VAT receivable is R1 153 882 (2014: R68 059) on the cash basis. The balance on the accrual basis at 30 June 2015 is R2 339 587 (2014: R3 002 732) and this is the net amount payable after all cash receipts of consumers and cash payments to suppliers.

15. Consumer deposits

Water and Electricity	1 261 778	1 136 367

No guarantees are held in lieu of water and electricity.

The fair value of consumer deposits approximates their carrying value.

Interest are not paid on these amounts.

16. Employee benefit obligations

Defined benefit plan

Post employment medical aid benefit

Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 60% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy. The subsidy is assumed to be R3 871.00 for the ensuing year. This cap has been assumed to increase in the future in line with 75% of salary inflation.

The effective date of the actuarial valuation of the long service awards obligation and the post employment medical benefit obligation was the 7 August 2015 and were performed by independent professional valuators. The next actuarial valuation is expected to be performed on the 30 June 2016.

Long service awards obligation

The Municipality offers employees long service wards for every five years of service completed, from five years of service to 45 years of service, inclusive.

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

Carrying value		
Present value of the post employment medical benefit	(5 234 116)	(5 311 098)
Present value of the long service awards	(3 630 269)	(3 181 166)
	(8 864 385)	**(8 492 264)**
Non-current liabilities	(7 980 593)	(7 635 577)
Current liabilities	(883 792)	(856 687)
	(8 864 385)	**(8 492 264)**

Post employment medical benefit:

The average liability has increased by 5% due to an increase in the average employer contribution, partially offset by an increase in the average age and an increase in the net discount rate.

The total liability has decreased by 1% since the last valuation due to the above, partially offset by a decrease in the number of members. A numerical analysis of the unexpected movement (actuarial gain/loss) is provided in the next section.

Long service awards:

The average liability has increased by 13% due to an increase in the average salary, partially offset by an increase in the discount rate.

The total liability has increased by 14% (or R 449,103) due to the above, combined with the fact that there are five more eligible employees than at the last valuation.

Figures in Rand	2015	2014

16. Employee benefit obligations (continued)

The employee benefit obligations disclosed above are unfunded and have no plan asset.:

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

Opening balance	8 492 264	8 273 734
Current service cost	398 311	362 435
Interest cost	644 262	586 383
Benefits paid	(856 687)	(732 665)
Actuarial loss/(gain)	186 235	2 377
	8 864 385	**8 492 264**

Net expense recognised in the statement of financial performance

Current service cost	398 311	362 435
Interest cost	644 262	586 383
Actuarial (gains) losses	186 235	2 377
	1 228 808	**951 195**

Calculation of actuarial gains and losses

Actuarial (gains) losses – post employment medical obligation	14 121	(79 415)
Actuarial (gains) losses – Long service awards	172 114	81 792
	186 235	**2 377**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used - Long service awards	7.76 %	7.85 %
Discount rates used - Post employment medical benefit	8.20 %	8.06 %
Health care cost inflation rate	7.47 %	7.56 %
Net effective discount rate	0.68 %	0.38 %
General salary inflation (long-term)	6.94 %	7.08 %
Net effective discount rate applied to salary-related Long Service Bonuses	0.77 %	0.71 %

The basis used to determine the Discount rates used:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used.

A discount rate of 7.76% per annum has been used for long service awards. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.25%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

The average duration of the total liability is 6.07 years.

A discount rate of 8.20% per annum has been used for post employment medical benefits. The corresponding index-linked yield at this term is 1.63%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

16. Employee benefit obligations (continued)

The basis used to determine the health care cost inflation rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.47% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.97%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.68% which derives from ((1+8.20%)/(1+7.47%))-1.

The expected inflation assumption of 5.97% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.63%) and those of fixed interest bonds (8.20%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+8.20%-0.50%)/(1+1.63%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2016.

The basis used to determine the demographic assumptions on post employement medical benefits:

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

Post-retirement Mortality
PA(90) ultimate table, adjusted down by one year of age.

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

The basis on which the general salary inflation (long-term):

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.94% was obtained from the differential between market yields on index-linked bonds (1.25%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.76%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+7.76%-0.50%)/(1+1.25%))-1.

Thus, a general salary inflation rate of 6.94% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.77%.
It has been assumed that the next salary increase will take place on 1 July 2016.

The basis used to determine the demographic assumptions on long service awards:

The annual inflation rates are in addition to the general salary Inflation assumption of 6.94% per annum for all employees.

Pre-retirement Mortality:
SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:
It has been assumed that employees will retire at age 60, which is the average retirement age experienced at the Municipality.

Withdrawal from Service:
If an in-service member leaves, the employer’s liability in respect of that member ceases.

Actual returns

The employee benefit obligations are unfunded and therefore are there no actual returns on planned assets.

16. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost - Post employment medical benefits	442 900	377 400
Effect on the aggregate of the service cost and interest cost - Long service awards	676 300	596 100
Effect on the post employment medical benedit obligation	5 454 000	4 987 000
Effect on the long service awards	3 835 000	3 444 000

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Post employment medical benefit obligation	5 234 116	5 311 098	5 480 584	5 882 862	4 812 260
Long service award obligation	3 630 269	3 181 166	2 793 150	2 263 088	2 308 146

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	2014
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	9 663 267	718 682
Regional Bulk Infrastructure Grant	7 857 948	-
	17 521 215	**718 682**

Movement during the year

	2015	2014
Balance at the beginning of the year	(2 452 260)	7 888 682
Additions during the year	177 970 765	122 339 298
Income recognition during the year	(157 997 290)	(128 539 298)
Surrendered	-	(970 000)
	17 521 215	**718 682**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	11 492 800	16 465 867	604 117	28 562 784

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	9 382 200	2 110 600	11 492 800

	2015	2014
Non-current liabilities	27 945 614	11 492 800
Current liabilities	617 170	-
	28 562 784	**11 492 800**

Environmental rehabilitation provision

The estimated rehabilitation cost are for the landfill sites at Theunissen, Brandfort, Soutpan, Windburg and Verkeerdevlei. General Landfill Closure Costing Model (GLCCM) calculation were performed to estimate the final rehabilitation and closure costs for general landfills. The GLCCM standardises the valuation of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations.

Figures in Rand	2015	2014

18. Provisions (continued)

The liability calculated using the GLCCM includes costs associated with:
- Pre-closure planning and approvals;
- Final rehabilitation and closure; and
- 30 years post-closure monitoring.

Financial assumptions used:

The baseline for the unit costs used in the GLCCM was set in 2011. Unit costs are adjusted annually on 1 April.

For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the Consumer Price Index (CPI) was used to adjust the unit cost for each cost element.

The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering (Earthworks) Index.

In certain cases, a specific amendment to unit costs (different from the above two indices) is made based on newer information, new technology being used or changes in closure requirements.

In 2015, such changes were made to the unit costs of:
- License for closure application;
- Basic assessment;
- End-use plan;
- Geosynthetics alternative;
- Gas drainage layer;
- Additional capping for impact; and
- Water monitoring.

The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year when the cost is projected to be incurred. The average of the CPI for January to March 2015 amounted to 4.1306%.

The price adjustment for 2015 based on the average index for January to March 2015 amounted to 3.6713%.

The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used3. The rate most consistent with the remaining life of the landfill published in May 2015 was used. For all landfills the rate associated with the maximum period of 10 years was used, i.e. 2.25% above CPI.

19. Service charges

Service charges	263 147	257 009
Sale of electricity	20 880 875	20 238 092
Sale of water	19 114 496	18 241 997
Sewerage and sanitation charges	17 573 214	17 519 952
Refuse removal	8 397 693	8 258 763
Other service charges	4 294	3 247
	66 233 719	**64 519 060**

Rebates and discounts recognised amount to R10 397 791 (2014: R8 363 750).

20. Rental of facilities and equipment

Premises		
Premises	240 582	244 250

Figures in Rand	2015	2014

21. Other income

Donations received	45 000	9 800
Other revenue	1 308 188	169 301
	1 353 188	**179 101**

22. Investment revenue

Dividend revenue		
Senwes and Senwes Beleggings Limited	4 692	5 026
Interest revenue		
Bank	384 011	315 803
Interest charged on trade and other receivables	4 909 376	8 332 585
	5 293 387	**8 648 388**
	5 298 079	**8 653 414**

23. Property rates

Rates received

Residential, Commercial, State and Farms	20 016 465	18 741 035
Less: Income forgone	(3 342 338)	(3 125 571)
	16 674 127	**15 615 464**

Valuations

Residential	727 276 000	727 276 000
Commercial	103 933 000	103 933 000
State	76 706 000	76 706 000
Small holdings and farms	1 552 702 000	1 552 702 000
	2 460 617 000	**2 460 617 000**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual and monthly basis with the final date for payment being 30 September 2015 (30 September 2014). Monthly rates are payable on 15th of the following month. Interest are levied on a monthly basis on outstanding rates.

The new general valuation will be implemented on 01 July 2015.

Figures in Rand	2015	2014

24. Government grants and subsidies

Operating grants		
Equitable share	84 850 000	82 581 000
Municipal Systems Improvement Grant	934 001	890 001
Local Government Financial Management Grant	3 191 342	2 869 412
Local Government Sector Education Training Authority	148 382	80 234
	89 123 725	**86 420 647**
Capital grants		
Regional Bulk Infrastructure Grant	49 012 860	18 016 548
Municipal Infrastructure Grant	23 671 415	41 121 000
Expanded Public Works Programme Integrated Grant for Municipalities	1 023 000	1 001 831
	73 707 275	**60 139 379**
	162 831 000	**146 560 026**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	77 981 000	63 979 025
Unconditional grants received	84 850 000	82 581 000
	162 831 000	**146 560 025**

Equitable Share

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

Local Government Financial Management Grant

Current-year receipts	3 191 342	2 869 412
Conditions met - transferred to revenue	(3 191 342)	(2 869 412)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g.salary costs of the Financial Management Interns). Included in the grant is a amount of R1 391 342 (2014: R1 217 056) of audit fees that were paid by National Treasury on behalf of the municipality.

Local Government Sector Education Training Authority

Figures in Rand	2015	2014

24. Government grants and subsidies (continued)

Current-year receipts	148 382	80 234
Conditions met - transferred to revenue	(148 382)	(80 234)
	-	-

Conditions still to be met - remain liabilities (see note 17).

LGSETA grants are paid to the municipality for skills development projects linked to scarce and critical skills.The purpose of these grant is encourage the municipality to contribute towards the achievement of the objectives of the Human Resources Development Strategy (HRDS), the National Skills Development Strategy (NSDS), and the LGSETA Sector Skills Plan (SSP).

Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	3 170 943	(717 828)
Current-year receipts	53 699 864	15 563 432
Conditions met - transferred to revenue	(49 012 860)	(18 016 547)
Unpaid balance at the end of the year	(7 857 947)	3 170 943
	-	-

Conditions still to be met - remain liabilities (see note 5).

The purpose of this grant is to develop infrastructure required to connect or a augment a water resource, to infrastructure serving extensive areas a cross municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Municipal Infrastructure Grant

Balance unspent at beginning of year	718 682	7 888 682
Current-year receipts	32 616 000	34 921 000
Conditions met - transferred to revenue	(23 671 415)	(41 121 000)
Surrendered	-	(970 000)
	9 663 267	**718 682**

Conditions still to be met - remain liabilities (see note 17).

This grant was used construct municipal infrastructure to provide basic services for the benefit of the poor households. The conditions of the grants were met.

Expanded Public Works Programme Integrated Grant for Municipalities

Current-year receipts	1 023 000	1 000 000
Conditions met - transferred to revenue	(1 023 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to improve the quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities, to reduce levels of poverty, contribute towards increased levels of employment and improve opportunities for sustainable workthrough experience and learning.

Figures in Rand	2015	2014

25. Employee related costs

Basic	45 958 303	43 742 558
Bonus	3 223 372	2 804 766
Medical aid - company contributions	4 032 845	2 568 748
UIF	467 446	298 180
Compensation fund provision	501 336	399 406
SDL	637 397	442 224
Other payroll levies	26 023	32 206
Leave pay provision charge	739 576	743 867
Contributions to Pension and Provident funds	6 109 005	4 409 774
Post-employment benefits	532 836	278 765
Overtime payments	3 644 662	2 715 277
Housing benefits and allowances	-	9 802
Allowance: Cell Phones	640 594	427 391
Allowance: Locomotion - Fixed	5 045 718	3 504 775
Allowance: Standby	75 360	182 829
Allowance: Sundry	434 003	92 622
	72 068 476	**62 653 190**

Remuneration of Municipal Manager - Mr Mtakati

Annual Remuneration	724 811	794 983
Travel, motor car, accommodation, subsistence and other allowances	315 431	361 539
Contributions to UIF, Medical and Pension Funds	11 251	12 627
	1 051 493	**1 169 149**

Mr Mtakati resigned as municipal manager on the 30 April 2015.

Remuneration of Corporate Services Manager - Mr M.D Nthau

Annual Remuneration	580 186	461 537
Travel, motor car, accommodation, subsistence and other allowances	298 858	300 000
Contributions to UIF, Medical and Pension Funds	10 020	28 547
	889 064	**790 084**

Mr M D Nthau was appionted as the municipal manager from 1 May 2015.

Remuneration of Acting Chief Financial Officer - Ms NC Mekana

Annual Remuneration	23 315	110 648
Acting allowance	57 818	289 092
Travel, motor car, accommodation, subsistence and other allowances	6 840	6 120
Contributions to UIF, Medical and Pension Funds	5 843	27 916
	93 816	**433 776**

Ms NC Mekana was acting as chief financial officer from 1 March 2014 to 31 July 2014.

Remuneration of Community and Social Services Manager - Me ME Maphobole

Annual Remuneration	808 290	740 210
Travel, motor car, accommodation, subsistence and other allowances	181 047	180 000
Contributions to UIF, Medical and Pension Funds	11 307	9 817
	1 000 644	**930 027**

Figures in Rand	2015	2014

25. Employee related costs (continued)

Remuneration of Chief Financial Officer - Ms F Mzizi

Annual Remuneration	557 530	-
Travel, motor car, accommodation, subsistence and other allowances	226 365	-
Contributions to UIF, Medical and Pension Funds	9 198	-
	793 093	**-**

Ms F Mzizi was appionted as chief financial officer from 1 August 2014.

26. Remuneration of councillors

Mayor	765 742	689 626
Speaker	831 843	558 451
Councillors	3 366 448	4 190 423
	4 964 033	**5 438 500**

In-kind benefits

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

According to section 1 of the Government Gazette notice number 35962 dated 7 December 2012 on the Determination of upperlimits of salaries, allowances and benefits of different members of municipal councils "total remuneration package" is the total cost to a municipality of a basic salary component, a traveling allowance as provided in terms of 6(a) and 9(a), a housing allowance as provided in terms of 6(b) and 9(b), the municipal contribution to a pension fund as provided in item 12(a) and the municipal contribution to a medical aid scheme as provided in item 12(b) to a councilor in a municipal financial year.

Included in the sundry debtors are an amount of R6 722 (2014: R6 722) which consist of the councilors salaries that exceeded their upperlimits. The Municipality is in the process of recovering the exceeded amounts paid.

27. Depreciation and amortisation

Property, plant and equipment	24 369 917	27 961 653
Investment property	850 562	850 491
	25 220 479	**28 812 144**

28. Finance costs

Trade and other payables	3 201 942	336 260
Finance leases	13 283	134 203
Borrowings	1 554 062	1 186 648
	4 769 287	**1 657 111**

29. Debt impairment

Debt impairment	31 641 207	93 110 791

30. Bulk purchases

Electricity	29 440 500	27 955 772
Water	4 762 844	3 852 532
	34 203 344	**31 808 304**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
31. General expenses		
Advertising	1 188 196	1 689 847
Auditors remuneration	4 440 714	3 808 558
Bank charges	411 856	449 548
Chemicals	3 469 549	3 812 182
Community development and training	478 886	442 790
Consulting and professional fees	15 783 800	12 561 838
Consumables	527 434	189 278
Discount allowed	7 328	-
Entertainment	202 459	210 835
Fuel and oil	1 399 228	1 043 194
Insurance	377 443	(42 715)
Licence & Registration - Vehicles	374 777	2 777 816
Licence Fees	115 438	816 586
Magazines, books and periodicals	331 930	313 841
Other expenses	598 451	2 760 716
Pauper burials	215 900	27 263
Postage and courier	638 397	415 590
Printing and stationery	652 831	205 567
Security (Guarding of municipal property)	218 075	486 001
Software expenses	67 319	145 353
Subscriptions and membership fees	280 000	469 967
Telephone and fax	3 103 030	3 468 954
Training	1 961 883	1 922 601
Travel	396 541	1 029 157
Uniforms	2 102 101	731 827
	39 343 566	**39 736 594**

Figures in Rand	2015	2014

32. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

	2015	2014
Income from controlled entities		
Dividends or similar distributions	4 692	5 026
Operating lease charges		
Equipment		
• Contingent amounts	557 353	1 776 068
Depreciation on property, plant and equipment	24 369 917	27 961 653
Depreciation on investment property	850 562	850 491
Employee costs	77 032 509	68 091 690

33. Fair value adjustments

	2015	2014
Other financial assets		
• Other financial assets - Senwes	4 824	2 509

34. Auditors' remuneration

	2015	2014
Fees	4 440 714	3 808 558

35. Cash generated from operations

	2015	2014
Surplus (deficit)	33 709 434	(35 431 897)
Adjustments for:		
Depreciation and amortisation	25 220 479	28 812 144
Fair value adjustments	(4 824)	(2 509)
Debt impairment	31 641 207	93 110 791
Actuarial Losses / (Gains)	186 235	2 377
Changes in working capital:		
Inventories	1 359	(7 578)
Receivables from exchange transactions	9 239 766	(62 008 027)
Consumer debtors	(53 092 122)	-
Other receivables from non-exchange transactions	(168 023)	14 153 697
Payables from exchange transactions	6 112 703	38 805 390
VAT	(1 378 062)	(5 609 557)
Unspent conditional grants and receipts	19 973 474	(9 623 113)
Consumer deposits	125 411	71 499
	71 567 037	**62 273 217**

36. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	At cost	Total
Other financial assets	95 567	-	95 567
Trade and other receivables from exchange transactions	-	592 862	592 862
Other receivables from non-exchange transactions	-	449 139	449 139
Consumer debtors	-	21 450 915	21 450 915
Cash and cash equivalents	17 679 858	-	17 679 858
	17 775 425	**22 492 916**	**40 268 341**

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	2 788 679	-	2 788 679
Trade and other payables from exchange transactions	-	84 192 606	84 192 606
Consumer deposits	-	1 261 778	1 261 778
	2 788 679	**85 454 384**	**88 243 063**

2014

Financial assets

	At amortised cost	At cost	Total
Other financial assets	90 743	-	90 743
Trade and other receivables from exchange transactions	-	34 892	34 892
Other receivables from non-exchange transactions	-	3 595 780	3 595 780
Consumer debtors	-	9 654 013	9 654 013
Cash and cash equivalents	3 578 197	-	3 578 197
	3 668 940	**13 284 685**	**16 953 625**

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	3 203 595	-	3 203 595
Trade and other payables from exchange transactions	-	77 348 032	77 348 032
Consumer deposits	-	1 136 367	1 136 367
Finance lease obligation	462 709	-	462 709
	3 666 304	**78 484 399**	**82 150 703**

Figures in Rand	2015	2014

. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

2015

	At amortised cost	At cost	Total
Net gains on financial instruments	4 824	-	4 824
Interest income	384 011	4 909 376	5 293 387
	388 835	**4 909 376**	**5 298 211**

2014

	At amortised cost	At cost	Total
Net gains on financial instruments	2 509	-	2 509
Interest income	315 803	8 332 585	8 648 388
	318 312	**8 332 585**	**8 650 897**

37. Commitments

Authorised capital expenditure

	2015	2014
Total approved commitments		
• Property, plant and equipment	45 118 797	60 739 970
Total capital commitments		
Total approved commitments	45 118 797	60 739 970

Total commitments

	2015	2014
Total commitments		
Authorised capital expenditure	45 118 797	60 739 970

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

38. Contingencies

Landfill sites

The Municipality has five active landfill sites in Theunissen, Brandfort, Windburg, Soutpan and Verkeerdevlei. It has been identified that not all landfill sites are licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made. The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.

Bon Accor Safaris (Pty) Ltd; Dal Tempe Boerdery; Barens Jacobus Wessels & Willem Johannes Pienaar

A fire originated on the property of the municipal and spread to the plaintiffs above property resulting in damages. The municipal is being sued for negligence as a result of the damages. The maximum potential liability is estimated at R2 200 0000 (2014: R1 291 019).

BJ Moshweledi

Claim by family of children who drowned in sewerage plant - Soutpan. No summons has been received. The liability are estimated at R3 000 000 (2014: R3 060 000).

Various farmers

Veld fire at Verkeerdevlei landfil site, damage to a number of farms. Summons was received, pleadings are closed and the matters are set down for hearing on the 20 - 23 October 2015**.** The liability are estimated at R6 304 878 (2014: R5 033 956).

Afriforum

The applicants brought an order to mandate the Municipality to provide a plan of action with regard to a heritage site in Winburg. The Municipality has agreed to uprade the landfill site next to the heritage site and to upgrade the road leading to the heritage site. The estimated claims amount to R64 000.

SETAI

It is a labour matter regarding review of the commissioners outcome. This matter is currently before the Labour court with the municipality being the applicant in the matter seeking to review a decision and an outcome by the commissioner awarding SETAI with compensation of R101 000.

38. Contingencies (continued)

Masilonyana Local Municipality vs Ematu odo Tema, Moleleki and Malatji

Application for reviewof the SALGBC for unquantified amount of monies claimed from the applicant for alleged outstanding portions of salaries. The liability can not be estimated and the matter is set down for hearing on 20 - 23 October 2015.

Wage curve agreement not implemented

Employees' job evaluations were not completed and they were not paid according to the wage scales and rates in the wage curve agreement and did not receive the nine months retrospective increase. This is in accordance with the provisions of the Labour Relations Act, 1995 made and entered into between the South Africa Local Government Association and Independent Municipal and Allied Trade Union and the South African Municipal Workers Union. The material impact of the liability is undetermined.

SAMWU on behalf of Sandra Julius
The applicant referred the matter to the Labour Court for a Court Order, ordering the municipality to reinstate her and pay her an amount of R34 400. The Municipality as respondent is defending the matter and has lodged an application to review the decision by the commissioner for reinstatement and compensation of Sandra Julius.

SAMWU on behalf of Maggie Kware
The applicants, Maggie Kgware and Nomvuyo Cetane referred the matter to the Labour Court for a Court Order, ordering the municipality to reinstate them and pay over amounts of R41 600 and R96 000 respectively.

HEWETSON INC

It's an Ex Parte application in an attempt to mandate the Municipality to release a clearance certificate to the Applicant, for alleged outstanding potions of salaries.

SAMRO(COEN STEYN)

Issued summons against the Municipality for payment of Municipal Rights.

SAMRO(MAKELEKETLA COMMUNITY HALL)

Issued summons against the Municipality for payment of Municipal Rights.

Figures in Rand	2015	2014

39. Related parties

Relationships

Accounting Officers	M D Nthau
Members of key management	M D Nthau
	S Mtakati (Resigned - 30 April 2015)
	M E Maphobole
	F V Mzizi

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

	2015	2014
Speaker S J Mabitla	5 614	6 780
Councilor S C Mangoejane	525	218
Councilor D E Modise	1 094	5 117
Councilor I I Majara	-	18 729
Councilor J A Pienaar	327	2 591
Councilor K A Sekharume	2 019	1 182
Councilor K P Dichakane	432	597
Councilor L M Moloele	116	-
Councilor M B Tsoaela	5 080	6 044
Councilor M M Kholumo	-	4 753
Councilor M G Mafa	4 760	(1 159)
Councilor P T Botha	1 668	1 903
Councilor S L Kgoe	8 345	7 230
Councilor T P Ramongalo	1 051	991
Councilor T J Chele	-	25 998
Councilor Z P Thuthani	24 819	24 851
Councilor M Venter	63 630	70 949

Related party transactions

Rates levied 1 July 2014 to 30 June 2015

	2015	2014
Speaker S J Mabitla	-	17 950
Councilor S C Mangoejane	270	1 558
Councilor D E Modise	-	1 602
Councilor I I Majara	-	1 602
Councilor J A Pienaar	3 157	1 277
Councilor K A Sekharume	465	2 041
Councilor K P Dichakane	-	1 602
Councilor L M Moloele	-	1 602
Councilor M B Tsoaela	-	1 602
Councilor M M Kholumo	-	1 602
Councilor M G Mafa	6 133	2 107
Councilor P T Botha	3 639	7 768
Councilor S L Kgoe	525	2 098
Councilor T P Ramongalo	-	1 602
Councilor T J Chele	-	1 602
Councilor Z P Thuthani	-	829
Councilor M Venter	-	20 594

Service charges levied 1 July 2014 to 30 June 2015

	2015	2014
Speaker S J Mabitla	20 640	1 982
Councilor S C Mangoejane	3 799	1 982
Councilor D E Modise	-	1 982
Councilor I I Majara	-	1 982
Councilor K A Sekharume	3 799	1 982
Councilor K P Dichakane	3 799	1 982
Councilor L M Moloele	3 799	1 982
Councilor M B Tsoaela	3 799	1 982
Councilor M M Kholumo	-	1 982

Figures in Rand	2015	2014
39. Related parties (continued)		
Councilor M G Mafa	14 349	1 982
Councilor P T Botha	5 875	1 982
Councilor S L Kgoe	3 799	1 982
Councilor T P Ramongalo	3 799	1 982
Councilor T J Chele	-	1 982
Councilor Z P Thuthani	2 979	1 982
Councilor M Venter	19 841	1 982
Councillor P M Kgathola	4 116	-
Other income levied 1 July 2014 to 30 June 2015		
Speaker S J Mabitla	194	712
Councilor S C Mangoejane	36	266
Councilor D E Modise	177	306
Councilor I I Majara	-	238
Councilor J A Pienaar	142	201
Councilor K A Sekharume	72	-
Councilor K P Dichakane	35	-
Councilor L M Moloele	16	-
Councilor M B Tsoaela	236	145
Councilor M M Kholumo	-	77
Councilor M G Mafa	-	475
Councilor P T Botha	57	158
Councilor S L Kgoe	289	316
Councilor T P Ramongalo	61	4
Councilor Z P Thuthani	888	1 976
Councilor M Venter	2 945	-

Remuneration of key management refer to note 25 of the annual financial statements.

Figures in Rand	2015	2014

40. Prior period errors

Payables from exchange transactions:

The municipality did not recognise an accrual for third party deductions from employees' salaries which have not yet been paid for the year ended 30 June 2014. This resulted in the understatement of payables from exchange transactions and employee related costs with R1 817 616.

The municipality previously did not record all leave applications on the leave database and this resulted on the overstatement of the leave days outstanding at 30 June 2014. The effect of the error is the overstatement of payables from exchange transactions with R805 993, overstatement of employee cost with R805 993 and accumulated surplus with R805 993.

The municiapality previously did not record all expenditure incurred but not year paid in the financial statements. This misstatement resulted in the understated of trade payables with R14 093 500, value added tax with R1 694 409, property, plant and equipment with R11 369 595, lease rental expenses with R232 495, repairs and maintanance with R224 393 and general expenses with R572 606.

Receivables from non-exchange transations:

The municipality previously incorrectly calculated the overpayment of the councilors remuneration according to the government gazette notice and therefore overstatement the overpayment of councilors remuneration. The effect of the error is the overstatement of receivables from non-exchange with R826 087 (2013: R623 763), understatement of remuneration of councilors with R202 324 (2013: R623 763) and accumulated surplus with R826 087 (2013: R623 763).

Consumer debtors:

Various consumers were billed for service charges and property rates after they were closed and various consumers were incorrectly charged for services and property rates. The effect of the error is as follows:
- Trade debtors overstated by R362 194
- VAT payable overstated by R45 610
- Service charges overstated by R2 975 113
- Debt impairment overstated by R2 672 860
- Property rates overstated by R14 331

The correction of the error(s) results in adjustments as follows:

	2015	2014
Statement of financial position		
Increase/(Decrease) in payables from exchange transactions	-	15 105 122
Increase/(Decrease) in receivables from non-exchange transactions	-	(826 060)
Increase/(Decrease) in consumer debtors	-	(362 194)
Increase/(Decrease) in VAT payable	-	(1 648 799)
Increase/(Decrease) in property, plant and equipment	-	11 369 595
Increase/(Decrease) in opening accumulated surplus or deficit	-	(623 736)
Statement of Financial Performance		
Increase/(Decrease) in remuneration of councillors	-	202 324
Increase/(Decrease) in employee related cost	-	1 011 623
Increase/(Decrease) in service charges	-	(2 975 113)
Increase/(Decrease) in debt impairment	-	(2 672 860)
Increase/(Decrease) in property rates	-	(14 311)
Increase/(Decrease) in lease rentals on operating lease	-	232 495
Increase/(Decrease) in repairs and maintenance	-	224 393
Increase/(Decrease) in general expenses	-	572 606

41. Risk management

Financial risk management

41. Risk management (continued)

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative 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	Less than 1 year	Payable within two to five years	Payable after five years	Over 5 years
Other financial liabilities	735 268	2 941 072	551 451	-
Trade and other payables	84 192 606	-	-	-

At 30 June 2014	Less than 1 year	Payable within two to five years	Payable after five years	Over 5 years
Other financial liabilities	772 674	3 676 340	208 548	-
Finance lease obligations	475 991	-	-	-
Trade and other payables	77 348 032	-	-	-

Credit risk

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

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

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2015, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R - (2014: R -) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R - (2014: R -) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

42. 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.

43. Events after the reporting date

The following events occurred after the reporting date, which did not require an adjustment to the financial statements for the 2014/15 financial year:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. Events after the reporting date (continued)

- A veldfire occurred on municipal grounds, which escalated to nearby farms, resuling in damages to the farms. An estimate of the financial effect cannot be made at this time as the matter has not been finalised at the time of submission of the financial statements.

44. Unauthorised expenditure

Opening balance at 1 July	-	591 872 637
Unauthorised expenditure - over expenditure on votes	7 310 860	7 167 360
Unauthorised expenditure condoned by council	-	(599 039 997)
	7 310 860	**-**

Council resolved on 31 March 2015 that unauthorised expenditure is condoned to the amount of R599 039 997 as such amounts be declared irrecoverable and appropriated under the next adjustment budget.

Unauthorised expenditure can be summarised as follow:
- Employee related cost by R4 791 123; and
- Finance charges by R2 519 737.

45. Fruitless and wasteful expenditure

Opening balance at 1 July	-	2 828 000
Fruitless and wasteful expenditure	4 041 539	1 088 149
Fruitless and wasteful expenditure condoned by council	-	(3 916 149)
	4 041 539	**-**

Interest payments on outstanding accounts of supplier - R468 226.

Interest payments outstanding account of Sandvet - R487 771.

Interest payments on outstanding account of Eskom - R2 783 961.

Interest payments on the late payments of VAT & PAYE, UIF & SDL - SARS - R272 899.

Interest payments on outstanding account of Auditor General - R28 642.

Council resolved on 31 March 2015 that fruitless and wasteful expendityre is condoned to the amount of R2 828 000 since there was no fault of any person, such amounts be declared irrecoverable.

46. Irregular expenditure

Opening balance	192 652 312	164 599 892
Add: Irregular Expenditure - current year	1 299 966	28 052 420
Less: Amounts condoned	-	(192 652 312)
	193 952 278	**-**

Analysis of expenditure awaiting condonation per age classification

Current year	1 299 966	28 052 420
Prior years	192 652 312	164 599 892
	193 952 278	**192 652 312**

46. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement regulations not followed for purchases between nil and R2000 and no deviation documented.	None	6 246
Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.	None	246 700
Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None	217 585
Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None	829 435
		1 299 966

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Opening balance	677 560	-
Current year subscription / fee	718 310	685 060
Amount paid - current year	(689 520)	-
Amount paid - previous years	-	(7 500)
	706 350	**677 560**

Audit fees

	2015	2014
Opening balance	1 559 248	1 105 853
Current year subscription / fee	4 440 714	3 807 351
Amount paid - current year	(6 564 787)	(3 353 956)
	(564 825)	**1 559 248**

PAYE and UIF

	2015	2014
Opening balance	613 711	595 349
Current year subscription / fee	8 164 061	5 408 759
Amount paid - current year	(5 860 683)	(4 795 048)
Amount paid - previous years	(613 711)	(595 349)
	2 303 378	**613 711**

Pension and Medical Aid Deductions

	2015	2014
Opening balance	1 297 407	1 887 738
Current year subscription / fee	16 598 228	12 262 085
Amount paid - current year	(14 258 061)	(11 454 672)
Amount paid - previous years	(1 223 192)	(1 397 744)
	2 414 382	**1 297 407**

Figures in Rand	2015	2014

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

VAT

VAT payable	1 185 705	2 934 673

VAT output payables and VAT input receivables are shown in note 14.

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

Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Speaker S J Mabitla	744	90
Councillor D E Modise	144	90
Councillor J A Pienaar	263	90
Councillor K A Sekharume	952	90
Councillor M B Tsoaela	4 128	90
Councillor S L Kgoe	7 272	90
Councillor T P Ramongalo	101	90
Councillor Z P Thuthani	24 072	90
Councillor M Venter	62 624	90
	100 300	**810**

30 June 2014	Highest outstanding amount	Aging (in days)
Speaker S J Mabitla	1 417	90
Councillor D E Modise	344	90
Councillor I I Majara	299	90
Councillor J A Pienaar	132	90
Councillor M B Tsoaela	324	90
Councillor M M Kholumo	299	90
Councillor P T Botha	54	90
Councillor S L Kgoe	388	90
Councillor T P Ramongalo	91	90
Councillor T J Chele	299	90
Councillor Z P Thuthani	538	90
Councillor M Venter	2 043	90
	6 228	**1 080**

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Services and goods were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The total amount of procurement expenditure with deviations amounts to R1 754 512. Reasons for deviations consist of the following:
- Only service provider within the municipality that provide the service;
- Emergency services;
- Three quotation were requested from prospective service providers however only two submitted and etc.

49. Budget differences

Material differences between budget and actual amounts

Interest revenue:

Interest to be charges on outstanding consumer accounts were not budgeted for and also where the interest received on surplus cash in the call accounts under-budgeted. See note 22 for the amount of interest received.

Finance charges:

Interest expenditure were not budgeted for the following suppliers:
- Interest expenditure of R2 775 844 on the outstanding Escom ;
- Interest expenditure of R422 353 on the outstanding Sandvet account: and
- Interest expenditure of R277 639 on late payment of South African Revenue Services debt.

Differences between budget and actual amounts basis of preparation and presentation

Fair value adjustments:

The fair value adjustment is the increase in the carrying value of Senwes Beleggings Investment. The increase is normally not material and not budgeted for as income is not part of service delivery to the public.

Actuarial gains and losses:

These amounts originate from the actuarial valuations performed by experts on the long service awards and the post-employment medical benefits. These amounts are determined by the experts based on valuation techniques that are specialised and also does this expenditure and income not attribute to the services that are provided to the public by the municipality. These transactions are unavoidable and are only journal entries and therefore does not result in any cash inflow or outflow. Therefore is these amounts not budgeted for.

Unwinding of discount (Long service awards, post-employment medical benefits and landfill site obligations):

These amounts originate from the actuarial valuations performed by experts. These amounts are determined by the experts based on valuation techniques that are specialised and also does this expenditure not attribute to the services that are provided to the public by the municipality. These transactions are unavoidable and are only journal entries and therefore does not result in any cash inflow or outflow. Therefore is these amounts not budgeted for.

Provision for leave and bonus

Employee cost are only budgeted for on the basis of the actual cost to the municipality for the financial year and does not include estimation of the accrued leave and bonus that might be taken after the financial year end by the municipality. Thus are the provision excluded from the actual amount to compare the actual employee cost that will have an cash outflow.

Provision for compensation commissioner:

Section 84 of the Compensation for Occupation Injuries Act excempts all municipalities from contributions to compensation fund but only if they are in possesion of a excemption certificate issued by the commissioner. A provision is made to comply to the Act but no payment will be made as the municipality is excempt. The increase in the provision are excluded from the employee cost as this will not result in cash outflow.

Changes from the approved budget to the final budget

An adjustment budget was as result of mid-year performance Assessment on the municipality budget performed.

Figures in Rand	2015	2014

49. Budget differences (continued)

Adjustments made to expenditure

Employee cost:

Salaries has been increased by R1 500 000 due to critical vacancies to be filled before year. The salaries budget is 30% of the expenditure which is within the norm as prescribed by MFMA circular 71. The vacant posts that will be filled are mainly Finance, Corporate Services, Infrastructure Services and Social and Community. We want to address the overtime expenditure that is not managed properly, and the inefficiency in delivery of service.

Debt impairment:

The municipality did not budget realistically for bad debts impairment. There needs to be an understanding for the reason to include bad debt expense in the budget. Assessment income in the annual budget assumes that all monies will be collected. The municipality originally budgeted R92 Million on services charges, the municipality bills the services charges of +- R8Million, and only collects 42% as at 31 December 2014. However, the reality is that not all owners will pay their assessments rates and their municipal services and all assessment income will not be collected.

We have increased the debt impairment by R27 million. This includes the indigents to be written off that will be written off against equitable share. We anticipate to have an OPERATIONAL PATALA in the beginning of February 2015, this will include the registration of Indigents, adjustment of the incorrect accounts and information relating to debtors and revenue enhancement.

If we do not include these two items in the budget, they will result to unauthorised expenditure as previously reported by the auditor general .The budget was exceeded by R96 million due to these two non-cash items.

Depreciation:

The municipality did not budget realistically when it comes to Depreciation. In terms of the Accounting guideline GRAP on PPE issued by Treasury depreciation must be included in the budget, the budget is increased based on the actual performance expenditure as at 30 June 2014.

Finance charges:

The original has budgeted R 1, 3 Million this was due to the long-term loan with INCA and DBSA. We have reduced this budget due to the fact INCA has been fully settled as 31 October 2014. The remaining long-term loan still to be paid is DBSA loan which the municipality pays R118 449 per quarter. The reason for the decrease of R328 111 is that we have 2 quarters remaining.

Materials and bulk purchases:

We did not adjust bulk purchases as the budget seems realistic when we compare it with the expenditure as 30 June 2014. These include electricity and water bulk purchases

The RM budget has been slightly increased the main focus will be on the repairs and maintenance of the following expenses:
- Yellow Fleet (TLB and Tipper truck);
- Tractors;
- Gravel and Tarred roads; and
- Motor vehicles (Bakkies).

The main focus is to ensure that the plant and equipment used is in a good condition and can deliver services efficiently effectively. R328 282. This constitutes 6% of the total budget.

49. Budget differences (continued)

Adjustments made to sources of revenue:

Service charges:

The municipality budgeted R181 413 000 in the annual budget, however when the overall budget was assessed, the municipality under budgeted on Revenue.

The Statement of Financial Performance as 31 December 2014 was R 118 622 609. We've increased revenue budget on by R10 694 326. All utilities are supposed to be at 50%, however there are utilities that has exceeded the budget as 31 December 2014, these include sale of water which is 80% of the budget, refuse removal which is 58% of the budget, interest earned on investment not budget for and interest earned on outstanding debt underestimated. The actual performance as 31 December 2014 is 67% of the budget.

Appendix A
June 2015

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Development Bank of South Africa	61001050	31 March 2020	3 168 163	-	379 485	2 788 678	-	-
			3 168 163	**-**	**379 485**	**2 788 678**	**-**	**-**
Infrastructure Corporate Finance Limited								
Infrastructure Corporate Finance Limited	BDT114UD908	30 Sept 2014	18 257	-	18 257	-	-	-
Infrastructure Corporate Finance Limited	THN114US879	30 Sept 2014	17 175	-	17 175	-	-	-
			35 432	**-**	**35 432**	**-**	**-**	**-**
Finance lease liability								
Copperleaf - Rental of Photocopiers	Various	1 Jan 2015	462 708	-	462 708	-	-	-
			462 708	**-**	**462 708**	**-**	**-**	**-**
Total external loans								
Development Bank of South Africa			3 168 163	-	379 485	2 788 678	-	-
Infrastructure Corporate Finance Limited			35 432	-	35 432	-	-	-
Finance lease liability			462 708	-	462 708	-	-	-
			3 666 303	**-**	**877 625**	**2 788 678**	**-**	**-**

Appendix B
June 2015

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Compenentisation Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	**57 272 046**	**21 342 827**	**-**	**8 292 696**	**-**	**-**	**86 907 569**	**(1 758 345)**	**-**	**-**	**(836 533)**	**-**	**(2 594 878)**	**84 312 691**
Infrastructure														
Electricity	28 675 497	-	-	-	-	**-**	**28 675 497**	(3 345 699)	-	-	(300 463)	-	**(3 646 162)**	25 029 335
Storm water and Roads	309 245 713	-	-	277 591	-	**31 569 294**	**341 092 598**	(205 408 383)	-	-	(7 244 912)	-	**(212 653 295)**	128 439 303
Water purification	382 618 882	-	-	15 461 681	-	**-**	**398 080 563**	(267 428 761)	-	-	(11 112 314)	-	**(278 541 075)**	119 539 488
Sewerage purification	132 006 204	-	-	-	-	**-**	**132 006 204**	(62 225 207)	-	-	(2 527 794)	-	**(64 753 001)**	67 253 203
Solid waste disposal (Refuse)	29 948	-	-	-	-	**-**	**29 948**	(4 373)	-	-	(1 900)	-	**(6 273)**	23 675
	852 576 244	**-**	**-**	**15 739 272**	**-**	**31 569 294**	**899 884 810**	**(538 412 423)**	**-**	**-**	**(21 187 383)**	**-**	**(559 599 806)**	**340 285 004**
Lease Assets														
Office equipment and vehicles	4 015 409	-	-	-	-	**-**	**4 015 409**	(2 251 459)	-	-	(338 519)	-	**(2 589 978)**	1 425 431
	4 015 409	**-**	**-**	**-**	**-**	**-**	**4 015 409**	**(2 251 459)**	**-**	**-**	**(338 519)**	**-**	**(2 589 978)**	**1 425 431**
Other assets														
General vehicles	7 234 119	-	-	(369 065)	-	**-**	**6 865 054**	(2 211 238)	-	-	(46 103)	-	**(2 257 341)**	4 607 713
Plant & equipment	5 953 694	-	-	369 125	-	**-**	**6 322 819**	(3 043 602)	-	-	(929 824)	-	**(3 973 426)**	2 349 393
Computer Equipment	1 371 263	2 073 176	-	-	-	**-**	**3 444 439**	(662 217)	-	-	(493 061)	-	**(1 155 278)**	2 289 161
Furniture & Fittings	3 390 890	-	-	(3 675)	-	**-**	**3 387 215**	(2 150 193)	-	-	(435 681)	-	**(2 585 874)**	801 341
Office Equipment	297 681	-	-	(46 015)	-	**-**	**251 666**	(178 806)	-	-	(29 433)	-	**(208 239)**	43 427
Emergency equipment	397 314	-	-	(37 017)	-	**-**	**360 297**	(65 898)	-	-	(41 182)	-	**(107 080)**	253 217
	18 644 961	**2 073 176**	**-**	**(86 647)**	**-**	**-**	**20 631 490**	**(8 311 954)**	**-**	**-**	**(1 975 284)**	**-**	**(10 287 238)**	**10 344 252**

Appendix B
June 2015

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Compenentisation Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	57 272 046	21 342 827	-	8 292 696	-	**-**	**86 907 569**	(1 758 345)	-	-	(836 533)	-	**(2 594 878)**	84 312 691
Infrastructure	852 576 244	-	-	15 739 272	-	**31 569 294**	**899 884 810**	(538 412 423)	-	-	(21 187 383)	-	**(559 599 806)**	340 285 004
Lease Assets	4 015 409	-	-	-	-	**-**	**4 015 409**	(2 251 459)	-	-	(338 519)	-	**(2 589 978)**	1 425 431
Other assets	18 644 961	2 073 176	-	(86 647)	-	**-**	**20 631 490**	(8 311 954)	-	-	(1 975 284)	-	**(10 287 238)**	10 344 252
	932 508 660	**23 416 003**	**-**	**23 945 321**	**-**	**31 569 294**	**1 011 439 278**	**(550 734 181)**	**-**	**-**	**(24 337 719)**	**-**	**(575 071 900)**	**436 367 378**
Investment properties	**72 209 400**	**-**	**-**	**-**	**-**	**-**	**72 209 400**	**(2 324 627)**	**-**	**-**	**(850 591)**	**-**	**(3 175 218)**	**69 034 182**
Total														
Land and buildings	57 272 046	21 342 827	-	8 292 696	-	**-**	**86 907 569**	(1 758 345)	-	-	(836 533)	-	**(2 594 878)**	84 312 691
Infrastructure	852 576 244	-	-	15 739 272	-	**31 569 294**	**899 884 810**	(538 412 423)	-	-	(21 187 383)	-	**(559 599 806)**	340 285 004
Lease Assets	4 015 409	-	-	-	-	**-**	**4 015 409**	(2 251 459)	-	-	(338 519)	-	**(2 589 978)**	1 425 431
Other assets	18 644 961	2 073 176	-	(86 647)	-	**-**	**20 631 490**	(8 311 954)	-	-	(1 975 284)	-	**(10 287 238)**	10 344 252
Work in Progress	149 694 848	56 041 608	-	(23 754 377)	-	**-**	**181 982 079**	-	-	-	-	-	**-**	181 982 079
Investment properties	72 209 400	-	-	-	-	**-**	**72 209 400**	(2 324 627)	-	-	(850 591)	-	**(3 175 218)**	69 034 182
	1 154 412 908	**79 457 611**	**-**	**190 944**	**-**	**31 569 294**	**1 265 630 757**	**(553 058 808)**	**-**	**-**	**(25 188 310)**	**-**	**(578 247 118)**	**687 383 639**

Appendix B

June 2015

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land and Buildings	55 161 446	2 110 600	-	-	-	-	57 272 046	(1 052 147)	-	-	(706 198)	-	(1 758 345)	55 513 701
	55 161 446	**2 110 600**	**-**	**-**	**-**	**-**	**57 272 046**	**(1 052 147)**	**-**	**-**	**(706 198)**	**-**	**(1 758 345)**	**55 513 701**
Infrastructure														
Electricity	28 478 997	196 500	-	-	-	-	28 675 497	(2 885 401)	-	-	(460 298)	-	(3 345 699)	25 329 798
Storm water and Roads	309 245 713	-	-	-	-	-	309 245 713	(198 143 551)	-	-	(7 264 832)	-	(205 408 383)	103 837 330
Water purification	369 256 152	304 200	-	13 058 530	-	-	382 618 882	(255 884 246)	-	-	(11 544 515)	-	(267 428 761)	115 190 121
Sewerage purification	131 895 086	111 118	-	-	-	-	132 006 204	(57 588 825)	-	-	(4 636 382)	-	(62 225 207)	69 780 997
Solid waste disposal (Refuse)	29 948	-	-	-	-	-	29 948	(2 473)	-	-	(1 900)	-	(4 373)	25 575
	838 905 896	**611 818**	**-**	**13 058 530**	**-**	**-**	**852 576 244**	**(514 504 496)**	**-**	**-**	**(23 907 927)**	**-**	**(538 412 423)**	**314 163 821**
Lease Assets														
Office equipment and vehicles	4 015 409	-	-	-	-	-	4 015 409	(1 154 211)	-	-	(1 097 248)	-	(2 251 459)	1 763 950
	4 015 409	**-**	**-**	**-**	**-**	**-**	**4 015 409**	**(1 154 211)**	**-**	**-**	**(1 097 248)**	**-**	**(2 251 459)**	**1 763 950**
Other assets														
General vehicles	7 234 119	-	-	-	-	-	7 234 119	(1 656 540)	-	-	(554 698)	-	(2 211 238)	5 022 881
Plant & equipment	5 899 194	54 500	-	-	-	-	5 953 694	(1 991 769)	-	-	(1 051 833)	-	(3 043 602)	2 910 092
Computer Equipment	730 540	640 723	-	-	-	-	1 371 263	(551 493)	-	-	(110 724)	-	(662 217)	709 046
Furniture & Fittings	3 344 971	45 966	-	-	-	-	3 390 937	(1 705 235)	-	-	(444 958)	-	(2 150 193)	1 240 744
Office Equipment	271 908	25 773	-	-	-	-	297 681	(98 458)	-	-	(80 348)	-	(178 806)	118 875
Emergency equipment	147 447	249 866	-	-	-	-	397 313	(58 180)	-	-	(7 718)	-	(65 898)	331 415
	17 628 179	**1 016 828**	**-**	**-**	**-**	**-**	**18 645 007**	**(6 061 675)**	**-**	**-**	**(2 250 279)**	**-**	**(8 311 954)**	**10 333 053**

Appendix B

June 2015

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	55 161 446	2 110 600	-	-	-	**-**	**57 272 046**	(1 052 147)	-	-	(706 198)	-	**(1 758 345)**	55 513 701
Infrastructure	838 905 896	611 818	-	13 058 530	-	**-**	**852 576 244**	(514 504 496)	-	-	(23 907 927)	-	**(538 412 423)**	314 163 821
Lease Assets	4 015 409	-	-	-	-	**-**	**4 015 409**	(1 154 211)	-	-	(1 097 248)	-	**(2 251 459)**	1 763 950
Other assets	17 628 179	1 016 828	-	-	-	**-**	**18 645 007**	(6 061 675)	-	-	(2 250 279)	-	**(8 311 954)**	10 333 053
	915 710 930	**3 739 246**	**-**	**13 058 530**	**-**	**-**	**932 508 706**	**(522 772 529)**	**-**	**-**	**(27 961 652)**	**-**	**(550 734 181)**	**381 774 525**
Investment properties														
Investment property	72 209 400	-	-	-	-	**-**	**72 209 400**	(1 474 136)	-	-	(850 491)	-	**(2 324 627)**	69 884 773
	72 209 400	**-**	**-**	**-**	**-**	**-**	**72 209 400**	**(1 474 136)**	**-**	**-**	**(850 491)**	**-**	**(2 324 627)**	**69 884 773**
Total														
Land and buildings	55 161 446	2 110 600	-	-	-	**-**	**57 272 046**	(1 052 147)	-	-	(706 198)	-	**(1 758 345)**	55 513 701
Infrastructure	838 905 896	611 818	-	13 058 530	-	**-**	**852 576 244**	(514 504 496)	-	-	(23 907 927)	-	**(538 412 423)**	314 163 821
Lease Assets	4 015 409	-	-	-	-	**-**	**4 015 409**	(1 154 211)	-	-	(1 097 248)	-	**(2 251 459)**	1 763 950
Other assets	17 628 179	1 016 828	-	-	-	**-**	**18 645 007**	(6 061 675)	-	-	(2 250 279)	-	**(8 311 954)**	10 333 053
Work in Progress	101 241 175	61 512 206	-	(13 058 530)	-	**-**	**149 694 851**	-	-	-	-	-	**-**	149 694 851
Investment properties	72 209 400	-	-	-	-	**-**	**72 209 400**	(1 474 136)	-	-	(850 491)	-	**(2 324 627)**	69 884 773
	1 089 161 505	**65 251 452**	**-**	**-**	**-**	**-**	**1 154 412 957**	**(524 246 665)**	**-**	**-**	**(28 812 143)**	**-**	**(553 058 808)**	**601 354 149**

Appendix D
June 2015

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
26 320 378	47 709 707	(21 389 329)	Executive & Council/Mayor and Council	26 304 000	54 700 622	(28 396 622)
28 399 246	141 185 319	(112 786 073)	Finance & Admin/Finance	27 732 410	78 019 905	(50 287 495)
208 877	6 182 714	(5 973 837)	Comm. & Social/Libraries and archives	285 682	8 049 667	(7 763 985)
-	2 069 351	(2 069 351)	Sport and Recreation	-	2 501 579	(2 501 579)
43 733 241	8 704 996	35 028 245	Waste Water Management/Sewerage	44 637 906	13 689 354	30 948 552
41 267 749	13 106 428	28 161 321	Road Transport/Roads	23 804 434	11 813 294	11 991 140
57 663 126	22 624 494	35 038 632	Water/Water Distribution	90 362 856	12 754 268	77 608 588
38 197 212	29 638 717	8 558 495	Electricity /Electricity Distribution	39 551 282	37 440 447	2 110 835
235 789 829	**271 221 726**	**(35 431 897)**		**252 678 570**	**218 969 136**	**33 709 434**
235 789 829	271 221 726	(35 431 897)	Municipality	252 678 570	218 969 136	33 709 434
235 789 829	**271 221 726**	**(35 431 897)**	**Total**	**252 678 570**	**218 969 136**	**33 709 434**

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Jun	Jun	Jun	Jun	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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