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

General Information

Nature of business and principal activities	Providing Municipal services to the local community of Koster, Derby and Swartruggens
Mayoral committee	
Mayor / Speaker	Cllr OD Medupe
Councillors	Cllr DJ Mogale
	Cllr TG Naledi
	Cllr AVR Kgari
	Cllr KR Lekabe
	Cllr BVZ Marais
	Cllr ML Molefe
	Cllr OS Molusi
	Cllr JP Snyman
	Cllr PS Robinson
	Cllr PR Zwede
	Cllr CT Jacobs
Grading of local authority	2
Acting Chief Finance Officer (CFO)	S. Ngwenya
Acting Accounting Officer	TB Mothogoane
Business address	Cnr Smuts & De Wet Koster 0348
Bankers	ABSA Bank
Auditors	Auditor General of South Africa

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
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)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The Annual financial statements set out on page (5-48), which have been prepared on the going concern basis, were approved by the Acounting Officer on 29 August 2015 and were signed on its behalf by:

TB Mothogoane
Acting Accounting Officer

KOSTER

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Kgetlengrivier Local Municipality is a low capacity municipality and falls under the Bojanala District Municipality.

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 273 929 377 and that the Municipality's total assets exceed its liabilities by R 239 997 622.

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

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None have been identified.

5. New standards and interpretations

5.1 Standard and Interpretation

Interpretation/Standars	Effective date	Expected impact
GRAP 108: Statutory Receivables	01 April 2015	No material impact
GRAP 18 : Segment Reporting	01 April 2016	Not effective
GRAP 108 Statutory Receivables	01 April 2016	Not effective:
GRAP 105 Transfer of function between entities not under control	01 April 2015	Not relevent to date
GRAP 106:Transfer of functions between entities not under common control	01 April 2015	Not relevent to date
GRAP 103 - Heritage Assets	Not applicable	

The Financial Statements are prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board. In accordance with section 122(3) of the Muncipal Finance Management Act, (Act No. 56 of 2003)

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	2	47 239 212	47 508 716
Other financial assets		5 906 983	5 637 602
Receivables from exchange transactions	3	685 525	677 883
Receivables from non-exchange transactions	4	14 472 626	308 138
VAT receivable	5	462 200	981 315
Consumer debtors	6	14 247 920	16 970 972
Cash and cash equivalents	7	1 960 849	1 416 091
		84 975 315	**73 500 717**
Non-Current Assets			
Investment property	16	21 691 043	21 691 044
Property, plant and equipment	8	433 320 650	447 775 844
		455 011 693	**469 466 888**
Non-Current Assets		455 011 693	469 466 888
Current Assets		84 975 315	73 500 717
Total Assets		**539 987 008**	**542 967 605**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	90 049 634	60 122 257
Consumer deposits	10	1 810 400	1 722 769
Employee benefit obligation		14 149 000	13 809 000
Unspent conditional grants and receipts	11	6 470 362	4 538 978
Provisions	12	18 344 399	17 014 029
Other financial liability		2 549 779	3 293 858
National Treasury liability		-	2 205 000
		133 373 574	**102 705 891**
Non-Current Liabilities		-	-
Current Liabilities		133 373 574	102 705 891
Total Liabilities		**133 373 574**	**102 705 891**
Assets		539 987 008	542 967 605
Liabilities		(133 373 574)	(102 705 891)
Net Assets		**406 613 434**	**440 261 714**
Net Assets			
Reserves			
Revaluation reserve	17	(35 410 031)	(37 121 522)
Capital replacement reserve	18	1 478 276	220 399
Accumulated surplus		273 929 377	308 349 250
Total Net Assets		**239 997 622**	**271 448 127**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	21	38 537 358	36 573 538
Rental of facilities and equipment	31	72 386	61 769
Licences and Permits		4 746 703	3 926 376
Miscellaneous other revenue		1 088 084	447 634
Interest- outstanding debtors		9 023 295	6 508 273
Interest received - investment	27	345 876	453 120
Total revenue from exchange transactions		**53 813 702**	**47 970 710**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	7 591 736	4 831 384
Transfer revenue			
Government grants & subsidies	22	86 714 027	96 841 719
Fines		674 940	445 840
Fair value adjustment		-	4 281 702
Total revenue from non-exchange transactions		**94 980 703**	**106 400 645**
		53 813 702	47 970 710
		94 980 703	106 400 645
Total revenue	19	**148 794 405**	**154 371 355**
Expenditure			
Employee related costs	24	(38 450 163)	(38 498 370)
Remuneration of councillors	25	(5 906 237)	(4 161 189)
Depreciation and amortisation	28	(31 338 717)	(29 153 835)
Impairment loss/ Reversal of impairments		(141 299)	-
Interest on late payment	29	(4 500 153)	(2 265 414)
Lease rentals on operating lease		(426 701)	(449 549)
Debt Impairment	26	(18 637 847)	(13 091 720)
Repairs and maintenance		(5 477 937)	(7 393 641)
Bulk purchases	32	(28 427 300)	(22 564 125)
General Expenses	23	(49 907 922)	(75 639 614)
Total expenditure		**(183 214 276)**	**(193 217 457)**
		-	-
Total revenue		148 794 405	154 371 355
Total expenditure		(183 214 276)	(193 217 457)
Operating deficit		**(34 419 871)**	**(38 846 102)**
Deficit before taxation		(34 419 871)	(38 846 102)
Taxation		-	-
Deficit for the year		**(34 419 871)**	**(38 846 102)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2013	**(37 121 522)**	**200 557**	**(36 920 965)**	**513 841 458**	**476 920 493**
Changes in net assets					
Fair value gains, net of tax: Land and buildings	-	19 842	19 842	-	19 842
Revaluation of invesment property	-	-	-	-	-
Net income (losses) recognised directly in net assets	-	19 842	19 842	-	19 842
Surplus for the year	-	-	-	(38 846 104)	(38 846 104)
Total recognised income and expenses for the year	-	19 842	19 842	(38 846 104)	(17 237 149)
Changes in revaluation surplus arising from changes in existing Invesment property	-	-	-	-	-
Total changes	-	19 842	19 842	(17 257 149)	(17 257 149)
Balance at 01 July 2014	**(37 121 522)**	**220 399**	**(36 901 123)**	**308 349 250**	**309 048 011**
Changes in net assets					
Fair value gains, net of tax: Land and buildings	37 599 883	1 257 877	38 857 760	-	38 857 760
Net income (losses) recognised directly in net assets	37 599 883	1 257 877	38 857 760	-	38 857 760
Surplus for the year	-	-	-	(34 419 873)	(34 419 873)
Total recognised income and expenses for the year	37 599 883	1 257 877	38 857 760	(34 419 873)	4 437 887
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	(35 888 392)	-	(35 888 392)	-	(35 888 392)
Total changes	1 711 491	1 257 877	2 969 368	(34 419 873)	(31 450 505)
Balance at 30 June 2015	**(35 410 031)**	**1 478 276**	**(33 931 755)**	**273 929 377**	**239 997 622**
Note(s)	17	18			

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		38 897 658	38 129 055
Grants		68 146 887	90 069 029
Interest income		345 876	453 120
Other receipts		5 179 502	6 699 889
		112 569 923	135 351 093
Payments			
Employee costs		(39 671 657)	(39 659 559)
Suppliers		(11 498 975)	(9 392 526)
Interest on late payments		(4 500 153)	(2 265 414)
Other payments		(19 864 190)	(19 600 383)
		(75 534 975)	(70 917 882)
Total receipts		112 569 923	135 351 093
Total payments		(75 534 975)	(70 917 882)
Net cash flows from operating activities	13	**37 034 948**	**64 433 211**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(18 230 393)	(22 519 830)
Proceeds from sale of property, plant and equipment	8	79 827	-
Net movemen in financial assets		(269 381)	(345 731)
Addition of Infrastructure		(18 339 624)	(41 355 821)
Net cash flows from investing activities		**(36 490 190)**	**(63 875 651)**
Cash flows from financing activities			
Movement in national treasury loan		-	(6 295 000)
Net increase/(decrease) in cash and cash equivalents		**544 758**	**(5 737 440)**
Cash and cash equivalents at the beginning of the year		1 416 091	7 153 531
Cash and cash equivalents at the end of the year	7	**1 960 849**	**1 416 091**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	46 255 773	2 744 000	**48 999 773**	38 537 358	**(10 462 415)**	
Rental of facilities and equipment	25 350	-	**25 350**	72 386	**47 036**	
Licences and permits	2 150 380	-	**2 150 380**	4 746 703	**2 596 323**	
Miscellaneous other revenue	244 774	-	**244 774**	1 088 084	**843 310**	
Interest received	4 683 571	-	**4 683 571**	9 023 295	**4 339 724**	
Interest received - investment	1 873 428	-	**1 873 428**	345 876	**(1 527 552)**	
Total revenue from exchange transactions	**55 233 276**	**2 744 000**	**57 977 276**	**53 813 702**	**(4 163 574)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5 129 626	4 130 000	**9 259 626**	7 591 736	**(1 667 890)**	
Transfer revenue						
Government grants & subsidies	62 975 000	-	**62 975 000**	86 714 027	**23 739 027**	
Fines, Penalties and Forfeits	3 880 673	-	**3 880 673**	674 940	**(3 205 733)**	
Total revenue from non-exchange transactions	**71 985 299**	**4 130 000**	**76 115 299**	**94 980 703**	**18 865 404**	
'Total revenue from exchange transactions'	55 233 276	2 744 000	**57 977 276**	53 813 702	**(4 163 574)**	
'Total revenue from non-exchange transactions'	71 985 299	4 130 000	**76 115 299**	94 980 703	**18 865 404**	
Total revenue	**127 218 575**	**6 874 000**	**134 092 575**	**148 794 405**	**14 701 830**	
Expenditure						
Personnel	(37 396 000)	(332 000)	**(37 728 000)**	(38 450 163)	**(722 163)**	
Remuneration of councillors	(4 390 617)	-	**(4 390 617)**	(5 906 237)	**(1 515 620)**	
Depreciation and amortisation	-	-	**-**	(31 338 717)	**(31 338 717)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(141 299)	**(141 299)**	
Finance costs	-	-	**-**	(4 500 153)	**(4 500 153)**	
Lease rentals on operating lease	(262 310)	-	**(262 310)**	(426 701)	**(164 391)**	
Bad debts written off	-	-	**-**	(18 637 847)	**(18 637 847)**	
Repairs and maintenance	(10 760 316)	(233 600)	**(10 993 916)**	(5 477 937)	**5 515 979**	
Bulk purchases	(24 535 740)	(1 053 000)	**(25 588 740)**	(28 427 300)	**(2 838 560)**	
General Expenses	(43 150 000)	(894 000)	**(44 044 000)**	(49 907 924)	**(5 863 924)**	
Total expenditure	**(120 494 983)**	**(2 512 600)**	**(123 007 583)**	**(183 214 278)**	**(60 206 695)**	
	6 723 592	4 361 400	**11 084 992**	(34 419 873)	**(45 504 865)**	
	-	-	**-**	-	**-**	
Deficit before taxation	**6 723 592**	**4 361 400**	**11 084 992**	**(34 419 873)**	**(45 504 865)**	
Surplus before taxation	6 723 592	4 361 400	**11 084 992**	(34 419 873)	**(45 504 865)**	
Taxation	-	-	**-**	-	**-**	

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
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**6 723 592**	**4 361 400**	**11 084 992**	**(34 419 873)**	**(45 504 865)**	
Reconciliation						

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These financial statements have been prepared based on the going concern basis

1.3 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables, held to maturity investments 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, held to maturity investments 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.

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 12 - Provisions. Provisions are measured using managements best estimates of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effects are material. Reliance was based on expert knowledge.

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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The 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 .

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.

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

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:

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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 is carried at cost less accumulated depreciation and any impairment losses except for which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated 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	Average useful life
Land	Indefinite
Buildings	30 years
Furniture and fittings	7 years
Office equipment	7 years
Computer software	5 years
Infrastructure	
• Roads	30 years
• Paving	20 years
• Electricity	20-30 years
• Water	15-20 years
Community	
• Buildings	30 years
• Recreation facilities	20-30 years
• Security Halls	5 years
Other property, plant and equipment	
• Other Vehicle	5 years
• Specialised plant and equipment	15 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Licenses and franchises	3 years
Computer software, other	3 years

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

1.7 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an municipality 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 municipality's statement of financial position.

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

1.7 Financial instruments (continued)

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 municipality 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 municipality 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.

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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.7 Financial instruments (continued)

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
Receivables from non-exchange and exchamge transaction	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Investments	Financial asset measured at fair value

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

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Payables from non-exchange and exchange transactions	Financial liability measured at fair value

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

Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Accounting Policies

1.7 Financial instruments (continued)

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 measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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.

Fair value measurement considerations

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

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

Reclassification

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

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.

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:

Accounting Policies

1.7 Financial instruments (continued)

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 Tax

VAT

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.9 Leases

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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.

Accounting Policies

1.10 Inventories (continued)

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

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

1.11 Impairment of cash-generating assets

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

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

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

A cash-generating unit is the smallest identifiable group of assets 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:

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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

1.12 Impairment of non-cash-generating assets

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

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

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

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

A cash-generating unit is the smallest identifiable group of assets 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.

Accounting Policies

1.12 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:

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.

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 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.

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.

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

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.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 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 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.

1.14 Employee benefits (continued)

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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

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.

1.14 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.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

1.15 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.

Accounting Policies

1.15 Provisions and contingencies (continued)

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 surplus.

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

A constructive obligation to restructure arises only when an 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 14.

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.

1.15 Provisions and contingencies (continued)

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.

1.16 Capital Commitments

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

Capital commitments are not recognised in the the financiial position as a liabilty, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the espenditure has been approved and the contract has been awarded at the reporting date
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

1.17 Revenue from exchange transactions

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

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

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.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

When 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 Charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and the connections, using the tariffs approved by Council and are levied monthly.

Other Revenue

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.18 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.

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.18 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are recognised as revenue and as assets.Services in-kind are services provided by individuals to the municipality in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind.
The municipality may be a recipient of services in-kind under voluntary or non-voluntary schemes operated in the public interest, for example:
(a) Technical assistance from other governments or international organisations;
(b) local governments may receive the services of volunteer fire fighters.
Due to the many uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, the municipality did not recognise any services in-kind however the services in-kind will be disclosed in the notes to the financial statements.
The disclosures will assist users to make informed judgements about the contribution made by such services to the achievement of the entity's objectives during the reporting period, and the entity's dependence on such services for the achievement of its objectives in the future

1.19 Investment income

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

1.20 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.

1.21 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.22 Comparative figures

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

Accounting Policies

1.23 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.

1.24 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.

1.25 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year 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.

1.26 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.29 Conditional grants and receipts

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

1.30 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.31 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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

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

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

1.32 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.

Accounting Policies

1.32 Related parties (continued)

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.

1.33 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.

Notes to the Financial Statements

Figures in Rand	2015	2014

2. Inventories

Water consumables	13 383	88 127
Stock General	46 865 294	46 979 874
Stock Electricity	360 535	440 715
	47 239 212	**47 508 716**

3. Receivables from exchange transactions

Trade debtors	685 525	677 883

Trade and other receivables pledged as security

No trade and other receivables were pledged as security.

4. Receivables from non-exchange transactions

Fines	164 740	171 425
Equitable share due by Treasury	13 540 000	-
Other receivables from non-exchange revenue	767 886	136 713
	14 472 626	**308 138**

5. VAT receivable

VAT	462 200	981 315

The municipality is registered on the cash basis. This means Vat is paid over to SARS only once cash is received or actual payments are made.

6. Consumer debtors

Gross balances		
Rates	7 580 435	6 402 643
Electricity	19 680 376	17 982 341
Water	28 677 950	24 270 969
Sewerage	11 513 387	10 006 275
Refuse	6 812 118	5 810 315
Other (specify)	41 881 765	35 712 913
	116 146 031	**100 185 456**
Less: Allowance for impairment		
Rates	(6 114 883)	(16 490 815)
Electricity	(12 990 793)	(32 234 941)
Water	(26 951 298)	(19 836 888)
Sewerage	(10 735 715)	(9 091 906)
Refuse	(6 151 599)	(4 959 222)
Other (specify)	(38 953 821)	(600 713)
	(101 898 109)	**(83 214 485)**

Notes to the Financial Statements

Figures in Rand	2015	2014

6. Consumer debtors (continued)

Net balance		
Rates	1 465 552	(10 088 172)
Electricity	6 689 583	(14 252 600)
Water	1 726 651	4 434 082
Sewerage	777 671	914 369
Refuse	660 519	851 093
Other (specify)	2 927 944	35 112 200
	14 247 920	**16 970 972**

Rates		
Current (0 -30 days)	330 610	412 198
31 - 60 days	1 134 942	310 708
61 - 90 days	-	292 992
91 - 120 days	-	285 646
121 - 365 days	-	(11 389 716)
	1 465 552	**(10 088 172)**

Electricity		
Current (0 -30 days)	2 504 016	1 327 774
31 - 60 days	4 185 567	843 121
61 - 90 days	-	538 124
91 - 120 days	-	501 035
121 - 365 days	-	(17 462 654)
	6 689 583	**(14 252 600)**

Water		
Current (0 -30 days)	486 606	1 586 131
31 - 60 days	1 240 045	409 117
61 - 90 days	-	345 292
91 - 120 days	-	370 118
121 - 365 days	-	1 723 424
	1 726 651	**4 434 082**

Sewerage		
Current (0 -30 days)	227 292	497 013
31 - 60 days	550 379	201 290
61 - 90 days	-	206 133
91 - 120 days	-	190 997
121 - 365 days	-	(181 064)
	777 671	**914 369**

Refuse		
Current (0 -30 days)	133 064	299 795
31 - 60 days	527 455	114 242
61 - 90 days	-	115 688
91 - 120 days	-	111 348
121 - 365 days	-	210 020
	660 519	**851 093**

Notes to the Financial Statements

Figures in Rand	2015	2014

6. Consumer debtors (continued)

Other (specify)		
Current (0 -30 days)	557 774	1 096 607
31 - 60 days	2 370 170	636 233
61 - 90 days	-	544 629
91 - 120 days	-	524 469
121 - 365 days	-	32 310 262
	2 927 944	**35 112 200**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(83 214 483)	(69 561 973)
Contributions to allowance	(18 683 627)	(13 652 510)
	(101 898 110)	**(83 214 483)**

Consumer debtors pledged as security

No Consumer Debtors were pledged as security during the year under review.

Figures in Rand	2015	2014

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	850	1 826
Bank balances	1 554 554	826 696
Short-term deposits	391 059	573 183
Other cash and cash equivalents	14 386	14 386
	1 960 849	**1 416 091**

cash at bank and short term deposits, excluding cash on hand

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the bank balance and cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of bank balance and cash were determined after considering the standard terms and conditions of agreements entered into betweeen the municipality and the financial institutions.

Short term deposits		
ABSA Bank - Call Account - 406-946-5550	1 810	191 021
ABSA Bank - Call Account - 407-406-9151	30 973	27 144
ABSA Bank - Call Account - 407-406-0920	2 752	2 731
ABSA Bank - Cheque - 406-045-1122	232 625	233 632
FNB - Fixed deposit - 710-3917-5594	22 306	21 199
FNB - Savings - 740-3742-6985	2 063	2 012
ABSA Bank - Fixed deposit - 205-937-3814	13 821	13 477
ABSA Bank - Call Account - 909-898-605	72 741	70 290
ABSA Bank - Fixed deposit - 477-232-21	11 970	11 675
	391 061	**573 181**

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 - 170-000-0032	2 025 638	866 955	1 174 600	1 554 554	826 696	1 174 600

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	63 178 460	(3 123 358)	60 055 102	63 178 460	(2 919 874)	60 258 586
Infrastructure	611 273 631	(313 145 045)	298 128 586	559 142 551	(257 055 309)	302 087 242
Community	128 272 715	(79 430 891)	48 841 824	128 272 715	(72 012 935)	56 259 780
Work-in-progress	20 083 800	-	20 083 800	21 132 450	-	21 132 450
Other assets	10 428 863	(4 217 525)	6 211 338	12 260 092	(4 222 306)	8 037 786
Total	**833 237 469**	**(399 916 819)**	**433 320 650**	**783 986 268**	**(336 210 424)**	**447 775 844**

Notes to the Financial Statements

Figures in Rand	2015	2014

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	60 258 586	-	-	-	(203 484)	-	60 055 10
Infrastructure	302 087 243	18 339 624	-	-	(21 057 331)	(1 240 950)	298 128 58
Community	56 259 780	-	-	-	(7 417 956)	-	48 841 82
Work-in-progress	21 132 450	17 290 975	-	(18 339 625)	-	-	20 083 80
Other assets	8 037 786	939 418	(79 827)	-	(2 686 039)	-	6 211 33
	447 775 845	**36 570 017**	**(79 827)**	**(18 339 625)**	**(31 364 810)**	**(1 240 950)**	**433 320 65**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	60 462 069	-	-	(203 483)	-	60 258 586
Infrastructure	280 492 077	41 355 820	-	(19 619 355)	(141 299)	302 087 243
Community	63 677 736	-	-	(7 417 956)	-	56 259 780
Work-in-progress	40 177 617	22 310 654	(41 355 821)	-	-	21 132 450
Other assets	9 760 947	209 177	(218 606)	(1 713 732)	-	8 037 786
	454 570 446	**63 875 651**	**(41 574 427)**	**(28 954 526)**	**(141 299)**	**447 775 845**

9. Payables from exchange transactions

Trade payables	74 967 104	46 905 736
Retention	6 874 597	6 474 529
Accrued bonus	2 086 859	1 720 919
Accrued expenses	5 200 093	2 587 967
VAT suspense	920 981	2 433 106
	90 049 634	**60 122 257**

10. Consumer deposits

Water and Electricity	1 810 400	1 722 769

No interest is paid on consumer deposits.

Notes to the Financial Statements

Figures in Rand	2015	2014

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	941 152	(398 174)
Bojanala Platinum District Municipality Grant	-	270 317
ACIP Grant	1 031 449	1
Library Grant	-	170 459
MSIG	(942)	(4 235)
Provincial Infrastructure Grant	4 127 767	4 127 767
Provincial Government Cleaning Campaign Project Grant	(48 081)	(48 081)
Regional Bulk Infrastructure	354 077	354 077
RDP Housing Projects	64 939	65 947
Expandable Public Works	1	900
	6 470 362	**4 538 978**

Movement during the year

Balance at the beginning of the year	4 993 826	10 504 084
Additions during the year	37 931 246	71 831 829
Income recognition during the year	(36 454 710)	(77 796 935)
	6 470 362	**4 538 978**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2015	2014

12. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	12 565 630	672 280	-	13 237 910
Provision for leave pay	2 649 399	837 904	(282 815)	3 204 488
Provision for long service awards	1 799 000	103 000	-	1 902 000
	17 014 029	**1 613 184**	**(282 815)**	**18 344 398**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	9 000 000	3 565 630	-	12 565 630
Leave reserve funds	2 472 155	264 306	(87 062)	2 649 399
Long service awards	1 799 000	-	-	1 799 000
	13 271 155	**3 829 936**	**(87 062)**	**17 014 029**

The provison is classified as a current liability as the municipality has not obtained a license to operate all three landfill sites as yet.

Wage curve agreement

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation. It is not practical to reliably estimate the amount of this payable prior to the outcome of the pending litigations

13. Cash generated from operations

Deficit	(34 419 873)	(17 257 149)
Adjustments for:		
Depreciation and amortisation	31 338 717	29 153 835
Impairment deficit	141 299	-
Debt impairment	18 637 847	(13 091 720)
Movements in retirement benefit assets and liabilities	(340 000)	13 809 000
Movements in provisions	1 330 370	5 541 874
Other non-cash items	3 639 764	44 598 006
Other non-cash items	(2 674 108)	19 842
Changes in working capital:		
Inventories	269 504	(43 724 372)
Receivables from exchange transactions	(7 643)	(37 329)
Consumer debtors	2 723 052	15 660 948
Other receivables from non-exchange transactions	(13 864 488)	(102 702)
Payables from exchange transactions	29 927 378	34 812 037
VAT	519 115	238 754
Unspent conditional grants and receipts	1 931 384	(5 268 287)
Consumer deposits	87 630	80 474
National Treasury liability	(2 205 000)	-
	37 034 948	**64 433 211**

Figures in Rand	2015	2014

14. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implements and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is been sued for violation of copyrights. The municipality's share of the potential claim amounts to R -. The associates lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and in currently able to meet all of it present obligations.

Litigation is in the process against the a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Contingent liabilities		
Mary-Ann Nomvula Mpopi- Opposing of the abitration award infavour of the employer	-	30 000
Andrew Manicus-Unfair labour practice dispute related to remuneration and post descrption	-	250 000
Maseko Joseph-application for Condonation in terms of clause 6,3 of SALGBCDPCCA	-	275 000
Abraham Molefe-Application for condonation in terms of clause 6,3 of SALGBCDPCCA	-	275 000
Steve Shokoane -Unfair labour practice	-	350 000
Modise and 5 Others- Application for condonation in terms of clause 6,3 SALGBCPCCA	-	275 000
Neo Motsatsi kalil- Allegation of financial miscounduct	-	450 000
Nel CEM -Disconnection of electricity	-	300 000
MJ Letsholo Vs KRLM- Damages	250 000	250 000
Rehabilitation costs of unlicensed landfill sites	13 237 910	12 565 630
Action on otstanding traffic fines	-	350 000
DuToit and others	304 000	304 000
Legal Opinion	-	49 959
	13 791 910	**15 724 589**

Notes to the Financial Statements

Figures in Rand	2015	2014

15. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	8 605 533	8 347 001
• Open Orders	-	458 256
	8 605 533	**8 805 257**

Total capital commitments		
Already contracted for but not provided for	8 605 533	8 805 257

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.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	277 507	227 256
- in second to fifth year inclusive	276 426	397 698
	553 933	**624 954**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

16. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	21 691 043	-	21 691 043	21 691 044	-	21 691 044

Reconciliation of investment property - 2015

	Opening balance	**Total**
Investment property	21 691 043	21 691 043

Reconciliation of investment property - 2014

	Opening balance	**Transfers**	**Fair value adjustments**	**Total**
Investment property	17 409 342	(37 599 884)	4 281 701	21 691 044

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.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

Figures in Rand	2015	2014

16. Investment property (continued)

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

17. Revaluation reserve

Opening balance	(37 121 522)	478 361
Change during the year	(35 888 392)	(37 599 883)
	37 599 883	-
	(35 410 031)	**(37 121 522)**

18. Capital replacement reserve

Opening balance	220 399	220 399
Change during the year	1 257 877	-
	1 478 276	**220 399**

19. Revenue

Service charges	38 537 358	36 573 538
Rental of facilities and equipment	72 386	61 769
Licences and permits	4 746 703	3 926 376
Miscellaneous other revenue	1 088 084	447 634
Interest received	9 023 295	6 508 273
Interest received - investment	345 876	453 120
Property rates	7 591 736	4 831 384
Government grants & subsidies	86 714 027	96 841 719
Fines, Penalties and Forfeits	674 940	445 840
Other transfer revenue 2	-	4 281 702
	148 794 405	**154 371 355**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	38 537 358	36 573 538
Rental of facilities and equipment	72 386	61 769
Licences and permits	4 746 703	3 926 376
Miscellaneous other revenue	1 088 084	447 634
Interest on investment	9 023 295	6 508 273
Interest received - investment	345 876	453 120
	53 813 702	**47 970 710**

Notes to the Financial Statements

Figures in Rand	2015	2014

19. Revenue (continued)

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

Taxation revenue		
Property rates	7 591 736	4 831 384
Transfer revenue		
Government grants & subsidies	86 714 027	96 841 719
Fines, Penalties and Forfeits	674 940	445 840
Other transfer revenue 2	-	4 281 702
	94 980 703	**106 400 645**

20. Property rates

Rates received

Property tax	7 591 736	4 831 384

21. Service charges

Sale of electricity	27 257 676	25 989 356
Sale of water	6 362 885	5 982 587
Sewerage and sanitation charges	3 205 422	3 000 669
Refuse removal	1 711 375	1 600 927
	38 537 358	**36 573 539**

Figures in Rand	2015	2014

22. Government grants and subsidies

Equitable share	50 398 000	46 026 000
Bojanala Financial Support Grant	540 636	3 946 396
Financial Management Grant	1 800 000	1 253 092
Library Grant	670 601	572 345
Municipal Infrastructure Grant	21 375 674	25 177 709
Municipal Systems Improvement Grant	930 707	896 093
Local Government SETA transfer	472 460	6 580 256
Expandable Public Works Programme Grant	1 782 152	1 000 000
ACIP grant	8 743 797	11 389 828
	86 714 027	**96 841 719**

Equitable Share

Municipal Infrastructure Grant

Balance unspent at beginning of year	(398 174)	3 693 660
Current-year receipts	22 715 000	21 083 000
Conditions met - transferred to revenue	(21 375 734)	(25 174 834)
	941 092	**(398 174)**

Conditions still to be met - remain liabilities (see note 11).

Bojanala Platinum District Municipality Grant

Balance unspent at beginning of year	270 317	1 187 420
Current-year receipt	-	3 080 000
Conditions met - transferred to revenue	(270 317)	(3 997 103)
	-	**270 317**

Conditions still to be met - remain liabilities (see note 11).

ACIP grant

Balance unspent at beginning of year	1	1
Current-year receipts	1 031 448	-
	1 031 449	**1**

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

Library Grant

Balance unspent at beginning of year	170 459	242 804
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(670 459)	(572 345)
	-	**170 459**

Conditions still to be met - remain liabilities (see note 11).

Municipal Systems Improvement Grant

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

Balance unspent at beginning of year	(4 235)	1 858
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(930 707)	(896 093)
	(942)	**(4 235)**

Conditions still to be met - remain liabilities (see note 11).

Provincial Infrastructure Grant

Balance unspent at beginning of year	4 127 767	5 755 562
Current-year receipts	-	4 480 000
Conditions met - transferred to revenue	-	(6 107 795)
	4 127 767	**4 127 767**

Conditions still to be met - remain liabilities (see note 11).

Financial Management Grant

Balance unspent at beginning of year	-	(396 908)
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 253 092)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Indigent Grant

Conditions still to be met - remain liabilities (see note 11).

Provincial Government Cleaning Campaign Project Grant

Balance unspent at beginning of year	(48 081)	(48 081)

Conditions still to be met - remain liabilities (see note 11).

Regional Bulk Infrastructure

Balance unspent at beginning of year	354 077	-
Current-year receipts	-	354 077
	354 077	**354 077**

Conditions still to be met - remain liabilities (see note 11).

RDP Housing Project

Balance unspent at beginning of year	65 947	66 906
Conditions met - transferred to revenue	(1 008)	(959)
	64 939	**65 947**

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

Expandable Public Works Programme Grant

Notes to the Financial Statements

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

Balance unspent at beginning of year	900	730 375
Current-year receipts	2 207 000	1 000 000
Conditions met - transferred to revenue	(2 207 900)	(1 729 475)
	-	**900**

Conditions still to be met - remain liabilities (see note 11).

23. General expenses

Advertising	816 462	932 197
Auditors remuneration	2 471 594	4 574 927
Bank charges	361 230	406 919
Cleaning	3 327 485	3 172 364
Consulting and professional fees	8 959 187	25 274 451
Consumables	1 013 330	1 215 823
Donations	-	1 275
Entertainment	332 710	223 214
Insurance	607 940	354 391
Fuel and oil	1 324 030	1 742 293
Postage and courier	1 067 200	625 664
Promotions	-	6 890
Protective clothing	143 622	364 873
Security (Guarding of municipal property)	4 789 402	2 227 021
Software expenses	3 047 224	1 860 424
Staff welfare	49 344	351 654
Subscriptions and membership fees	21 878	10 802
Telephone and fax	39 716	22 693
Training	527 140	437 595
Travel - local	1 475 701	546 634
Township development	17 248	81 140
Valuation Costs	210 526	722 096
Valuation Costs	1 746 293	425 518
Bursaries	401 827	-
Provision for bonus	1 841 887	2 758 238
Other expenses	15 314 948	27 300 520
	49 907 924	**75 639 616**

Notes to the Financial Statements

Figures in Rand	2015	2014

24. Employee related costs

Basic	25 959 002	23 144 650
Bonus	1 978 814	1 718 325
Medical aid - company contributions	2 232 928	6 251 822
UIF	232 882	208 676
SDL	313 812	266 207
Travel, motor car, accommodation, subsistence and other allowances	3 000	-
Overtime payments	1 530 436	1 099 872
Housing benefits and allowances	1 459 951	1 514 956
Contributions	4 210 966	3 860 280
Group life insurance	18 849	67 004
Standby Allowance	509 522	366 578
	38 450 162	**38 498 370**

Remuneration of Acting Municipal Manager

Annual Remuneration	678 410	678 410
Acting Alowance	106 100	394 964
Contributions to UIF, Medical and Pension Funds	11 123	10 497
Allowance	238 137	238 137
	1 033 770	**1 322 008**

Remuneration of Chief Financial Officer

Annual Remuneration	521 976	521 976
Contributions to UIF, Medical and Pension Funds	8 598	21 285
Travel allowance	173 992	173 992
Cellphone Allowance	12 000	12 000
	716 566	**729 253**

Remuneration of Executive Directors

Annual Remuneration	1 506 613	921 904
Contributions to UIF, Medical and Pension Funds	26 482	19 999
Travel Allowance	503 315	331 302
Cellphone Allowance	34 000	151 853
	2 070 410	**1 425 058**

25. Remuneration of councillors

Executive Mayor	2 524 909	1 912 026
Councillors	3 043 545	2 027 263
Councillors' pension contribution	337 783	221 900
	5 906 237	**4 161 189**

26. Debt impairment

Debt impairment	18 637 847	13 091 720

Notes to the Financial Statements

Figures in Rand	2015	2014

27. Investment revenue

Interest revenue		
Bank	345 876	453 120
	-	-
	345 876	453 120

28. Depreciation and amortisation

Property, plant and equipment	31 338 717	29 153 835

29. Interest on late payments

Trade and other payables	4 500 153	2 265 414

30. Auditors' remuneration

Fees	2 471 594	4 574 927

31. Rental of facilities and equipment

Premises		
Premises	63 443	53 337
Venue hire	8 943	8 380
	72 386	**61 717**
Premises	72 386	61 717
Garages and parking	-	-
Facilities and equipment	-	-

32. Bulk purchases

Electricity	27 622 765	20 405 869
Water	804 534	2 158 255
	28 427 299	**22 564 124**

33. Related parties

Transactions took place between the municipality and key management personnel or their close family members during the reporting period. Details relating remuneration of key personnel is disclosed in the employee related cost note.

Related party transactions

Purchases from (sales to) related parties		
Tlong Funeral Undertaker	29 950	8 000
Moedi wa Batho Consulting Engineers	8 743 797	11 389 829

During the year the municipality conducted a business with one of the member of council and key management personnel Cllr Naledi George and Mr Patric Kgosimore of Tlong Funeral Undertaker and Moedi wa batho Engineering retrospectivly which meet the defination of related party

	2015	2014

34. Prior period errors

Fixed Assets: Kgetlengrivier Local Municipality has received a disclaimer opinion in the prior year on Property Plant and Equipment due to valuation unit rates used on assets recognised prior to 2009-07-01.Kgetlengrivier Local Municipality has participated in the Provincial Treasury Support Program were assets was valued by Asset management experts being specialist engineers and chartered accountants.Financial statement figures has been retrospectively restated to provide the correct accounting effect of the chance in values of initial recognition using verifiable valuation rates. As at the prior 2013/14 financial year certain capitalisation accounts current expenditure was incorrectly captured. These corrections to accounts has also been corrected in the 2013/14 figures.

Traffic fines: In the Previous financial year fines were only recognised on the cash basis, although the accounting polcy was aligned to be complaint with GRAP 23 in the financial statemnt the policy was not correctly executed in that no estimate for fines and receivables was made . The comparativee figure for fines and receivables in previous years was restated to take this into account.

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

Statement of financial position		
Opening Accumulated Surplus	300 273 985	(139 734 636)
Adjustment of Property, Plant and Equipment	173 942 972	189 843 110
Investmen property	(35 888 393)	(375 998 884)
Intangible assets	(425 518)	425 518
Consumer debtors	-	(18 703 031)
Provision for post employment benefit	-	1 195 039
unidentified direct deposits	-	(9 258 121)
Inventory	1 245 463	-
Other liability	-	758 121
Unspent conditional grants	-	(1 275 768)
National treasury	-	8 500 000
Non-current assets held for sale	-	(3 140 000)
Statement of Financial Performance		
Decrease in General expense-Reclassification of EPWP incorrectly mapped	(900)	-
Adjustment in General Expense	(1 250 935)	-
Increase in General expenses	13 973 591	(1 241 231)
Grant revenue	(2 523 096)	-
Other Income	(329 973)	-
Depreciation _movables Equipment	(6 795)	-
Increase traffic fines	229 100	-
Employee costs	-	122 961
Bad debts	-	18 703 031

35. Unauthorised expenditure

Unauthorised expenditure	5 796 673	35 542 845

36. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	3 824 419	2 293 731

Fruitless and Wasteful expenditure relates to interest charges incurred on late payments to Eskom, Auditor General and Magalies water.

Notes to the Financial Statements

	2015	2014

37. Irregular expenditure

Opening balance	7 292 332	7 168 751
Add: Irregular Expenditure - current year	119 104	123 581
	7 411 436	**7 292 332**

Irregular expenditure is as a consequence of contravention to SCM policy.

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	17 174	15 230
Amount paid - current year	(15 675)	-
Amount paid - previous years	-	(15 230)
	1 499	**-**

Audit fees

Opening balance	5 665 938	1 879 542
Current year subscription / fee	2 499 345	3 786 396
Amount paid - current year	(581 423)	-
	7 583 860	**5 665 938**

PAYE and UIF

Opening balance	246 255	319 208
Current year subscription / fee	4 172 685	3 488 107
Amount paid - current year	(3 731 598)	-
Amount paid - previous years	-	(3 561 060)
	687 342	**246 255**

Pension and Medical Aid Deductions

Opening balance	5 459 637	700 201
Current year subscription / fee	3 551 249	9 173 169
Amount paid - current year	(3 167 524)	-
Amount paid - previous years	-	(4 413 733)
	5 843 362	**5 459 637**

VAT

VAT receivable	462 200	981 315
VAT payable	-	-
	462 200	**981 315**

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

	2015	2014

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

Councillors' arrear consumer accounts

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr OD Medupe	2 051	1 219	3 270
Cllr PR Zwede	378	5 403	5 781
Cllr ML Molefe	502	4 888	5 390
Cllr OS Molusi	277	1 519	1 796
Cllr KR Lekabe	1 858	-	1 858
Cllr JP Synman	2 318	-	2 318
Cllr PS Robinson	15 831	-	15 831
	23 215	**13 029**	**36 244**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr OD Medupe	376	-	376
Cllr TG Naledi	291	3 900	4 191
Cllr KR Lekabe	217	-	217
Cllr ML Molefe	296	6 583	6 879
Cllr PR Zwede	231	2 997	3 228
Cllr OS Molusi	1 525	-	1 525
	2 936	**13 480**	**16 416**

39. Distribution losses

Water distribution losses		
Kl lost	5 805	642 044
Electricity distribution losses		
Kwh lost	8 185 227	14 218 366
	8 191 032	**14 860 410**