Maluti-a-Phufung Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998
Mayoral committee	
Executive Mayor	Tshabalala VW
Mayoral committee	Gamede EN Khorai MI Lebesa MJ Mboso LA Mkwanazi TI Mokoena MJ Mokubung ML Mosia MM Mositi MC Nhlapo MA Thebe TR
Chief Whip	Thebe TR
Speaker	Nthedi AM
Councillors	Beukes PB Crocket M Hlatshwayo TF Khambule MA Khoapla NA Kleynhans LM Komako AM Lebesa MB Lebesana PJ Letoane SG Mahamuza LP Mahlambi TJ Mahlatsi A Majake MI Malinga DN Matjele MP Mavuso TM Mazibuko MR Mofana MM Mofokeng BD Mofokeng K Mofokeng MA Mohlabi ML Mohlekwa TR Mohoaladi ME Mojakisane NS Mokoena DJ Mokoena LE Mokotso GT Molaba TE Moloi L

General Information

	Moloi TD
	Mopeli MS
	Mopeli N
	Moseme LA
	Mosikidi MF
	Mosikili ST
	Motaung MM
	Motaung PM
	Motaung SJ
	Motloung MM
	Mpakathe MP
	Ndlovu VM
	Nhlapo DJ
	Nthedi AM
	Ramaseli FW
	Ramachela A
	Ramohloki IN
	Rantsane J
	Salamu MS
	Sefatsa DE
	Sehlako KM
	Semela DG
	Seobi MJ
	Sephula PE
	Shabalala M
	Taaso BM
	Thakhuli ND
	Tolofi ME
	Tshabalala VW
	Tsotetsi MJ
Municipal demarcation code	FS194
Grading of local authority	Grade 4
Capacity of local authority	High capacity
Chief Finance Officer (CFO)	Mofokeng MA
Accounting Officer	Taetsane TC
Registered office	Cnr Moremoholo and Motloung Street Setsing Business Centre Phuthaditjaba 9866
Postal address	Private Bag X805 Witsieshoek 9866
Bankers	First National Bank Ltd Standard Bank of South Africa
Auditors	Auditor-General of South Africa (Free State) Chartered Accountants (S.A.)

General Information

Attorneys

Balden and Vogel Partners
Breytenbach Mavuso Incorporated
Hill Mchardy and Herbst Incorporated
Peyper Attorneys
Rossouws Attorneys
Sunil Narian Incorporated
Uys Mathebula Attorneys

Index

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SoFPos	Statement of Financial Position
SoFPer	Statement of Financial Performance

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting 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 external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report.

The annual financial statements set out on pages 7 to 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on his behalf by:

Taetsane TC
Accounting officer

Phuthaditjhaba

31 August 2015

Audit Committee Report

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results for the year are fully set out in the Financial Statements.

Net deficit of the municipality was R 445 755 272 (2014: deficit R 261 432 677).

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had a deficit of R 445 755 272 (2014: R 261 432 679) and that the municipality's total current liabilities exceeded current assets by R 592 617 050.

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

The municipality is still exploring alternative options to improve its financial position. Although certain financial ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2015.

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 produce funding for the ongoing operations for the municipality. Government did not announce that it intends to cease funding to Maluti-a-Phofung.

3. Subsequent events

Equitable share was only paid after year end for the 2014/2015 financial year. The financial statements have been amended with this subsequent event.

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Taetsane TC

6. Interest in controlled entities

Name of controlled entity	Country of incorporation	Shareholding ratio
Maluti-A-Phofung Water SOC Ltd	RSA	100%

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	6 728 773	3 900 070
Receivables from exchange transactions	4	314 167 274	107 379 325
Other receivables from exchange transactions	5	6 861 562	6 436 957
Receivables from non-exchange transactions	6	177 071 362	7 831 275
VAT receivable		47 999 856	-
Inventories	7	2 339 758	192 154 000
Short term portion of long term receivable	13	1 213 652	9 101 090
		556 382 237	**326 802 717**
Non-Current Assets			
Investment property	8	42 163 277	42 519 902
Property, plant and equipment	9	2 993 040 188	3 179 466 373
Intangible assets	10	1 478	1 478
Heritage assets	11	4	4
Investments in controlled entities		300	300
Other financial assets	12	786 642	636 239
Long term receivable	13	361 409	710 156
		3 036 353 298	**3 223 334 452**
Total Assets		**3 592 735 535**	**3 550 137 169**
Liabilities			
Current Liabilities			
Bank overdraft	3	-	47 770 029
Payables from exchange transactions	14	1 127 647 242	567 152 208
VAT payable	15	-	16 188 424
Consumer deposits	16	11 721 031	11 732 591
Other financial liabilities	17	3 617 406	2 872 995
Finance lease obligation	18	-	398 987
Unspent conditional grants and receipts	20	1 786 608	2 480 879
Employee benefit obligation	19	4 227 000	3 751 000
		1 148 999 287	**652 347 113**
Non-Current Liabilities			
Other financial liabilities	17	9 872 082	13 762 196
Employee benefit obligation	19	24 803 000	26 861 000
Provisions	21	19 307 350	21 657 762
		53 982 432	**62 280 958**
Total Liabilities		**1 202 981 719**	**714 628 071**
Net Assets		**2 389 753 816**	**2 835 509 098**
Accumulated surplus		2 389 753 816	2 835 509 091

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	395 516 256	202 475 504
Rental income	24	850 030	967 908
Interest received - trading	23	16 771 406	23 362 272
Interest received - investment	23	1 115 593	2 805 297
Recoveries		833 609	-
Other income	25	446 589 827	4 783 204
Total revenue from exchange transactions		**861 676 721**	**234 394 185**
Revenue from non-exchange transactions			
Taxation revenue			
Fines		879 568	842 712
Property rates	26	120 001 428	167 544 300
Transfer revenue			
Government grants and subsidies	27	609 662 809	645 516 111
Total revenue from non-exchange transactions		**730 543 805**	**813 903 123**
Total revenue		**1 592 220 526**	**1 048 297 308**
Expenditure			
Employee related costs	28	(255 372 419)	(230 120 983)
Remuneration of councillors	29	(23 389 808)	(20 133 891)
Community project expenditure	30	(249 764 845)	(75 223 581)
Debt impairment	31	162 696 232	(183 812 900)
Depreciation and amortisation	32	(186 120 561)	(215 648 545)
Finance costs	33	(4 468 188)	(5 769 356)
Repairs and maintenance	34	(446 129 234)	(72 185 094)
Bulk purchases	35	(483 308 888)	(282 062 323)
Contracted services	36	(58 034 449)	(79 387 585)
Grants and subsidies paid	37	(100 222 159)	(80 000 000)
General expenses	38	(203 946 187)	(136 622 852)
Total expenditure		**(1 848 060 506)**	**(1 380 967 110)**
Operating deficit		**(255 839 980)**	**(332 669 802)**
Fair value adjustments		-	105 989
Inventories losses/write-downs		(189 915 292)	-
Surplus on distribution of non-cash assets to owners		-	71 131 134
		(189 915 292)	**71 237 123**
Deficit for the year		**(445 755 272)**	**(261 432 679)**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	**3 096 941 768**	**3 096 941 768**
Changes in net assets		
Surplus/(deficit) for the year	(261 432 677)	(261 432 677)
Total changes	(261 432 677)	(261 432 677)
Restated* Balance at 01 July 2014	**2 835 509 088**	**2 835 509 088**
Changes in net assets		
Surplus/(deficit) for the year	(445 755 272)	(445 755 272)
Total changes	(445 755 272)	(445 755 272)
Balance at 30 June 2015	**2 389 753 816**	**2 389 753 816**

Note(s)

* See Note 45

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		487 772 768	246 669 269
Grants		608 968 538	644 707 059
Interest income		1 115 593	2 805 297
Other income from exchange		279 912 947	19 565 267
		1 377 769 846	913 746 892
Payments			
Employee costs		(283 648 093)	(241 215 874)
Suppliers		(1 044 258 162)	(379 978 470)
Finance costs		(4 468 188)	(5 769 356)
		(1 332 374 443)	(626 963 700)
Net cash flows from operating activities	41	**45 395 403**	**286 783 192**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 688 163)	(310 340 916)
Proceeds from sale of property, plant and equipment	9	2 350 412	5 351 112
Proceeds from sale of financial assets		(150 403)	2
Proceeds from sale of long term receivable		8 236 185	8 977 237
Net cash flows from investing activities		**8 748 031**	**(296 012 565)**
Cash flows from financing activities			
Repayment of other financial liabilities		(3 145 703)	(2 866 683)
Finance lease payments		(398 987)	545 431
Net cash flows from financing activities		**(3 544 690)**	**(2 321 252)**
Net increase/(decrease) in cash and cash equivalents		**50 598 744**	**(11 550 625)**
Cash and cash equivalents at the beginning of the year		(43 869 959)	(32 319 334)
Cash and cash equivalents at the end of the year	3	**6 728 785**	**(43 869 959)**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference [note 55]
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	528 500 000	75 099 637	**603 599 637**	395 516 256	**(208 083 381)**	
Rental income	1 621 000	(679 000)	**942 000**	850 030	**(91 970)**	
Interest received - trading	30 000 000	(5 000 000)	**25 000 000**	16 771 406	**(8 228 594)**	
Recoveries	-	-	**-**	833 609	**833 609**	
Other income	82 399 465	5 656 108	**88 055 573**	446 589 827	**358 534 254**	
Interest received - investment	2 000 000	500 000	**2 500 000**	1 115 593	**(1 384 407)**	
Total revenue from exchange transactions	**644 520 465**	**75 576 745**	**720 097 210**	**861 676 721**	**141 579 511**	
Revenue from non-exchange transactions						
Taxation revenue						
Fines	3 500 000	(2 150 000)	**1 350 000**	879 568	**(470 432)**	
Property rates	204 500 000	(62 810 250)	**141 689 750**	120 001 428	**(21 688 322)**	
Transfer revenue						
Government grants and subsidies	403 188 000	-	**403 188 000**	609 662 809	**206 474 809**	
Total revenue from non-exchange transactions	**611 188 000**	**(64 960 250)**	**546 227 750**	**730 543 805**	**184 316 055**	
Total revenue	**1 255 708 465**	**10 616 495**	**1 266 324 960**	**1 592 220 526**	**325 895 566**	
Expenditure						
Employee related costs	(267 859 108)	13 684 353	**(254 174 755)**	(255 372 419)	**(1 197 664)**	
Remuneration of councillors	(22 100 000)	765 915	**(21 334 085)**	(23 389 808)	**(2 055 723)**	
Community project expenditure	(308 309 001)	(49 992 825)	**(358 301 826)**	(249 764 845)	**108 536 981**	
Depreciation and amortisation	(150 000 000)	50 000 000	**(100 000 000)**	(186 120 561)	**(86 120 561)**	
Finance costs	(6 000 000)	(1 600 000)	**(7 600 000)**	(4 468 188)	**3 131 812**	
Debt impairment	(15 000 000)	8 000 000	**(7 000 000)**	162 696 232	**169 696 232**	
Repairs and maintenance	(79 542 933)	5 477 933	**(74 065 000)**	(446 129 234)	**(372 064 234)**	
Bulk purchases	(350 000 000)	(50 000 000)	**(400 000 000)**	(483 308 888)	**(83 308 888)**	
Contracted services	(65 000 000)	(19 540 000)	**(84 540 000)**	(58 034 449)	**26 505 551**	
Grants and subsidies paid	(88 500 000)	-	**(88 500 000)**	(100 222 159)	**(11 722 159)**	
General expenses	(206 706 424)	(19 204 696)	**(225 911 120)**	(203 946 186)	**21 964 934**	
Total expenditure	**(1 559 017 466)**	**(62 409 320)**	**(1 621 426 786)**	**(1 848 060 505)**	**(226 633 719)**	
Operating deficit	**(303 309 001)**	**(51 792 825)**	**(355 101 826)**	**(255 839 979)**	**99 261 847**	
Inventories losses/write-downs	-	-	**-**	(189 915 292)	**(189 915 292)**	
Deficit before taxation	**(303 309 001)**	**(51 792 825)**	**(355 101 826)**	**(445 755 271)**	**(90 653 445)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(303 309 001)**	**(51 792 825)**	**(355 101 826)**	**(445 755 271)**	**(90 653 445)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference [note
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	2 339 758	2 339 758	
Other receivables from exchange transactions	15 000 000	(8 000 000)	7 000 000	6 861 562	(138 438)	
Receivables from non-exchange transactions	-	-	-	177 071 362	177 071 362	
VAT receivable	-	-	-	47 999 856	47 999 856	
Consumer debtors	-	-	-	314 167 274	314 167 274	
Short term portion of long term receivable	-	-	-	1 213 652	1 213 652	
Cash and cash equivalents	-	-	-	6 728 773	6 728 773	
	15 000 000	**(8 000 000)**	**7 000 000**	**556 382 237**	**549 382 237**	
Non-Current Assets						
Investment property	-	-	-	42 163 277	42 163 277	
Property, plant and equipment	308 309 000	49 992 826	358 301 826	2 993 040 188	2 634 738 362	
Intangible assets	-	-	-	1 478	1 478	
Heritage assets	-	-	-	4	4	
Investments in controlled entities	-	-	-	300	300	
Other financial assets	-	-	-	786 642	786 642	
Long term receivable	-	-	-	361 409	361 409	
	308 309 000	**49 992 826**	**358 301 826**	**3 036 353 298**	**2 678 051 472**	
Total Assets	**323 309 000**	**41 992 826**	**365 301 826**	**3 592 735 535**	**3 227 433 709**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	3 617 406	3 617 406	
Payables from exchange transactions	-	-	-	1 127 647 242	1 127 647 242	
Consumer deposits	-	-	-	11 721 031	11 721 031	
Employee benefit obligation	-	-	-	4 227 000	4 227 000	
Unspent conditional grants and receipts	-	-	-	1 786 608	1 786 608	
	-	**-**	**-**	**1 148 999 287**	**1 148 999 287**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	9 872 082	9 872 082	
Employee benefit obligation	-	-	-	24 803 000	24 803 000	
Provisions	-	-	-	19 307 350	19 307 350	
	-	**-**	**-**	**53 982 432**	**53 982 432**	
Total Liabilities	**-**	**-**	**-**	**1 202 981 719**	**1 202 981 719**	
Net Assets	**323 309 000**	**41 992 826**	**365 301 826**	**2 389 753 816**	**2 024 451 990**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference [note
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	323 309 000	41 992 826	**365 301 826**	2 389 753 816	**2 024 451 990**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in the note on Changes in accounting policy.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in a controlled entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the cost on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the surplus or deficit of the controlling entity is separately disclosed.

1.3 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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 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 balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

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 21 Provisions.

Useful lives of property, plant and equipment and other assets

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

Post employment 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. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

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

1.4 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
- administrative purposes; or
- sale in the ordinary course of operations.

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 can be measured reliably.

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

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item	**Useful life**
Land	Indefinite
Buildings	5 - 30 years

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

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

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

1.5 Property, plant and equipment

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

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are initially recognised 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 at no cost, or for a nominal cost, 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), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality 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.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	**Average useful life**
Land	Indefinite
Buildings	5 - 30 years
Infrastructure assets	3 - 100 years
Community	25 - 30 years
Other assets	3 - 20 years

The residual value, 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 municipality to amend the previous estimate; unless expectations differ from the previous estimate.

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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 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.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Accounting Policies

1.7 Intangible assets (continued)

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; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement 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.

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

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

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

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

Item	Useful life
Computer software	2 - 5 years

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

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

1.8 Heritage assets

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

Recognition

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

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Accounting Policies

1.8 Heritage assets (continued)

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.10 Financial instruments

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

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Other receivables	Financial asset measured at amortised cost
Long term receivables (current portion)	Financial asset measured at amortised cost
Long term receivables (non-current portion)	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised 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.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, 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 municipality measures all other financial assets and financial liabilities initially at fair value.

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

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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 in the case of a financial asset.

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

Accounting Policies

1.10 Financial instruments (continued)

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another 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).

1.11 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 building elements, the municipality assesses the classification of each element separately.

Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

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

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

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

Any contingent rents are recognised separately as revenue in the period in which they are received.

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.

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

Accounting Policies

1.12 Inventories (continued)

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.

1.13 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.14 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.

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses 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 municipality estimates the recoverable amount of that asset.

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

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

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

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

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

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

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

1.15 Impairment of non-cash-generating assets

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

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 municipality also tests 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 is tested for impairment before the end of the current reporting period.

Accounting Policies

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

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 asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.16 Statutory receivables

Statutory receivables are receivables that:
- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

1.16 Statutory receivables (continued)

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the defnition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been inccurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced 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 by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable 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.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit wihtin operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

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

The carrying amount of the transferred asset is 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 considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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 12 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 12 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 municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality 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 municipality during a reporting period, the municipality recognises 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, the municipality recognises 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 12 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.

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies

1.17 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes 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, the municipality attributes 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 municipality 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 municipality re-measures 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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

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) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are 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.

Accounting Policies

1.17 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards 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 municipality recognises 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 is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

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

1.18 Provisions and contingencies

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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 expenditure.

If the municipality 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 the municipality:

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Accounting Policies

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards; and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

1.19 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.20 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.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

Rendering of services

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

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

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the 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.

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

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

Measurement

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

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

Taxes (Property rates for municipalities)

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

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

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

Transfers

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Collection charges and penalties

Collection charges and penalty interest are recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

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

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

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

1.22 Borrowing costs

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

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

1.23 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:
- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:
- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
  - is an existing asset of the municipality; or
  - is an upgrade to an existing asset of the municipality.

Accounting Policies

1.23 Service concession arrangements: Grantor (continued)

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ''allocation'' otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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.

1.26 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.

Accounting Policies

1.27 Irregular expenditure

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

All expenditure relating to irregular 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.

1.28 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.29 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 42.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

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

1.30 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.31 Budget information

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

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

The annual 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

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

Accounting Policies

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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

GRAP 20: Related Parties

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

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

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

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

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

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

The standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

2. New standards and interpretations (continued)

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

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

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

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

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

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 103	5 535
Bank balances	4 383 237	-
Short-term deposits	1 681 139	1 684 162
Other cash and cash equivalents	662 294	2 210 373
Bank overdraft	-	(47 770 029)
	6 728 773	**(43 869 959)**

Current assets	6 728 773	3 900 070
Current liabilities	-	(47 770 029)
	6 728 773	**(43 869 959)**

None of the cash and cash equivalents have been pledged as security.

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
First National Bank - current	3 360 212	5 350 504	(8 690 990)	4 383 237	(47 770 029)	(37 970 227)
First National Bank - savings	662 302	1 905 042	3 325 443	662 294	2 210 373	3 325 443
Standard bank - short term deposits	1 681 139	1 684 162	-	1 681 139	1 684 162	-
Petty cash	2 096	5 535	-	2 103	5 535	-
Total	**5 705 749**	**8 945 243**	**(5 365 547)**	**6 728 773**	**(43 869 959)**	**(34 644 784)**

4. Receivables from exchange transactions

Gross balances		
Electricity	132 517 934	79 590 738
Water	260 078 004	177 676 956
Sewerage	104 139 989	67 286 601
Refuse	108 959 019	77 431 042
Sundry receivables	130 779 554	116 744 477
	736 474 500	**518 729 814**
Less: Allowance for impairment		
Electricity	(62 468 419)	(63 226 325)
Water	(174 492 015)	(170 793 139)
Sewerage	(69 068 591)	(65 083 332)
Refuse	(73 746 612)	(76 383 199)
Sundry receivables	(42 531 590)	(35 864 495)
	(422 307 227)	**(411 350 490)**
Net balance		
Electricity	70 049 515	16 364 413
Water	85 585 989	6 883 818
Sewerage	35 071 398	2 203 269
Refuse	35 212 407	1 047 843
Sundry receivables	88 247 965	80 879 982
	314 167 274	**107 379 325**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	2 215 238	14 406 277
31 - 60 days	26 309 027	1 958 136
61 - 90 days	10 322 831	-
91 - 120 days	31 202 419	-
	70 049 515	**16 364 413**

Water		
Current (0 -30 days)	26 980	5 491 162
31 - 60 days	10 020 319	1 392 656
61 - 90 days	9 177 889	-
91 - 120 days	66 360 801	-
	85 585 989	**6 883 818**

Sewerage		
Current (0 -30 days)	14 297	2 177 264
31 - 60 days	2 869 927	26 005
61 - 90 days	2 565 107	-
91 - 120 days	29 622 067	-
	35 071 398	**2 203 269**

Refuse		
Current (0 -30 days)	10 364	1 047 843
31 - 60 days	2 328 734	-
61 - 90 days	2 140 145	-
91 - 120 days	30 733 164	-
	35 212 407	**1 047 843**

Sundry receivables		
Current (0 -30 days)	8 252	80 879 982
31 - 60 days	162 809	-
61 - 90 days	159 411	-
91 - 120 days	105 185	-
121 - 365 days	87 812 308	-
	88 247 965	**80 879 982**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	90 540	17 726 702
31 - 60 days	13 381 016	9 139 584
61 - 90 days	11 299 616	7 848 629
91 - 120 days	572 891 144	442 777 270
	597 662 316	477 492 185
Less: Allowance for impairment	(273 430 939)	(405 328 523)
	324 231 377	**72 163 662**

Industrial/ commercial		
Current (0 -30 days)	2 192 943	169 548 962
31 - 60 days	19 068 308	3 198 883
61 - 90 days	5 980 857	1 538 120
91 - 120 days	85 089 748	65 527 654
	112 331 856	239 813 619
Less: Allowance for impairment	(49 454 062)	(67 548 280)
	62 877 794	**172 265 339**

National and provincial government		
Current (0 -30 days)	92 144	9 953 314
31 - 60 days	15 586 798	8 938 940
61 - 90 days	12 280 115	6 116 206
91 - 120 days	197 277 195	188 403 546
	225 236 252	213 412 006
Less: Allowance for impairment	(99 422 227)	61 526 314
	125 814 025	**274 938 320**

Total		
Current (0 -30 days)	2 375 627	197 228 978
31 - 60 days	48 036 122	21 277 406
61 - 90 days	29 560 588	15 502 955
91 - 120 days	656 502 165	284 720 475
	736 474 502	518 729 814
Less: Allowance for impairment	(422 307 228)	(411 350 489)
	314 167 274	**107 379 325**

Ageing of allowance for impairment		
Current (0 -30 days)	(1 074 859)	(480 219)
31 - 60 days	(23 321 393)	(9 125 258)
61 - 90 days	(14 571 215)	(7 434 996)
91 - 120 days	(383 339 761)	(394 310 017)
	(422 307 228)	**(411 350 490)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(350 576 972)	(338 276 910)
Contributions to allowance	(71 730 256)	(73 073 580)
	(422 307 228)	**(411 350 490)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

During the year no consumer receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from exchange transactions past due but not impaired

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

30 days	70 264 369	168 552 180
60 days	85 997 463	1 564 461

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

5. Other receivables from exchange transactions

Deposits - Eskom	2 676 860	2 503 610
TATS Electrical services	3 434 647	3 434 647
Other receivables	750 055	498 700
	6 861 562	**6 436 957**

Other receivables from exchange transactions

None of the other receivables from exchange transactions were pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables were neither past due nor due nor impaired.

None of the financial assets that are fully performing have been renegotiated in the last year.

6. Receivables from non-exchange transactions

Government grants and subsidies	106 210 000	-
Property rates	70 826 993	7 831 275
Sundry deposits	34 369	-
	177 071 362	**7 831 275**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. Receivables from non-exchange transactions (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions were neither past due nor due nor impaired.

Receivables from non-exchange transactions

Rates		
Gross balance	197 598 530	221 800 262
Less: Allowance for impairment	(126 771 537)	(213 968 988)
	70 826 993	**7 831 274**

Ageing of rates		
Current (0 - 30 days)	100 497	7 831 274
31 - 60 days	48 036 122	-
61 - 90 days	22 690 374	-
	70 826 993	**7 831 274**

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from non-exchange transactions past due but not impaired

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

1 month past due	100 497	7 831 274
2 months past due	48 036 122	-
> 3 months past due	22 690 374	-

Receivables from non-exchange transactions impaired

As of 30 June 2015, receivables from non-exchange transactions of R 126 771 537 (2014: R 213 968 988) were impaired and provided for.

The ageing of these receivables are as follows:

0 to 3 months	87 197 451	14 206 475

Reconciliation of allowance for impairment

Opening balance	(213 968 988)	(199 762 513)
Allowance for impairment	87 197 451	(14 206 475)
	(126 771 537)	**(213 968 988)**

7. Inventories

Consumable stores	2 339 758	2 238 708
RDP houses	-	189 915 292
	2 339 758	**192 154 000**

Inventory pledged as security

None of the inventories were pledged as security.

8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	45 729 533	(3 566 256)	42 163 277	45 729 533	(3 209 631)	42 519 902

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	42 519 902	(356 625)	42 163 277

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	42 876 528	(356 626)	42 519 902

Pledged as security

None of the above investment property have been pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	488 757 285	-	488 757 285	491 107 697	-	491 107 697
Buildings	166 665 945	(44 329 440)	122 336 505	166 665 944	(43 866 479)	122 799 465
Infrastructure	3 571 456 235	(2 209 971 952)	1 361 484 283	3 571 456 235	(2 026 680 418)	1 544 775 817
Community	405 509 917	(96 073 595)	309 436 322	405 509 918	(95 140 837)	310 369 081
Other assets	90 650 646	(62 571 398)	28 079 248	88 962 483	(61 494 715)	27 467 768
Work in progress	682 946 545	-	682 946 545	682 946 545	-	682 946 545
Total	**5 405 986 573**	**(2 412 946 385)**	**2 993 040 188**	**5 406 648 822**	**(2 227 182 449)**	**3 179 466 373**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	491 107 697	-	(2 350 412)	-	488 757 285
Buildings	122 799 466	-	-	(462 961)	122 336 505
Infrastructure	1 544 775 817	-	-	(183 291 534)	1 361 484 283
Community	310 369 080	-	-	(932 758)	309 436 322
Other assets	27 467 768	1 688 163	-	(1 076 683)	28 079 248
Work in progress	682 946 545	-	-	-	682 946 545
	3 179 466 373	**1 688 163**	**(2 350 412)**	**(185 763 936)**	**2 993 040 188**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	496 759 053	-	-	-	(5 651 356)	-	491 107 697
Buildings	127 813 831	529 607	-	-	-	(5 543 972)	122 799 466
Infrastructure	1 692 858 517	34 809 367	-	-	-	(182 892 067)	1 544 775 817
Community	321 562 172	-	-	-	-	(11 193 092)	310 369 080
Other assets	45 914 845	3 545 097	(5 351 112)	30	-	(16 641 092)	27 467 768
Work in progress	437 119 750	271 456 845	-	(25 630 050)	-	-	682 946 545
	3 122 028 168	**310 340 916**	**(5 351 112)**	**(25 630 020)**	**(5 651 356)**	**(216 270 223)**	**3 179 466 373**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	964 039	(962 561)	1 478	964 039	(962 561)	1 478

Reconciliation of intangible assets - 2015

	Opening balance	Total
Computer software	1 478	1 478

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	106 246	(104 768)	1 478

Pledged as security

None of the above intangible assets have been pledged as security.

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

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral ornaments, paintings and art galleries	4	-	4	4	-	4

Reconciliation of heritage assets 2015

	Opening balance	Total
Mayoral ornaments, paintings and art galleries	4	4

Reconciliation of heritage assets 2014

	Opening balance	Other changes, movements	Total
Mayoral ornaments, paintings and art galleries	40	(36)	4

Pledged as security

None of the above heritage assets have been pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Other financial assets

Designated at fair value		
Sanlam shares	393 131	365 930
Santam life policy	393 512	270 309
	786 643	**636 239**

Non-current assets		
Designated at fair value	786 642	636 239

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Listed shares	393 131	365 930
Level 2		
Life policy	393 512	270 309
	786 643	**636 239**

13. Long term receivable

Non-current portion of long term receivables	361 409	710 156
Current portion of long term receivables	1 213 652	9 101 090
	1 575 061	**9 811 246**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

14. Payables from exchange transactions

Maluti-a-Phofung Water payable	87 270 399	82 601 754
Accrued leave pay	23 264 919	27 325 809
Accrued bonus	6 238 919	5 481 895
Deposits received	81 563	72 713
Trade payables	963 462 225	328 804 917
Payments received in advance	47 329 217	122 865 120
	1 127 647 242	**567 152 208**

15. VAT payable

VAT payables	-	16 188 424

16. Consumer deposits

Electricity and water	11 721 031	11 732 591

No interest accrues on the balance of the consumer deposits held by the municipality.

17. Other financial liabilities

At amortised cost		
Annuity loans	13 489 488	16 635 191
All annuity loans are from the Development Bank of South Africa and repayments are made on a six monthly basis.		
The average interest rate amounts to 12% per annum and the last loan is redeemable at 31 December 2021.		
Non-current liabilities		
At amortised cost	9 872 082	13 762 196
Current liabilities		
At amortised cost	3 617 406	2 872 995

18. Finance lease obligation

Minimum lease payments due		
- within one year	-	431 860
	-	431 860
less: future finance charges	-	(32 872)
Present value of minimum lease payments	**-**	**398 988**
Present value of minimum lease payments due		
- within one year	-	398 988

A contract was entered into by the municipality on 7 May 2012 with Bytes Document Solutions (Pty) Ltd for 26 multi-functional printers. The monthly rental amounts to R59 840, excluding VAT with a 0% escalation per annum as calculated from the commencement date.

Figures in Rand	2015	2014

19. Employee benefit obligations

Defined benefit plan

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Employee benefit obligations

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowance calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The liability was calculated by ZAC actuaries.

Actuarial valuation on post-employement medical aid benefit was performed by ZAC actuaries. The valuation considerred all in service employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employement medical aid subsidy.

It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

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

	2015	2014
Carrying value		
Present value of long service liability	(17 135 000)	(18 322 000)
Present value of post-employment medical aid liability	(11 895 000)	(12 290 000)
	(29 030 000)	**(30 612 000)**
Non-current liabilities	(24 803 000)	(26 861 000)
Current liabilities	(4 227 000)	(3 751 000)
	(29 030 000)	**(30 612 000)**

Changes in the present value of the long service liability are as follows:

	2015	2014
Opening balance	18 322 000	16 797 000
Benefits paid	(1 052 000)	(1 967 000)
Net expense recognised in the statement of financial performance	(135 000)	3 492 000
	17 135 000	**18 322 000**

Net expense of the long service liability recognised in the statement of financial performance

	2015	2014
Current service cost	2 669 000	2 531 000
Interest cost	1 482 000	1 146 000
Actuarial (gains) losses	(4 286 000)	(185 000)
	(135 000)	**3 492 000**

Changes in the present value of the post-employment medical aid liability are as follows:

	2015	2014
Opening balance	12 290 000	11 181 000
Benefits paid	(672 000)	(515 000)
Net expense recognised in the statement of financial performance	277 000	1 624 000
	11 895 000	**12 290 000**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

19. Employee benefit obligations (continued)

Net expense of the post-employment medical aid liability recognised in the statement of financial performance

	2015	2014
Current service cost	90 000	159 000
Interest cost	1 061 000	791 000
Actuarial gains (losses)	(874 000)	674 000
	277 000	**1 624 000**

Key assumptions used

Assumptions used at the reporting date for the post-employment medical aid liability and long service award liability:

Discount rates used	Yield curve	8,87 %
Consumer price inflation	Difference between nominal and yield curves	6,47 %
Health care cost inflation	CPI + 1%	7,97 %
Net discount rate	Yield curve based	0,83 %
Salary increase rate	CPI + 1%	7,18 %
Mortality	SA85-90	SA85-90
Average retirement age	63	63

Other assumptions

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

	20% point increase	**20% point decrease**
Effect on the aggregate of the service cost	137 000	113 000
Effect on defined benefit obligation	12 995 000	11 029 000
Effect on the aggregate of the interest cost	1 165 000	984 000

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Post-employment medical aid liability	11 895 000	12 290 000	11 181 000	9 344 000	8 480 000
Experience adjustments on plan liabilities	(1 582 000)	2 634 000	311 000	541 000	608 000
Long service awards obligation	17 135 000	18 322 000	16 797 000	-	-

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural development project houses	-	2 030 879
Municipal Infrastructural Grant	1 786 608	-
Operation Hlasela projects	-	450 000
	1 786 608	**2 480 879**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

20. Unspent conditional grants and receipts (continued)

Movement during the year

	2015	2014
Balance at the beginning of the year	2 480 879	7 044 879
Additions during the year	217 063 828	681 262 644
Income recognised during the year	(217 758 099)	(685 826 644)
	1 786 608	**2 480 879**

See note 27 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand

21. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation - landfill sites	21 657 762	(2 350 412)	19 307 350

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation - landfill sites	25 713 775	1 595 343	(5 651 356)	21 657 762

The rehabiliation cost provision is for the rehabilitation programme of the landfill sites of the municipality. It is required from the municipality to execute an envionmental management program to restore the landfill site after its useful life. The sites under consideration are Harrismith and Phuthaditjhaba. Both landfill sites accept only general waste. These sites are both operational, only Harrismith has a permit in terms of Section 20 of the Enviornmental Conservation Act (Act 73 of 1989).

In order to determine the rehabilitation costs of each site the minimum requirements issued by the Department of Water Affairs (DWA) was used as guideline for the design of the capping layer as well as the capacity of the storm water drainage system. If a site is permitted/licensed, the relevant rehabilitation requirements are obtained from the above documentation according to the site's classification or as required in each permit. If a site is unpermitted / unlicensed, the classification is assumed according to the volume of waste received per day at the site, the type of waste received and the climatic region in which the site is located, i.e. the factors that determine the classification of the licensed site.

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using CPI. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at 30 June 2017 for the Phuthaditjaba landfill site and 30 June 2024 for the Harrismith landfill site.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Service charges

Sale of electricity	247 301 726	87 472 707
Sale of water	83 542 306	61 986 702
Sewerage and sanitation charges	36 971 987	31 328 574
Refuse removal	27 700 237	21 687 521
	395 516 256	**202 475 504**

23. Interest received

Interest earned on arrear accounts	16 771 406	23 362 272
Interest earned on investments	1 115 593	2 805 297
	17 886 999	**26 167 569**

24. Rental income

Rental on:		
Premises	662 353	646 678
Facilities	187 678	321 230
	850 031	**967 908**

25. Other income

Accompanying vehicles	27 975	20 579
Advertising	123 912	50 430
Blockages	-	5 649
Call out fees	273 880	366 137
Clearance certificate	33 678	30 640
Commission received	(67 071)	50 396
Connection and reconnection fees	1 528 108	372 331
Conservancy services	17 099	12 434
Income from festivals	1 704 992	130 155
Income from valuations	74 682	45 774
Insurance claims received	-	493 921
Medical aid income	452 634	441 204
Other income (library fees, notice fees, licences and other income)	8 165	455 283
Entrance fees	71 913	-
Building plan fees	281 642	-
Encroachment fees	10 034	-
Creditors write off	438 057 033	-
Cemetary fees	280 440	-
Photocopies	6 546	13 316
Private work	-	7 127
Sale of erven	1 885 461	404 241
Sale of tender documents	354 995	227 712
Searching fees	23 650	21 754
Storage fees	774 264	1 413 491
Sundry credits	353 967	59 783
Telephone income	6 185	1 834
Training income	305 644	159 013
	446 589 828	**4 783 204**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Property rates

Rates

Residential	6 129 792	8 693 608
Commercial	29 317 913	26 445 421
National and Provincial Government	84 553 723	132 405 271
	120 001 428	**167 544 300**

Valuations

Residential	2 750 051 684	3 681 163 556
Commercial	3 283 987 981	1 369 826 546
National and Provincial Government	1 501 541 348	1 295 375 504
Municipal	335 320 686	303 727 474
	7 870 901 699	**6 650 093 080**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Government grants and subsidies

Operating grants

Equitable Share	392 155 000	355 227 000
Financial Management Grant	1 600 000	1 550 000
Municipal System Improvement Grant	934 000	890 000
Water Service Operating Subsidy Grant	8 500 000	5 000 000
	403 189 000	**362 667 000**

Capital grants

Extended Public Works Programme Incentive Grant	4 866 000	12 569 959
Integrated National Electrification Programme ESKOM	11 300 000	20 000 000
Municipal Infrastructural Grant	154 260 392	197 323 000
Sterkfontein / Regional Bulk Infrastructural Grant	31 548 317	50 507 052
Rural Household Infrastructure Grant	4 499 100	2 449 100
	206 473 809	**282 849 111**
	609 662 809	**645 516 111**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	301 478 100	365 116 100
Unconditional grants received	201 974 709	280 400 011
	503 452 809	**645 516 111**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 285 945 000 (2014: R 355 277 000), which is funded from the grant.

Financial Management Grant

Current - year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

Conditions were met during the year.

In terms of the Constitution, this grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Municipal System Improvement Grant

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

Conditions were met during the year.

In terms of the Constitution, this grant is used to building the capacity of municipalities to implement sound institutional and governance systems required in terms of local government legislation.

Rural Household Infrastructure Grant

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Government grants and subsidies (continued)

Balance unspent at beginning of year	2 030 879	5 316 229
Current - year receipts	4 500 000	-
Conditions met - transferred to revenue	(4 499 100)	(2 449 100)
Other	(2 031 779)	(836 250)
	-	**2 030 879**

Conditions were met during the year.

In terms of the Constitution, this grant is used to provide funding for the creation of sustainable human settlements, improved access to basic water and sanitation in rural areas.

Municipal Infrastructural Grant

Current - year receipts	156 047 000	197 323 000
Conditions met - transferred to revenue	(154 260 392)	(197 323 000)
	1 786 608	**-**

Conditions still to be met - remain liabilities (see note 20).

In terms of the Constitution, this grant is used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Installation and Maintenance of Security Grant

Balance unspent at beginning of year	-	698 736
Current - year receipts	698 736	-
Other	(698 736)	(698 736)
	-	**-**

Conditions were met during the year.

In terms of the Constitution, this grant is used to for the installation and maintenance of security around Lesotho and Maluti-a-Phofung border.

Integrated National Electrification Programme ESKOM

Current - year receipts	11 300 000	20 000 000
Conditions met - transferred to revenue	(11 300 000)	(20 000 000)
	-	**-**

Conditions were met during the year.

In terms of the Constitution, this grant is used to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Operation Hlasela Grant

Balance unspent at beginning of year	450 000	450 000
Other	(450 000)	-
	-	**450 000**

Conditions were met during the year.

In terms of the constitution, this grant is used to provide funding for the creation of sustainable human settlements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Government grants and subsidies (continued)

Water Service Operating Subsidy Grant

Current - year receipts	8 500 000	5 000 000
Conditions met - transferred to revenue	(8 500 000)	(5 000 000)
	-	-

Conditions were met during the year.

In terms of the Constitution, this grant is used to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department.

Extended Public Works Programme Incentive Grant

Balance unspent at beginning of year	-	2 359 953
Current - year receipts	4 866 000	10 210 000
Conditions met - transferred to revenue	(4 866 000)	(12 569 953)
	-	-

Conditions were met during the year.

In terms of the Constitution, this grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Sterkfontein / Regional Bulk Infrastructural Grant

Current - year receipts	31 548 317	50 507 052
Conditions met - transferred to revenue	(31 548 317)	(50 507 052)
	-	-

Conditions were met during the year.

In terms of the Constitution, the grant can be used to build enabling infrastructure required to connect water resources over significant distances with bulk and reticulation systems.

28. Employee related costs

Basic	154 015 185	145 172 082
Bonus	9 843 317	7 332 807
Medical aid - company contributions	9 395 532	8 683 282
UIF	1 611 860	1 403 464
WCA	4 326 464	3 147 087
SDL	2 503 011	2 072 596
Leave pay provision charge	(147 197)	6 638 409
Group life insurance	708 431	585 849
Defined contribution plans	24 626 142	16 749 840
Travel, motor car, accommodation, subsistance and other allowances	3 532 225	2 147 263
Overtime payments	26 862 687	20 220 958
Acting allowances	571 178	792 592
Car allowance	5 059 365	4 877 845
Housing benefits and allowances	677 840	652 460
Telephone / cellphone allowance	656 500	480 182
Standby allowance	1 438 060	803 246
Bargaining council contribution	91 510	86 597
Tool allowance	-	240
Long-term benefits - incentive scheme	(151 553)	(107 718)
	245 620 557	**221 739 081**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Employee related costs (continued)

Remuneration of TC Taetsane - Municipal Manager

Annual remuneration	1 395 569	910 643
Travel allowance	422 474	129 437
Cellphone allowance	24 000	17 500
Contributions to UIF, medical and pension funds	-	47 297
Leave payout	-	42 638
	1 842 043	**1 147 515**

Mr TC Taetsane started acting from September 2013 to December 2013 and was appointed as Municipal Manager from January 2014. Before that Mr LMD Ntombela was appointed.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of MA Mofokeng - Chief Finance Officer

Annual remuneration	1 185 282	350 668
Travel allowance	8 106	-
Cellphone allowances	18 000	4 500
Contributions to UIF, medical and pension funds	1 785	-
	1 213 173	**355 168**

No CFO was appointed during the year and various senior employees acted as CFO. Mr MA Mofokeng was appointed as CFO
from April 2014 to June 2014.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of HW Ungerer - Director of Municipal Infrastructure

Annual remuneration	887 701	813 804
Travel allowance	222 908	199 804
Cellphone allowances	18 000	18 000
Contributions to UIF, medical and pension funds	45 201	54 820
	1 173 810	**1 086 428**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of FP Mothamaha - Director of Local Economic Development and Tourism

Annual remuneration	651 180	608 150
Travel allowance	320 764	216 604
Cellphone allowances	-	18 000
Contributions to UIF, medical and pension funds	172 362	130 397
	1 144 306	**973 151**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Employee related costs (continued)

Remuneration of MW Matjele - Director of Public Safety

Annual remuneration	744 749	693 684
Travel allowance	251 825	199 805
Cellphone allowances	18 000	18 000
Contributions to UIF, medical and pension funds	167 751	158 507
	1 182 325	**1 069 996**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of Director of Parks, Sports, Recreation, Arts and Culture

Annual remuneration	-	492 144
Travel allowance	-	160 000
Cellphone allowances	-	12 000
Contributions to UIF, medical and pension funds	-	8 365
	-	**672 509**

There was no director or person acting in the capacity of the Director of Parks, Sports, Recreation, Arts and Culture from January 2014 till reporting date.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of PP Sesele - Director of Community Services

Annual remuneration	804 042	751 502
Travel allowance	176 263	173 313
Cellphone allowances	18 000	18 000
Contributions to UIF, medical and pension funds	134 602	135 864
	1 132 907	**1 078 679**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of PM Hleli - Director of Housing, Spatial development and Planning

Annual remuneration	761 543	675 323
Travel allowance	215 251	155 458
Cellphone allowances	18 000	18 000
Contributions to UIF, medical and pension funds	23 066	151 673
	1 017 860	**1 000 454**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Employee related costs (continued)

Remuneration of Mhlambi SB - Director of Corporate Services

Annual remuneration	838 519	832 487
Travel allowance	188 919	145 730
Cellphone allowances	18 000	18 000
Contributions to UIF, medical and pension funds	-	1 785
	1 045 438	**998 002**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Summary of employee related costs

Employee cost	245 620 557	221 739 081
Remuneration of TC Taetsane - Municipal Manager	1 842 043	1 147 515
Remuneration of MA Mofokeng - Chief Finance Officer	1 213 173	355 168
Remuneration of HW Ungerer - Director of Municipal Infrastructure	1 173 810	1 086 428
Remuneration of FP Mothamaha - Director of Local Economic Development and Tourism	1 144 306	973 151
Remuneration of MW Matjele - Director of Public Safety	1 182 325	1 069 996
Remuneration of Director of Parks, Sports, Recreation, Arts and Culture	-	672 509
Remuneration of PP Sesele - Director of Community Services	1 132 907	1 078 679
Remuneration of PM Hleli - Director of Housing, Spatial development and Planning	1 017 860	1 000 454
Remuneration of Mhlambi SB - Director of Corporate Services	1 045 438	998 002
	255 372 419	**230 120 983**

29. Remuneration of councillors

Executive Mayor	787 777	221 617
Speaker	613 472	702 265
Mayoral Committee Members	5 073 871	6 270 472
Councillors	16 914 688	12 939 537
	23 389 808	**20 133 891**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

29. Remuneration of councillors (continued)

2015	Annual remuneration	Travel allowance	Cellphone allowance	Data allowance	Municipal contribution	Total
Executive Mayor - Tshabalala VW	671 671	-	41 820	3 600	70 686	787 777
Speaker - Nthedi AM	373 554	144 276	20 868	3 600	71 175	613 473
Chief Whip - Thebe TR	364 906	134 602	20 868	3 600	52 670	576 646
Mayoral Committee Member - Gamede EN	594 097	-	20 868	3 600	24 327	642 892
Mayoral Committee Member - Mohlekwa TR	130 936	53 841	20 868	3 600	36 094	245 339
Mayoral Committee Member - Majake MI	145 962	53 841	20 868	3 600	21 068	245 339
Mayoral Committee Member - Mopeli N	145 962	53 841	20 868	3 600	21 068	245 339
Mayoral Committee Member - Mkhwanazi T	541 927	-	20 868	3 600	-	566 395
Mayoral Committee Member - Mokoena MJ	349 880	134 602	20 868	3 600	67 646	576 596
Mayoral Committee Member - Motaung SJ	145 962	53 841	20 868	3 600	21 068	245 339
Mayoral Committee Member - Mokubung ML	364 905	134 602	20 868	3 600	52 670	576 645
Mayoral Committee Member - Mositi MC	349 880	134 602	20 868	3 600	67 696	576 646
Mayoral Committee Member - Mosia MM	349 880	134 602	20 868	3 600	67 696	576 646
Councillors						
Beukes PB	239 292	-	22 607	3 900	-	265 799
Crockett SM	130 936	53 841	20 868	3 600	36 094	245 339
Hlatshwayo TF	186 966	8 798	20 868	3 600	26 943	247 175
Kambule MA	183 756	-	20 868	3 600	39 875	248 099
Khoapha NA	194 616	-	20 868	3 600	28 091	247 175
Khoarai MI	416 543	154 396	20 868	3 600	60 416	655 823
Kleinhans LM	22 950	8 798	3 478	600	3 443	39 269
Komako AM	145 962	53 841	20 868	3 600	21 068	245 339
Lebesa MB	145 962	53 841	20 868	3 600	21 068	245 339

29. Remuneration of councillors (continued)

Lebesa MJ	349 880	134 602	20 868	3 600	67 696	576 646
Lebesana PJ	130 936	53 841	20 868	3 600	36 090	245 335
Letaoane TT	194 616	-	20 868	3 600	28 090	247 174
Letooane SG	185 451	36 246	20 868	3 600	-	246 165
Mahamuza LP	145 962	53 841	20 868	3 600	21 068	245 339
Mahlambi TJ	145 962	53 841	20 868	3 600	21 068	245 339
Mahlatsi A	165 423	32 304	20 868	3 600	23 877	246 072
Malinga DN	223 808	-	20 868	3 600	-	248 276
Matjele MP	145 962	53 841	20 868	3 600	21 068	245 339
Mavuso TM	145 962	53 841	20 868	3 600	21 068	245 339
Mazibuko MR	194 616	-	20 868	3 600	28 090	247 174
Mboso LA	486 541	-	20 868	3 600	70 227	581 236
Mofana MM	145 962	53 841	20 868	3 600	21 068	245 339
Mofokeng BD	165 423	32 304	20 868	3 600	23 877	246 072
Mofokeng K	194 616	-	20 868	3 600	28 090	247 174
Mofokeng MA	127 066	-	12 173	2 100	-	141 339
Mohlabi ML	28 688	10 997	1 739	300	4 303	46 027
Mohoaladi ME	150 397	32 304	20 868	3 600	38 903	246 072
Mojakisane NS	145 962	53 841	20 868	3 600	21 068	245 339
Mokoena DJ	145 962	53 841	20 868	3 600	21 068	245 339
Mokoena LE	145 962	53 841	20 868	3 600	21 068	245 339
Mokotso GT	266 450	100 027	20 868	3 600	39 141	430 086
Molaba TE	145 962	53 841	20 868	3 600	21 068	245 339
Moloi L	145 962	53 841	20 868	3 600	21 068	245 339
Moloi TD	160 403	-	13 912	2 400	-	176 715
Mopeli MS	194 616	-	20 868	3 600	28 090	247 174
Moseme LA	145 962	53 841	20 868	3 600	21 068	245 339
Mosikidi MF	223 808	-	20 868	3 600	-	248 276
Mosikidi TJ	194 616	-	20 868	3 600	28 091	247 175
Mosikili ST	109 113	44 515	17 390	3 000	29 941	203 959
Motaung ME	194 616	-	20 868	3 600	28 090	247 174
Motaung PM	180 069	-	20 868	3 600	42 910	247 447
Motloung MM	130 936	53 841	20 868	3 600	36 090	245 335
Mpakathe MP	176 654	45 043	20 868	3 600	-	246 165
Ndlovu VM	145 962	53 841	20 868	3 600	21 068	245 339
Nhlapo DJ	194 371	-	19 129	3 300	9 730	226 530
Nhlapo MA	364 906	134 602	20 868	3 600	52 670	576 646
Ramakarane TA	928 579	-	-	-	-	928 579
Ramaseli FW	94 092	-	3 478	600	-	98 170
Ramochela A	194 616	-	20 868	3 600	28 090	247 174
Ramohloki IN	282 710	-	20 868	3 600	-	307 178
Rantsane J	194 616	-	20 868	3 600	28 090	247 174
Salamu MS	194 616	-	20 868	3 600	28 090	247 174
Sefatsa DE	37 301	-	3 478	600	-	41 379
Sehlako KM	121 635	44 515	17 390	3 000	17 419	203 959
Semela DG	223 808	-	20 868	3 600	-	248 276
Seobi MJ	145 962	53 841	20 868	3 600	21 068	245 339
Sephula PE	194 616	-	20 868	3 600	28 090	247 174
Shabalala M	149 787	49 442	20 868	3 600	21 640	245 337
Taaso BM	194 616	-	20 868	3 600	28 090	247 174
Thakhuli ND	194 616	-	20 868	3 600	28 090	247 174
Tolofi ME	135 102	53 841	20 868	3 600	32 490	245 901
Tsotsetsi MJ	349 880	134 602	20 868	3 600	67 696	576 646
	16 572 620	**3 059 124**	**1 471 278**	**250 200**	**2 036 527**	**23 389 749**

2014	Annual remuneration	Travel allowance	Cellphone allowance	Back pay	Performance bonuses	Total

Notes to the Annual Financial Statements

Figures in Rand				2015	2014

29. Remuneration of councillors (continued)

Executive Mayor - Moleleki MS	146 293	-	8 693	786	5 629	161 401
Executive Mayor - Tshabalala VW	660 726	-	35 662	3 600	-	699 988
Speaker - Nthedi AM	352 174	140 760	20 868	3 600	70 106	587 508
Chief Whip - Thebe TR	344 250	131 963	20 868	3 600	51 683	552 364
Mayoral Committee Member - Majake MI	329 224	131 963	20 868	3 600	66 664	552 319
Mayoral Committee Member - Mopeli N	459 001	-	20 868	3 600	68 850	552 319
Mayoral Committee Member - Mokoena MJ	329 224	131 963	20 868	3 600	66 664	552 319
Mayoral Committee Member - Motaung SJ	344 251	131 963	20 868	3 600	51 637	552 319
Mayoral Committee Member - Mokubung ML	344 251	131 963	20 868	3 600	51 637	552 319
Mayoral Committee Member - Mositi MC	344 251	131 963	20 868	36 000	51 637	584 719
Mayoral Committee Member - Mosia MM	329 224	131 963	20 868	3 600	66 664	552 319
Councillors	329 224	131 963	20 868	3 600	66 664	552 319
Beukes PB	343 905	131 963	20 868	3 600	51 637	551 973
Crockett SM	329 224	131 963	20 868	3 600	66 664	552 319
Kambule MA	183 600	-	20 868	3 600	27 540	235 608
Khoapha NA	172 848	-	20 868	3 600	38 400	235 716
Kleinhans LM	183 600	-	20 868	3 600	27 540	235 608
Councillor - Khoarai MI	137 700	52 785	20 868	3 600	20 655	235 608
Komako AM	137 700	52 785	20 868	3 600	20 655	235 608
Lebesa MB	137 700	52 785	20 868	3 600	20 655	235 608
Lebesa MJ	137 700	52 785	20 868	3 600	20 655	235 608
Lebesana PJ	122 674	52 785	20 868	3 600	35 681	235 608
Letaoane TT	183 600	-	20 868	3 600	27 540	235 608
Letooane SG	211 140	-	20 868	3 600	-	235 608
Mahamuza LP	137 700	52 785	20 868	3 600	20 655	235 608
Mahlambi TJ	137 700	52 785	20 868	3 600	20 655	235 608
Mahlatsi A	156 060	31 671	20 868	3 600	23 409	235 608
Malinga DN	137 700	52 785	20 868	3 600	20 655	235 608
Matjele MP	35 190	-	3 478	600	-	39 268
Councillor - Masheane DA	178 500	-	9 180	3 000	6 840	197 520
Mavuso TM	137 700	52 785	20 868	3 600	20 655	235 608
Mazibuko MR	137 700	52 785	20 868	3 600	20 655	235 608

Notes to the Annual Financial Statements

Figures in Rand					2015	2014

29. Remuneration of councillors (continued)

Mboso LA	183 600	-	20 868	3 600	27 540	235 608
Councillor - Mbongo JM	65 572	25 136	6 198	1 800	9 835	108 541
Councillor - Mhwananzi TI	211 140	-	20 868	3 600	-	235 608
Mofana MM	137 700	52 785	20 868	3 600	20 655	235 608
Mofokeng BD	156 060	31 671	20 868	3 600	23 409	235 608
Mofokeng K	183 600	-	20 868	3 600	27 540	235 608
Mohlabi ML	122 674	52 785	20 868	3 600	35 681	235 608
Mohoaladi ME	141 034	31 671	20 868	3 600	38 435	235 608
Mojakisane NS	137 700	52 785	20 868	3 600	20 655	235 608
Mokoena DJ	137 700	52 785	20 868	3 600	20 655	235 608
Mokoena LE	137 700	52 785	20 868	3 600	20 655	235 608
Molaba TE	137 700	52 785	20 868	3 600	20 655	235 608
Moloi L	137 700	52 785	20 868	3 600	20 655	235 608
Mopeli MS	183 600	-	20 868	3 600	27 540	235 608
Moseme LA	137 700	52 785	20 868	3 600	20 655	235 608
Mosikidi MF	137 700	52 785	20 868	3 600	20 655	235 608
Mosikidi TJ	183 600	-	20 868	3 600	27 540	235 608
Mosikili ST	183 600	-	20 868	3 600	27 540	235 608
	122 674	52 785	20 868	3 600	35 681	235 608
Motaung ME	183 600	-	20 868	3 600	27 540	235 608
Motaung PM	169 267	-	20 868	3 600	42 087	235 822
otaung SJ	137 700	52 785	20 868	3 600	20 655	235 608
Motloung MM	122 674	52 785	20 868	3 600	35 681	235 608
Mpakathe MP	211 140	-	20 868	3 600	-	235 608
Councillor - Ntamane VM	137 700	52 785	20 868	3 600	20 655	235 608
Councillor - Radebe FS	6 754	2 251	356	-	-	9 361
Councillor - Ramakarane TA	87 429	-	6 198	1 800	13 114	108 541
Ramochela A	183 600	-	20 868	3 600	27 540	235 608
Rantsane J	183 600	-	20 868	3 600	27 540	235 608
Salamu MS	213 801	-	16 762	3 843	15 846	250 252
Sehlako KM	137 700	52 785	20 868	3 600	20 655	235 608
Semela DG	35 190	-	3 478	600	-	39 268
Seobi MJ	137 700	52 785	20 868	3 600	20 655	235 608
Sephula PE	183 600	-	20 868	3 600	27 540	235 608
Shabalala M	183 600	-	20 868	3 600	27 540	235 608
Taaso BM	183 600	-	20 868	3 600	27 540	235 608
Councillor - Thakhuli ND	183 600	-	20 868	3 600	27 540	235 608
Tolofi ME	127 007	52 785	20 868	3 600	31 515	235 775
	13 299 750	**2 955 200**	**1 362 953**	**268 029**	**1 968 605**	**19 854 537**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. Community project expenditure

Capital expenditure acquired during the year	249 764 845	76 620 345
Less: Assets capitalised	-	(1 396 764)
	249 764 845	**75 223 581**

31. Debt impairment

Contributions to allowance for impairment	(162 700 092)	183 003 776
Bad debts written off	3 860	809 125
	(162 696 232)	**183 812 901**

32. Depreciation and amortisation

Property, plant and equipment	186 120 561	215 648 545

33. Finance costs

Non-current borrowings	4 468 188	5 759 937
Bank	-	9 419
	4 468 188	**5 769 356**

34. Repairs and maintenance

Repairs and maintenance	446 129 234	72 185 094

A correction was done in repairs and maintenance for an amount of R352 013 329 incorrectly captured in the current year. This error resulted in repairs and maintenance and trade payables to be overstated.

35. Bulk purchases

Electricity	443 889 647	251 593 262
Water	39 419 241	30 469 061
	483 308 888	**282 062 323**

Electricity losses - 69.46% for the current financial year (2014: 49.65%).

Water losses - 39.76% for the current financial year.

36. Contracted services

Information Technology Services	1 962 337	1 605 324
Fleet Services	-	8 182 787
Operating Leases	-	424 862
Specialist Services	21 199 112	26 039 015
Other Contractors	34 873 001	43 135 597
	58 034 450	**79 387 585**

37. Grants and subsidies paid

Other subsidies		
DWA subsidy to Maluti-a-Phofung (SOC) Ltd	8 500 000	6 276 833
Equitable shares to Maluti-a-Phofung Water (SOC) Ltd	91 722 159	73 723 167
	100 222 159	**80 000 000**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

38. General expenses

Advertising	1 029 605	647 852
Auditors remuneration	5 629 657	4 208 534
Bank charges	2 324 495	1 427 191
Billing charges	3 917 231	2 257 572
Capacity building	396 000	705 498
Cleaning	791 762	601 512
Consulting and professional fees	4 538 140	2 426 544
Consumables	919 250	1 284 322
Entertainment	13 251 264	991 227
Free basic electricity	2 074 585	-
Fuel and oil	8 073 797	6 022 096
General workers seasonal	1 339 074	23 870
IT expenses	1 870 552	1 306 228
Indigent subsidy	8 769 728	8 600 482
Insurance	51 444 127	42 273 432
Lease rentals on operating leases	905 808	95 097
MSIG expenditure	934 000	890 000
Magazines, books and periodicals	21 517	20 340
Mayoral fund	524 895	3 552 552
Motor vehicle expenses	206 994	336 162
Other expenses	412 879	1 211 372
Penalties and interest	77 579 386	30 996 640
Postage and courier	2 430 673	2 409 073
Project maintenance costs	-	18 600
Promotions	627 810	2 489 133
Protective clothing	713 551	1 131 209
Rehabilitation of landfill sites	174 700	135 593
Scrapping and disposal of assets	-	6 106 605
Service cost	2 759 000	2 690 000
Staff welfare	919 249	3 383 048
Subscriptions and membership fees	218 804	2 184 353
Telephone and fax	2 802 539	2 867 229
Training	2 455 258	1 621 118
Travel - local	30 960	99 460
Valuation roll expenditure	3 773 697	1 294 507
Venue expenses	85 200	314 400
	203 946 187	**136 622 851**

39. Auditors' remuneration

Fees	5 629 657	4 208 534

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

40. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At cost	Total
Cash and cash equivalents	-	6 728 773	6 728 773
Receivables from exchange transactions	-	314 167 274	314 167 274
Other receivables from exchange transactions	-	6 861 562	6 861 562
Receivables from non-exchange transactions	-	177 071 362	177 071 362
Other financial assets	786 643	-	786 643
	786 643	**504 828 971**	**505 615 614**

Financial liabilities

	At cost	Total
Payables from exchange transactions	1 127 647 242	1 127 647 242
Consumer deposits	11 721 031	11 721 031
Other financial liabilities	13 489 488	13 489 488
	1 152 857 761	**1 152 857 761**

2014

Financial assets

	At fair value	At cost	Total
Cash and cash equivalents	-	3 900 070	3 900 070
Receivables from exchange transactions	-	107 379 325	107 379 325
Other receivables from exchange transactions	-	6 436 957	6 436 957
Receivables from non-exchange transactions	-	7 831 275	7 831 275
Other financial assets	636 239	-	636 239
	636 239	**125 547 627**	**126 183 866**

Financial liabilities

	At cost	Total
Bank overdraft	47 770 029	47 770 029
Payables from exchange transactions	567 152 208	567 152 208
Consumer deposits	11 732 591	11 732 591
Other financial liabilities	2 872 995	2 872 995
Finance lease obligation	398 987	398 987
	629 926 810	**629 926 810**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

41. Cash generated from operations

Deficit	(445 755 272)	(261 432 677)
Adjustments for:		
Depreciation and amortisation	186 120 561	215 648 545
Surplus on distribution of non-cash assets to owners	-	(71 131 134)
Fair value adjustments	-	(105 989)
Debt impairment	(162 696 232)	183 812 900
Movements in retirement benefit assets and liabilities	(1 582 000)	2 634 000
Movements in provisions	(2 350 412)	(4 056 013)
Changes in working capital:		
Inventories	189 814 242	437 066
Other receivables from exchange transactions	(424 605)	12 221 901
Receivables from exchange transactions (for municipalities)	(44 091 716)	(158 934 708)
Receivables from non-exchange transactions	(169 240 087)	12 971 443
Payables from exchange transactions	560 495 035	351 093 124
VAT	(64 188 280)	17 266 574
Taxes and transfers payable (non exchange)	-	(36 447)
Unspent conditional grants and receipts	(694 271)	(809 052)
Consumer deposits	(11 560)	(12 796 341)
	45 395 403	**286 783 192**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	580 579 740	75 481 915
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	22 803 051
Total capital commitments		
Already contracted for but not provided for	580 579 740	75 481 915
Not yet contracted for and authorised by accounting officer	-	22 803 051
	580 579 740	**98 284 966**

Total commitments

Total commitments		
Authorised capital expenditure	580 579 740	98 284 966

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.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. Contingencies

Details of contingencies:	Claims of damages	Claims for services rendered	Claims on arrear payments	Labour court cases	Total
Lehloma Samuel Molefe	27 139	-	-	-	27 139
P Mabeleng and S Wanyane	2 001 000	-	-	-	2 001 000
Cearsor Malefatsane Maqelepo	300 000	-	-	-	300 000
Phokana Tolong / MAP	25 000	-	-	-	25 000
Steve Vorster / MAP	40 000	-	-	-	40 000
D A & M Mokhatla	400 000	-	-	-	400 000
Bibi Cash&Carry Supermarket	27 506 219	-	-	-	27 506 219
TE Tsoeu	-	51 949	-	-	51 949
MS Tsoeu	-	60 000	-	-	60 000
Digoeregoere Business Project	-	16 000 000	-	-	16 000 000
MAP / Manana Francina Mohomane	-	10 000	-	-	10 000
PF Frances	-	-	596 442	-	596 442
Ekosto 1038 Investments	-	-	30 000	-	30 000
BZL Petroleum	-	-	20 000	-	20 000
MAP / Occupant 1224	-	-	10 000	-	10 000
Mashee	-	-	-	200 000	200 000
Malefane	-	-	-	100 000	100 000
Rampa	-	-	-	120 000	120 000
L Greyling	-	-	-	1 486 139	1 486 139
MAP / Rural Maintenance	-	-	-	3 000 000	3 000 000
H Langeveldt	-	-	-	2 291 981	2 291 981
	30 299 358	**16 121 949**	**656 442**	**7 198 120**	**54 275 869**

Summary		
Claims for damages	28 975 779	1 212 334
Claims for services rendered	16 121 949	19 436 953
Claims on arrear payments	656 442	3 799 165
Claims for alleged breach of contract	558 112	130 000
Claim by supplier for expropriation of land to council	10 000	3 710 000
Labour matters	4 998 120	-
Assets - royalties in terms of rural maintenance contract	-	2 228 196
Rural Maintenance breach of contract	2 003 000 000	-
	2 054 320 402	**30 516 648**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

44. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's report note
Controlled entities	Maluti-a-Phofung Water (SOC) Ltd - Refer to note
Members of management	S57 managers - Note: 28, Councillors - Note: 29

Related party balances

	2015	2014
Amounts included in Trade receivables / (Trade payables) regarding related parties		
Maluti-a-Phofung Water (SOC) Ltd	(87 270 400)	(66 489 664)
Maluti-a-Phofung Water (SOC) Ltd - insurance	8 039 590	8 039 590
Maluti-a-Phofung Water (SOC) Ltd - fleet management	-	82 494
Maluti-a-Phofung Water (SOC) Ltd - municipal services	10 714 984	7 525 201

Related party transactions

	2015	2014
Total service charges		
Maluti-a-Phofung Water (SOC) Ltd - water and sewer	18 237 371	30 469 062
Maluti-a-Phofung Water (SOC) Ltd - rates and taxes	(8 039 590)	(7 525 201)
Maluti-a-Phofung Water (SOC) Ltd - fleet management	-	82 494
Equitable share and DWA grant received		
Maluti-a-Phofung Water (SOC) Ltd	88 500 000	80 000 000
Compensation to accounting officer and other key management		
Defined contribution plans	91 510	-

45. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors (continued)

Statement of Financial Performance for the year ended 2015	Balance as previously reported	Change in accounting policy	Prior period error	Reclassified	Restated balance
Revenue					
Service charges	368 152 966	-	(161 446 399)	(4 231 063)	202 475 504
Rental of facilities and equipment	967 908	-	-	-	967 908
Interest received - consumers	23 362 272	-	-	-	23 362 272
Interest received - investment	2 805 297	-	-	-	2 805 297
Other income	4 961 890	-	(178 686)	-	4 783 204
Property rates	167 544 300	-	-	-	167 544 300
Government grants and subsidies	645 516 111	-	-	-	645 516 111
Fines	842 712	-	-	-	842 712
Total revenue	1 214 153 456	-	(161 625 085)	(4 231 063)	1 048 297 308
Expenditure					
Employee related costs	(230 296 976)	-	178 686	(2 693)	(230 120 983)
Remuneration of councillors	(20 133 891)	-	-	-	(20 133 891)
Debt impairment	(183 812 901)	-	-	-	(183 812 901)
Depreciation and amortisation	(215 724 631)	-	-	-	(215 724 631)
Finance cost	(5 769 356)	-	-	-	(5 769 356)
Repairs and maintenance	(72 185 093)	-	-	-	(72 185 093)
Bulk purchases	(282 062 323)	-	-	-	(282 062 323)
Contracted services	(79 387 585)	-	-	-	(79 387 585)
Grants and subsidies paid	(80 000 000)	-	-	-	(80 000 000)
General expenses	(141 220 123)	-	366 208	4 231 063	(136 622 852)
Community project expenditure	(72 313 652)	-	(3 041 442)	131 513	(75 223 581)
Total expenditure	1 382 906 531)	-	(2 496 548)	4 359 883	(1 381 043 196)
Operating surplus / (deficit)	(332 669 802)	-	-	-	(332 669 802)
Fair value adjustments	105 989	-	-	-	105 989
Surplus on distribution of non-cash assets to owners	71 131 134	-	-	-	71 131 134
Surplus / (deficit) for the year	(261 432 679)	-	-	-	(261 432 679)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors (continued)

Statement of Financial Position as at 2015	Balance as previously reported	Change in accounting policy	Prior period error	Reclassified	Restated balance
Assets					
Current Assets					
Cash and cash equivalents	3 900 070	-	-	-	3 900 070
Receivables from exchange transactions	268 825 723	-	(161 446 399)	-	107 379 324
Other receivables from exchange transactions	6 436 957	-	-	-	6 436 957
Receivables from non-exchange transactions	7 831 275	-	-	-	7 831 275
Inventories	192 154 000	-	-	-	192 154 000
Other financial asset	7 117 425	-	-	1 983 665	9 101 090
Total current assets	486 265 450	-	(161 446 399)	1 983 665	326 802 716
Non-current Assets					
Investment property	42 519 902	-	-	-	42 519 902
Property, plant and equipment	2 870 207 498	-	-	309 258 875	3 179 466 373
Intangible assets	1 478	-	-	-	1 478
Heritage assets	4	-	-	-	4
Other financial assets	736 239	-	(100 000)	-	636 239
Long term receivable	2 693 825	-	-	(1 983 669)	710 156
Investment in controlled entity	300	-	-	-	300
Total non-current assets	2 916 159 246	-	(100 000)	307 275 206	3 223 334 452
Liabilities					
Current Liabilities					
Bank overdraft	(47 770 029)	-	-	-	(47 770 029)
Payables from exchange transactions	(567 052 010)	-	(100 198)	-	(567 152 208)
VAT payable	(16 188 425)	-	-	-	(16 188 425)
Consumer deposits	(11 732 591)	-	-	-	(11 732 591)
Other financial liabilities	(2 872 995)	-	-	-	(2 872 995)
Finance lease obligation	(398 987)	-	-	-	(398 987)
Unspent conditional grants and receipts	(7 044 879)	-	4 564 000	-	(2 480 879)
Employee benefit obligation	3 751 000	-	-	-	3 751 000
Total current liabilities	(649 308 916)	-	4 463 802	-	(644 845 114)
Non-current Liabilities					
Other financial liabilities	(13 762 196)	-	-	-	(13 762 196)
Employee benefit obligation	(30 612 000)	-	3 751 000	-	(26 861 000)
Provisions	(27 309 118)	-	5 651 356	-	(21 657 762)
Total non-current liabilities	(71 683 314)	-	9 402 356	-	(62 280 958)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors (continued)
Net Assets

Accumulated surplus - Opening balance	2 677 681 462	-	(160 022 188)	317 849 817	2 835 509 091
Total net assets	2 677 681 462	-	(160 022 188)	317 849 817	2 835 509 091

Accruals not raised

	2015	2014
Community project expenditure (SoFPer)	-	3 041 442
Payables from exchange (SoFPos)	-	(3 041 442)
	-	-

Phase 11 VIP toilet expenditure was erroneously not accrued for the 2013/2014 financial year. This result in community project expenditure and payables from exchange transactions to be understated. This error resulted in community project expenditure and payables from exchange to be understated.

Error in accumulated surplus

	2015	2014
Payables from exchange (SoFPos)	-	2 456 215
Accumulated surplus (SoFPos)	-	(2 456 215)
	-	-

An accumulated surplus account was incorrectly recognised as a payable. This error resulted in an overstatement of payables and understatement of accumulated surplus.

Unconditional grants

	2015	2014
Accumulated surplus (SoFPos)	-	(6 543 000)
Unspent grants (SoFPos)	-	6 543 000
	-	-

Unconditional grant which should have been recognised as a prior year income, was incorrectly classified as unspent grants. This resulted in grant income for 2014 to be understated and unspent grants to be overstated.

Equitable share

	2015	2014
Accumulated surplus (SoFPos)	-	1 979 000
Unspent grants (SoFPos)	-	(1 979 000)
	-	-

MIG grants from 2012/2013 were deducted from equitables shares. This was however not corrected in the prior year. This error result in the accumulated surplus to be overstated and unspent grants to be understated.

Financial assets

	2015	2014
Accumulated surplus (SoFPos)	-	100 000
Other financial assets	-	(100 000)
	-	-

Interest revenue was incorrectly allocated to the investment account, this resulted in the 2015 closing balance of the investment account to be out of balance. This error resulted in the accumulated surplus and other financial assets to be overstated.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors (continued)

Revenue

Service charges	-	4 231 063
Departamental charges	-	(4 231 063)
	-	-

Departmental charges reversed against the income as the municipality cant have their own expenses and income. This error results in sales of electricity being overstated.

Current assets

Receivable from exchange transactions (SoFPos)	-	(161 446 399)
Electricity consumption (SoFPer)	-	161 446 399
	-	-

Error in accumulated surplus

Property, plant and equipment (SoFPos)	-	309 258 875
Accumulated surplus (SoFPer)	-	(309 258 875)
	-	-

An amount of R309 258 875 was reclassified from accumulated surplus to assets. Correction of prior year asset balances.

46. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

This note presents information about the municipality's exposure to each of the above risks and the municipaity's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout the annual financial statements.

Liquidity risk

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

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

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 127 647 242	-	-	-
Other financial liabilities	3 617 406	2 773 566	7 098 516	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank overdraft	2 872 995	13 762 196	-	-
Payables from exchange transactions	558 670 514	-	-	-
Finance lease obligation	398 987	-	-	-

46. Risk management (continued)

Credit risk

Credit risk is managed on a group basis.

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2015	2014
Cash and cash equivalents	6 728 773	3 900 070
Receivables from exchange transactions	314 167 274	107 379 325
Other receivables from exchange transactions	6 861 562	6 436 957
Receivables from non-exchange transactions	177 071 362	7 831 275

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates. For this reason a sensitivity analysis is not performed.

47. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had a deficit of R 445 755 272 (2014: R 261 432 679) and that the municipality's total current liabilities exceeded current assets by R 592 617 050.

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

The municipality is still exploring alternative options to improve its financial position. Although certain financial ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2015.

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 produce funding for the ongoing operations for the municipality. Government did not announce that it intends to cease funding to Maluti-a-Phofung.

48. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the finanical position and results of the municipality's operations.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

49. Unauthorised expenditure

Opening balance	571 320 555	137 029 648
Office of the municipal manager	-	5 951 589
Corporate services	-	3 958 253
Financial services	48 365 462	181 451 112
Municipal infrastructure	909 106 518	218 860 015
Community services	-	2 267 547
Public safety and transport	403 488	3 496 959
LED and tourism	-	3 920 945
Housing sparial development planning	-	14 384 487
	1 529 196 023	**571 320 555**

The main reason for the significant increase in infrastructure, corporate services and finance was mainly due to accrual journals prepared in these sections (depreciation, bulk purchases provision, etc).

50. Fruitless and wasteful expenditure

Opening balance	31 557 459	11 302 219
Fruitless and wasteful expenditure incurred	77 667 145	20 255 240
	109 224 604	**31 557 459**

51. Irregular expenditure

Opening balance	66 884 679	3 310 194
Add: Irregular expenditure - current year	30 761 895	63 574 485
	97 646 574	**66 884 679**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Details of irregular expenditure is available on request All irregular expenditure pertains to the supply chain management policy of the municipality not being followed.For details on the irregular expenditure refer to the irregular report for the financial year 2014/2015. For more detail refer to Appendix H.	Irregular expenditure is currently under investigation	30 761 895

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 237 560	1 770 111
Amount paid - current year	(1 253 069)	(1 770 111)
	1 984 491	**-**

Contributions to SALGA mainly comprise of annual membership fees paid to SALGA.

Audit fees

Opening balance	4 347 856	772 341
Current year subscription / fee	5 981 097	4 208 534
Amount paid - current year	(7 524 646)	(633 019)
Amount paid - previous years	(5 465 904)	-
	(2 661 597)	**4 347 856**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

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

PAYE and UIF

Opening balance	2 910 292	2 087 753
Current year subscription / fee	38 477 973	31 680 832
Amount paid - current year	(35 090 971)	(28 770 540)
Amount paid - previous years	(2 910 292)	(2 087 753)
	3 387 002	**2 910 292**

Pension and medical aid deductions

Opening balance	3 980 814	2 577 180
Current year subscription / fee	56 080 521	47 001 700
Amount paid - current year	(51 168 888)	(43 020 886)
Amount paid - previous years	(3 980 814)	(2 577 180)
	4 911 633	**3 980 814**

VAT

VAT receivable	47 999 856	-
VAT payable	-	16 188 424
	47 999 856	**16 188 424**

VAT output payables and VAT input receivables are shown in note 15.

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

52. 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
Gamede, BF	-	1 308	1 308
Khoapa, NA	913	-	913
Komako, A	7 163	42 477	49 640
Letoane, SG	521	1 412	1 933
Mahlambi, N	2 545	14 108	16 653
Mohlekwa, TR	408	-	408
Mosikidi, TJ	769	2 074	2 843
Mositi, MC	1 764	3 992	5 756
Motaung, PM	127	20 954	21 081
Motinyane, T	590	6 742	7 332
Mpakathe, TS	874	43 595	44 469
Thebe, PI	338	-	338
	16 012	**136 662**	**152 674**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mavuso, MT	656	1 964	2 620
Motaung, PM	577	23 413	23 990
Mosikidi, TJ	690	335	1 025
Khoapa	334	-	334
Motinyane, T	1 332	2 856	4 188
Mohlekwa, TR	219	-	219
Komako, A	1 179	35 831	37 010
Mpakathe, TS	1 902	36 549	38 451
Letooane, SG	576	662	1 238
Mahlambi, N	2 113	8 570	10 683
Thebe, PI	398	-	398
Mositi, MC	1 946	13 578	15 524
	11 922	**123 758**	**135 680**

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

30 June 2015	Highest outstanding amount	Aging (in days)
Gamede, BF	1 308	90
Khoapa	913	30
Komako, A	42 477	90
Letooane, SG	1 412	90
Mahlambi, N	14 108	90
Mohlekwa, TR	408	30
Mosikidi, TJ	2 074	90
Mositi, MC	3 992	90
Motaung, PM	20 954	90
Motinyane, T	6 742	90
Mpakathe, TS	43 595	90
Thebe, PI	338	30

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

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

	138 321	**900**

30 June 2014	Highest outstanding amount	Aging (in days)
Khoapa, NA	45	30
Komako, AM	2 983	90
Lebesa, MJ	797	90
Letooane, SG	851	90
Mahlambi, TJ	3 615	90
Mavuso, MT	1 906	90
Mohlekwa, TR	158	30
Mopeli, N	1 364	90
Mosikidi, TJ	1 378	90
Mositi, MC	10 561	90
Motaung, PM	1 711	90
Mpakathe, TS	4 703	90
Ntamane, VM	93	30
	30 165	**990**

53. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	13 489 488	16 635 191

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

54. Deviation from supply chain management regulations

Classification of deviation	**Number of transactions**	**R-value**
Emergency	13	656 859
Impractical / impossible to follow procurement process	29	1 302 155
Sole provider	9	301 147
	51	**2 260 161**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements

55. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

55. Budget differences (continued)

Community project expenditure: The municipality over budgeted by R108 536 981. The municipality however realised that the expenditure for the two major project Human Settlement and Schoonplatz will not be incurred by the municipality even though they were already included in budgeted. Again some projects were budgeted for under own source funding, which could not be implemented due to cash flow problem.

Depreciation and amortisation: The municipality under budgeted by R86 120 561. This is a result of projects have been finalized and work in progress capitalized.

Debt impairment: The municipality over budgeted by R169 696 232. The payment ratio decreased in the current year from the prior year which increased the debt impairment.

Repairs and maintenance: The municipality under budgeted by R372 064 235. This movement was due to the complete recording of creditors.

Bulk purchases: The municipality under budgeted by R86 213 350. This movement was due to annual increase given or approved for Eskom.

Contracted services: The municipality over budgeted by R26 505 551. This movement was due to cancellation of contracts and some contracts which expired.

Grants and subsidies: The municipality under budgeted by R206 474 809. This movement is based on the fact that the budget does not include capital projects such as MIG, the difference is attributable to Equitable share only received in 2015/16.

Grants and subsidies paid: The municipality under budgeted by R11 722 159. The movement was due to the portion for 2013/14 due to MAP Water only to be paid in the current year.

General expenditure: The municipality over budgeted by R21 500 828. This movement was due to expenditure not being paid due cashflow problems.

Property rates: The municipality over budgeted by R21 688 322. This movement was due to the verification of the accounts and corrections of duplications identified and corrected.

Service Charges: The municipality over budgted by R208 083 381. The budget was still based on the duplication of accounts.

Interest Charge: The municipality under budgeted by R3 131 812. Interest was not charged to customer as budgeted.

Other income: The municipality under budgeted by R358 534 254. An amount of R80 167 024 was bugeted to be received from old debt from provincial public works. The debt was received but was allocated then under the rates and taxes vote number and not receipted as other income.