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

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	MP313
Grading of local authority	Grade 4
Capacity of local authority	High Capacity
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public
Executive Mayor	Cllr MAS Masina
Speaker	Cllr RM Xaba
Chief whip	Cllr BP Ndala
Mayoral committee	
	Cllr NJ Mahlangu
	Cllr EF Mathebula
	Cllr DJ Motsepe
	Cllr SD Nkadimeng
	Cllr EP Nkosi
	Cllr H Pilodia
Councillors	Cllr E Du Toit
	Cllr J Dyason
	Cllr AS Grobler
	Cllr PM Hadebe
	Cllr EA Jele
	Cllr TR Langeveld
	Cllr DM Longman
	Cllr SA Lukhele
	Cllr NJ Mahlangu
	Cllr TB Mahlangu
	Cllr O Malinga
	Cllr LI Manzini
	Cllr PJ Masilela
	Cllr MA Masina
	Cllr EF Mathebula
	Cllr J Matshiane
	Cllr M Mbatiwe
	Cllr LE Mkhuma
	Cllr NJ Mlambo
	Cllr MTE Mnguni

General Information

	Cllr MR Mnguni Cllr SM Mnguni Cllr P Mobango Cllr SM Mogola Cllr BH Mokoena Cllr KN Monareng Cllr TM Morufane Cllr MS Motebu Cllr DJ Motsepe Cllr ZD Mtshweni Cllr BP Ndala Cllr TG Ndlangamandla Cllr HF Niemann Cllr SD Nkadimeng Cllr EP Nkosi Cllr ME Nyambi Cllr H Pilodia Cllr JP Pretorius Cllr GHE Romjin Cllr SJ Roos Cllr MJ Sekgwele Cllr MJ Selala Cllr MT Selala Cllr PM Shongwe Cllr PN Sithole Cllr DJ Skhosana Cllr BC Skosana Cllr J Skosana Cllr A Struwig Cllr PP Tau Cllr PI Thwala Cllr KPJ Uys Cllr TN Van Zyl Cllr S Wait Cllr RM Xaba Cllr SS Zitha
Accounting Officer	SM Mnguni (Acting)
Chief Finance Officer (CFO)	E. Wassermann
Registered office	Civic Centre Wanderers Avenue Middelburg 1050
Postal address	P.O. Box 14 Middelburg 1050
Bankers	ABSA Bank Nelspruit

General Information

Auditors	Auditor-General of South Africa Nelspruit
Attorneys	Johan Alberts Van Deventer and Campher Mohube, Setswalo Mabusela and Nkgadima JV

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
EPWP	Expected Public Works Program
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
SALGA	South Africa Local Government Association

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the 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 Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting 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.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's auditors.

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 is presented on page 7.

The annual financial statements set out on pages 7 to 101, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed by

Accounting Officer
Mr. SM Mnguni (Acting)

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
Mr. MA Mmapheto (Chairperson)	5
Mr. VK Chuene	5
Mr. T Gafane	5
Mr. SA Ngwenya	5
Mr. L Langalibalele	5
Advocate L Thubakgale	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report of the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of services to the community which includes rates and general services, rental of units out by municipality, waste management services, disposal and purifying of waste (refuse and sewarage), electricity and water services.

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

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 6 349 763 294 and that the municipality's total assets exceed its liabilities by R 6 349 763 294.

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name

Mr WD Fouche (1 July 2014 to 31 January 2015)

Mr SM Mnguni (Acting from 1 February 2015)

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	98 935 106	82 354 766
Consumer receivables	4	60 533 069	46 422 955
Receivables from exchange transactions	5	12 779 541	13 405 014
Receivables from non-exchange transactions	6	16 936 529	13 484 579
VAT receivable	7	31 292 987	27 916 416
Operating lease asset	8	2 321 747	3 342 169
Investments	9	410 000 000	350 000 000
Inventories	10	172 198 024	158 423 960
Long term loans	11	110 780	202 796
		805 107 783	**695 552 655**
Non-Current Assets			
Long term loans	11	47 532	84 088
Investment property	12	24 937 113	24 937 113
Property, plant and equipment	13	5 974 833 168	5 952 118 534
Intangible assets	14	1 895 644	2 832 019
		6 001 713 457	**5 979 971 754**
Non-Current Assets		6 001 713 457	5 979 971 754
Current Assets		805 107 783	695 552 655
Total Assets		**6 806 821 240**	**6 675 524 409**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	185 256 488	152 512 599
Payables from non-exchange transactions	16	2 330 857	2 907 003
Consumer deposits	17	71 952 206	64 930 122
Finance lease obligation	18	173 542	216 590
Unspent conditional grants and receipts	19	1 993 207	8 624 089
Provisions	20	2 557 938	6 687 832
Long term liabilities	21	11 730 504	12 952 730
Employee benefit obligation	22	2 441 268	2 712 000
Long service award	23	1 170 704	1 816 001
		279 606 714	**253 358 966**
Non-Current Liabilities			
Finance lease obligation	18	112 457	281 168
Provisions	20	14 782 318	6 083 929
Long term liabilities	21	77 107 026	88 839 531
Employee benefit obligation	22	70 954 719	67 713 000
Long service award	23	14 494 712	14 929 999
		177 451 232	**177 847 627**
Non-Current Liabilities		177 451 232	177 847 627
Current Liabilities		279 606 714	253 358 966
Total Liabilities		**457 057 946**	**431 206 593**
Assets		6 806 821 240	6 675 524 409
Liabilities		(457 057 946)	(431 206 593)
Net Assets		**6 349 763 294**	**6 244 317 816**
Accumulated surplus		6 349 763 294	6 244 317 816

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	689 564 770	626 060 991
Rental of facilities and equipment		31 842 871	29 537 110
Interest received - trading	27	2 111 142	2 050 541
Income from agency services		15 909 082	14 574 227
Licences and permits		9 119 306	8 440 761
Investment revenue	28	24 304 500	22 475 654
Other income	29	68 175 652	98 907 724
Total revenue from exchange transactions		**841 027 323**	**802 047 008**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	282 793 099	264 425 808
Transfer revenue			
Government grants and subsidies	31	174 797 224	180 279 146
Public contributions and donations	32	53 277 529	51 840 472
Fines		13 868 678	14 349 255
Total revenue from non-exchange transactions		**524 736 530**	**510 894 681**
		841 027 323	802 047 008
		524 736 530	510 894 681
Total revenue		**1 365 763 853**	**1 312 941 689**
Expenditure			
Employee related costs	33	(330 847 428)	(308 716 531)
Remuneration of councillors	34	(17 893 745)	(17 087 587)
Transfer payments - Other		(124 557)	-
Depreciation and amortisation	35	(149 055 537)	(145 546 992)
Impairment loss/ Reversal of impairments	36	(5 224 731)	(4 134 329)
Finance costs	37	(9 718 816)	(10 970 000)
Rentals		(17 653 607)	(15 557 179)
Debt impairment	38	(2 060 164)	(11 448 624)
Collection costs		(302 545)	(248 954)
Repairs and maintenance		(54 453 294)	(49 666 196)
Bulk purchases	39	(326 861 937)	(296 646 672)
Contracted services	40	(34 458 036)	(28 494 940)
Grants and subsidies paid	41	(63 791 397)	(57 517 288)
Contributions to provisions		(16 724 366)	(16 648 233)
General expenses	42	(231 422 392)	(176 606 790)
Total expenditure		**(1 260 592 552)**	**(1 139 290 315)**
		-	-
Total revenue		1 365 763 853	1 312 941 689
Total expenditure		(1 260 592 552)	(1 139 290 315)
Operating surplus		**105 171 301**	**173 651 374**
Gain (loss) on disposal of assets and liabilities		244 375	(2 506 592)
Surplus before taxation		105 415 676	171 144 782
Taxation		-	-
Surplus for the year		**105 415 676**	**171 144 782**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	6 070 322 437	6 070 322 437
Adjustments		
Prior year adjustments	2 850 596	2 850 596
Balance at 01 July 2013 as restated*	**6 073 173 033**	**6 073 173 033**
Changes in net assets		
Surplus for the year	171 144 783	171 144 783
Total changes	171 144 783	171 144 783
Opening balance as previously reported	6 243 276 934	6 243 276 934
Adjustments		
Prior year adjustments (refer note 45)	1 070 684	1 070 684
Restated* Balance at 01 July 2014 as restated*	**6 244 347 618**	**6 244 347 618**
Changes in net assets		
Surplus for the year	105 415 676	105 415 676
Total changes	105 415 676	105 415 676
Balance at 30 June 2015	**6 349 763 294**	**6 349 763 294**

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		1 236 713 034	1 132 806 950
Grants		174 797 224	178 556 503
Interest income		22 193 358	24 526 195
		1 433 703 616	1 335 889 648
Payments			
Employee costs		(348 741 173)	(325 804 118)
Suppliers		(657 955 717)	(647 593 966)
Finance costs		(9 718 816)	(10 970 000)
Grants paid		(63 791 397)	(57 517 288)
		(1 080 207 103)	(1 041 885 372)
Total receipts		1 433 703 616	1 335 889 648
Total payments		(1 080 207 103)	(1 041 885 372)
Net cash flows from operating activities	44	**353 496 513**	**294 004 276**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(265 980 414)	(257 822 061)
Proceeds from sale of property, plant and equipment	13	-	91 306
Purchase of other intangible assets	14	-	(1 921 631)
Purchase of investments	14	(60 000 000)	(2 000 000)
Proceeds from sale of financial assets		128 571	130 458
Net cash flows from investing activities		**(325 851 843)**	**(261 521 927)**
Cash flows from financing activities			
Repayment of long term liabilities		(12 954 731)	(11 699 116)
Movement in long service award		(1 080 584)	3 005 923
Movement in opost employment benefit		2 970 987	801 292
Finance lease payments		-	368 638
Net cash flows from financing activities		**(11 064 328)**	**(7 523 263)**
Net increase/(decrease) in cash and cash equivalents		**16 580 342**	**24 959 086**
Cash and cash equivalents at the beginning of the year		82 354 766	57 395 683
Cash and cash equivalents at the end of the year	3	**98 935 108**	**82 354 769**

* 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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	688 453 514	(1 476 373)	**686 977 141**	689 564 770	**2 587 629**	
Rental income	35 361 329	(757 372)	**34 603 957**	31 842 871	**(2 761 086)**	58
Interest received - trading	1 497 709	389 278	**1 886 987**	2 111 142	**224 155**	58
Income from agency services	13 545 608	1 000 000	**14 545 608**	15 909 082	**1 363 474**	
Licences and permits	8 143 940	33 615	**8 177 555**	9 119 306	**941 751**	58
Other income - (rollup)	70 285 598	(49 268 045)	**21 017 553**	68 175 652	**47 158 099**	58
Interest received - investment	20 693 700	775 619	**21 469 319**	24 304 500	**2 835 181**	
Total revenue from exchange transactions	**837 981 398**	**(49 303 278)**	**788 678 120**	**841 027 323**	**52 349 203**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	272 882 246	5 925 466	**278 807 712**	282 793 099	**3 985 387**	
Transfer revenue						
Government grants and subsidies	235 390 249	(65 260 435)	**170 129 814**	174 797 224	**4 667 410**	
Public contributions and donations	45 770 680	12 690 915	**58 461 595**	53 277 529	**(5 184 066)**	58
Fines, penalties and forfeits	6 707 900	7 500 974	**14 208 874**	13 868 678	**(340 196)**	
Total revenue from non-exchange transactions	**560 751 075**	**(39 143 080)**	**521 607 995**	**524 736 530**	**3 128 535**	
'Total revenue from exchange transactions'	837 981 398	(49 303 278)	**788 678 120**	841 027 323	**52 349 203**	
'Total revenue from non-exchange transactions'	560 751 075	(39 143 080)	**521 607 995**	524 736 530	**3 128 535**	
Total revenue	**1 398 732 473**	**(88 446 358)**	**1 310 286 115**	**1 365 763 853**	**55 477 738**	
Expenditure						
Employee related costs	(344 431 966)	(1 665 049)	**(346 097 015)**	(330 847 428)	**15 249 587**	
Remuneration of councillors	(18 817 670)	106 400	**(18 711 270)**	(17 893 745)	**817 525**	
Transfer payments - Other	-	-	**-**	(124 557)	**(124 557)**	
Depreciation and amortisation	(176 251 700)	-	**(176 251 700)**	(149 055 537)	**27 196 163**	
Impairment loss/ Reversal of impairments	-	-	**-**	(5 224 731)	**(5 224 731)**	
Finance costs	(28 080 922)	-	**(28 080 922)**	(9 718 816)	**18 362 106**	58
Lease rentals on operating lease	(21 273 608)	939 226	**(20 334 382)**	(17 653 607)	**2 680 775**	
Debt impairment	(8 033 795)	(8 000 000)	**(16 033 795)**	(2 060 164)	**13 973 631**	58
Collection costs	(295 000)	-	**(295 000)**	(302 545)	**(7 545)**	
Repairs and maintenance	(62 240 610)	2 630 923	**(59 609 687)**	(54 453 294)	**5 156 393**	
Bulk purchases	(340 072 243)	928 465	**(339 143 778)**	(326 861 937)	**12 281 841**	
Contracted services	(38 855 561)	821 882	**(38 033 679)**	(34 458 036)	**3 575 643**	
Grants and subsidies paid	(62 503 456)	(1 889 836)	**(64 393 292)**	(63 791 397)	**601 895**	
Contribution to provisions	(2 243 317)	-	**(2 243 317)**	(16 724 366)	**(14 481 049)**	
General expenses	(249 286 323)	69 184 769	**(180 101 554)**	(231 422 392)	**(51 320 838)**	

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
Total expenditure	**(1 352 386 171)**	**63 056 780**	**(1 289 329 391)**	**(1 260 592 552)**	**28 736 839**	
	1 398 732 473	(88 446 358)	**1 310 286 115**	1 365 763 853	**55 477 738**	
	(1 352 386 171)	63 056 780	**(1 289 329 391)**	(1 260 592 552)	**28 736 839**	
Operating surplus	**46 346 302**	**(25 389 578)**	**20 956 724**	**105 171 301**	**84 214 577**	
Gain on disposal of assets and liabilities	150 000	650 000	**800 000**	244 375	**(555 625)**	
	46 346 302	(25 389 578)	**20 956 724**	105 171 301	**84 214 577**	
	150 000	650 000	**800 000**	244 375	**(555 625)**	
Surplus before taxation	**46 496 302**	**(24 739 578)**	**21 756 724**	**105 415 676**	**83 658 952**	
Deficit before taxation	46 496 302	(24 739 578)	**21 756 724**	105 415 676	**83 658 952**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**46 496 302**	**(24 739 578)**	**21 756 724**	**105 415 676**	**83 658 952**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	47 239 000	-	**47 239 000**	172 198 024	**124 959 024**	
Long term loans	-	-	**-**	110 780	**110 780**	
Operating lease asset	-	-	**-**	2 321 747	**2 321 747**	
Receivables from exchange transactions	20 486 000	-	**20 486 000**	12 779 541	**(7 706 459)**	
Receivables from non-exchange transactions	-	-	**-**	16 936 529	**16 936 529**	
VAT receivable	-	-	**-**	31 292 987	**31 292 987**	
Consumer debtors	40 552 000	-	**40 552 000**	60 533 071	**19 981 071**	
Investments	513 000 000	(159 191 000)	**353 809 000**	410 000 000	**56 191 000**	
Cash and cash equivalents	42 762 000	16 586 000	**59 348 000**	98 935 106	**39 587 106**	
	664 039 000	**(142 605 000)**	**521 434 000**	**805 107 785**	**283 673 785**	
Non-Current Assets						
Investment property	-	-	**-**	24 937 113	**24 937 113**	
Property, plant and equipment	6 075 723 000	82 335 000	**6 158 058 000**	5 982 675 252	**(175 382 748)**	
Intangible assets	1 004 000	-	**1 004 000**	(5 946 442)	**(6 950 442)**	
Long term loans	-	-	**-**	47 532	**47 532**	
	6 076 727 000	**82 335 000**	**6 159 062 000**	**6 001 713 455**	**(157 348 545)**	
Non-Current Assets	664 039 000	(142 605 000)	**521 434 000**	805 107 785	**283 673 785**	
Current Assets	6 076 727 000	82 335 000	**6 159 062 000**	6 001 713 455	**(157 348 545)**	
Total Assets	**6 740 766 000**	**(60 270 000)**	**6 680 496 000**	**6 806 821 240**	**126 325 240**	
Liabilities						
Current Liabilities						
Long term liabilities	19 285 000	-	**19 285 000**	11 730 504	**(7 554 496)**	
Finance lease obligation	-	-	**-**	173 542	**173 542**	
Payables from exchange transactions	152 865 000	-	**152 865 000**	185 256 488	**32 391 488**	
Taxes and transfers payable (non-exchange)	10 432 000	-	**10 432 000**	2 330 857	**(8 101 143)**	
Consumer deposits	68 608 000	-	**68 608 000**	71 952 206	**3 344 206**	
Employee benefit obligation	-	-	**-**	2 441 268	**2 441 268**	
Unspent conditional grants and receipts	-	-	**-**	1 993 207	**1 993 207**	
Provisions	-	-	**-**	2 557 938	**2 557 938**	
Long service award	-	-	**-**	1 170 704	**1 170 704**	
	251 190 000	**-**	**251 190 000**	**279 606 714**	**28 416 714**	
Non-Current Liabilities						
Long term liabilities	345 247 000	46 040 000	**391 287 000**	77 107 026	**(314 179 974)**	
Finance lease obligation	-	-	**-**	112 457	**112 457**	
Employee benefit obligation	-	-	**-**	70 954 719	**70 954 719**	
Provisions	99 579 000	-	**99 579 000**	14 782 318	**(84 796 682)**	
Long service award	-	-	**-**	14 494 712	**14 494 712**	

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
	444 826 000	**46 040 000**	**490 866 000**	**177 451 232**	**(313 414 768)**	
	251 190 000	-	**251 190 000**	279 606 714	**28 416 714**	
	444 826 000	46 040 000	**490 866 000**	177 451 232	**(313 414 768)**	
	-	-	**-**	-	**-**	
Total Liabilities	**696 016 000**	**46 040 000**	**742 056 000**	**457 057 946**	**(284 998 054)**	
Assets	6 740 766 000	(60 270 000)	**6 680 496 000**	6 806 821 240	**126 325 240**	
Liabilities	(696 016 000)	(46 040 000)	**(742 056 000)**	(457 057 946)	**284 998 054**	
Net Assets	**6 044 750 000**	**(106 310 000)**	**5 938 440 000**	**6 349 763 294**	**411 323 294**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6 044 750 000	(106 310 000)	**5 938 440 000**	6 349 763 294	**411 323 294**	

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**
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	1 091 392	(11 951)	**1 079 441**	-	**(1 079 441)**	
Grants	235 391	(65 261)	**170 130**	-	**(170 130)**	
Interest income	22 191	1 165	**23 356**	-	**(23 356)**	
	1 348 974	**(76 047)**	**1 272 927**	**-**	**(1 272 927)**	
Payments						
Suppliers	(940 771)	(63 799)	**(1 004 570)**	-	**1 004 570**	
Finance costs	(28 081)	-	**(28 081)**	-	**28 081**	
Other payments	(62 503)	(1 890)	**(64 393)**	-	**64 393**	
	(1 031 355)	**(65 689)**	**(1 097 044)**	**-**	**1 097 044**	
Total receipts	1 348 974	(76 047)	**1 272 927**	-	**(1 272 927)**	
Total payments	(1 031 355)	(65 689)	**(1 097 044)**	-	**1 097 044**	
Net cash flows from operating activities	**317 619**	**(141 736)**	**175 883**	**-**	**(175 883)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	150	650	**800**	-	**(800)**	
Decrease (increase) in non-current investments	(205 000)	175 000	**(30 000)**	-	**30 000**	
Proceeds from sale of other asset 3	(186 399)	(83 835)	**(270 234)**	-	**270 234**	
Net cash flows from investing activities	**(391 249)**	**91 815**	**(299 434)**	**-**	**299 434**	
Cash flows from financing activities						
Borrowings long term	80 000	46 040	**126 040**	-	**(126 040)**	
Increase (decrease) in consumer deposits	5 242	-	**5 242**	-	**(5 242)**	
Repayment of borrowing	(16 709)	-	**(16 709)**	-	**16 709**	
Net cash flows from financing activities	**68 533**	**46 040**	**114 573**	**-**	**(114 573)**	
Net increase/(decrease) in cash and cash equivalents	(5 097)	(3 881)	**(8 978)**	-	**8 978**	
Cash and cash equivalents at the beginning of the year	47 859	20 467	**68 326**	-	**(68 326)**	
Cash and cash equivalents at the end of the year	**42 762**	**16 586**	**59 348**	**-**	**(59 348)**	

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	272 882 246	5 925 466	278 807 712	-		278 807 712	282 793 099		3 985 387	101 %	104 %
Service charges	688 453 514	(1 476 373)	686 977 141	-		686 977 141	689 564 770		2 587 629	100 %	100 %
Investment revenue	20 693 700	775 619	21 469 319	-		21 469 319	24 304 500		2 835 181	113 %	117 %
Transfers recognised - operational	189 619 569	(77 951 350)	111 668 219	-		111 668 219	115 805 992		4 137 773	104 %	61 %
Other own revenue	131 554 424	(16 010 637)	115 543 787	-		115 543 787	141 271 106		25 727 319	122 %	107 %
Total revenue (excluding capital transfers and contributions)	**1 303 203 453**	**(88 737 275)**	**1 214 466 178**	**-**		**1 214 466 178**	**1 253 739 467**		**39 273 289**	**103 %**	**96 %**
Employee costs	(344 431 966)	(1 665 049)	(346 097 015)	-	-	(346 097 015)	(330 847 428)	-	15 249 587	96 %	96 %
Remuneration of councillors	(18 817 670)	106 400	(18 711 270)	-	-	(18 711 270)	(17 893 745)	-	817 525	96 %	95 %
Debt impairment	(8 033 795)	(8 000 000)	(16 033 795)			(16 033 795)	(2 060 164)	-	13 973 631	13 %	26 %
Depreciation and asset impairment	(176 251 700)	-	(176 251 700)			(176 251 700)	(154 280 268)	-	21 971 432	88 %	88 %
Finance charges	(28 080 922)	-	(28 080 922)	-	-	(28 080 922)	(9 718 816)	-	18 362 106	35 %	35 %
Materials and bulk purchases	(340 072 243)	928 465	(339 143 778)	-	-	(339 143 778)	(326 861 937)	-	12 281 841	96 %	96 %
Transfers and grants	(62 503 456)	(1 889 836)	(64 393 292)	-	-	(64 393 292)	(63 791 397)	-	601 895	99 %	102 %
Other expenditure	(374 194 419)	73 576 800	(300 617 619)	-	-	(300 617 619)	(355 138 797)	-	(54 521 178)	118 %	95 %
Total expenditure	**(1 352 386 171)**	**63 056 780**	**(1 289 329 391)**	**-**	**-**	**(1 289 329 391)**	**(1 260 592 552)**	**-**	**28 736 839**	**98 %**	**93 %**
Total revenue (excluding capital transfers and contributions)	1 303 203 453	(88 737 275)	1 214 466 178	-	-	1 214 466 178	1 253 739 467	-	39 273 289	103 %	96 %
Total expenditure	(1 352 386 171)	63 056 780	(1 289 329 391)	-	-	(1 289 329 391)	(1 260 592 552)	-	28 736 839	98 %	93 %
Surplus/(Deficit)	**(49 182 718)**	**(25 680 495)**	**(74 863 213)**	**-**		**(74 863 213)**	**(6 853 085)**		**68 010 128**	**9 %**	**14 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	45 770 680	12 690 915	58 461 595	-		58 461 595	58 991 232		529 637	101 %	129 %
Contributions recognised - capital and contributed assets	49 908 340	(11 749 998)	38 158 342	-		38 158 342	53 277 529		15 119 187	140 %	107 %
Surplus/(Deficit)	(49 182 718)	(25 680 495)	(74 863 213)	-	-	(74 863 213)	(6 853 085)	-	68 010 128	9 %	14 %
Capital transfers and contributions	95 679 020	940 917	96 619 937	-	-	96 619 937	112 268 761	-	15 648 824	116 %	117 %
Surplus (Deficit) after capital transfers and contributions	**46 496 302**	**(24 739 578)**	**21 756 724**	**-**		**21 756 724**	**105 415 676**		**83 658 952**	**485 %**	**227 %**
Surplus (Deficit) after capital transfers and contributions	46 496 302	(24 739 578)	21 756 724	-	-	21 756 724	105 415 676	-	83 658 952	485 %	227 %
Surplus/(Deficit) for the year	**46 496 302**	**(24 739 578)**	**21 756 724**	**-**		**21 756 724**	**105 415 676**		**83 658 952**	**485 %**	**227 %**

Capital Expenditure and Funds Sources

Total capital expenditure	236 368 760	37 758 603	274 127 363	-		274 127 363	258 193 899		(15 933 464)	94 %	109 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash Flows											
Net cash from (used) operating	317 619	(147 735)	169 884	-		169 884	353 496 513		353 326 629	208 081 %	111 296 %
Net cash from (used) investing	(391 249)	97 815	(293 434)	-		(293 434)	(325 851 843)		(325 558 409)	111 048 %	83 285 %
Net cash from (used) financing	68 532	46 040	114 572	-		114 572	(11 064 328)		(11 178 900)	(9 657)%	(16 145)%
Net increase/(decrease) in cash and cash equivalents	**(5 098)**	**(3 880)**	**(8 978)**	**-**		**(8 978)**	**16 580 342**		**16 589 320**	**184 677)%**	**325 232)%**
Cash and cash equivalents at the beginning of the year	47 859	20 467	68 326	-		68 326	82 354 766		82 286 440	120 532 %	172 078 %
Net increase / (decrease) in cash and cash equivalents	(5 098)	(3 880)	(8 978)	-	-	(8 978)	16 580 342	-	(16 589 320)	184 677)%	325 232)%
Cash and cash equivalents at the beginning of the year	47 859	20 467	68 326	-	-	68 326	82 354 766	-	(82 286 440)	120 532 %	172 078 %
Cash and cash equivalents at year end	**42 761**	**16 587**	**59 348**	**-**		**59 348**	**98 935 108**		**(98 875 760)**	**166 703 %**	**231 368 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				264 425 808
Service charges				626 060 991
Investment revenue				22 475 654
Transfers recognised - operational				120 038 817
Other own revenue				167 859 618
Total revenue (excluding capital transfers and contributions)				**1 200 860 888**
Employee costs	-	-	-	(308 716 531)
Remuneration of councillors	-	-	-	(17 087 587)
Debt impairment	-	-	-	(11 448 624)
Depreciation and asset impairment	-	-	-	(149 681 321)
Finance charges	-	-	-	(10 970 000)
Materials and bulk purchases	-	-	-	(296 646 672)
Transfers and grants	-	-	-	(57 517 288)
Other expenditure	-	-	-	(289 728 885)
Total expenditure	**-**	**-**	**-**	**(1 141 796 908)**
Total revenue (excluding capital transfers and contributions)	-	-	-	1 200 860 888
Total expenditure	-	-	-	(1 141 796 908)
Surplus/(Deficit)				**59 063 980**
Transfers recognised - capital				60 240 330
Contributions recognised - capital and contributed assets				51 840 472
Surplus/(Deficit)	-	-	-	59 063 980
Capital transfers and contributions	-	-	-	112 080 802
Surplus (Deficit) after capital transfers and contributions				**171 144 782**
Surplus (Deficit) after capital transfers and contributions	-	-	-	171 144 782
Surplus/(Deficit) for the year				**171 144 782**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Captial Expenditure and Funds Sources				
Total capital expenditure				12 625 519
Cash Flows				
Net cash from (used) operating				294 004 276
Net cash from (used) investing				(261 521 927)
Net cash from (used) financing				(7 523 263)
Net increase/(decrease) in cash and cash equivalents				**24 959 086**
Cash and cash equivalents at the beginning of the year				57 395 683
Net increase / (decrease) in cash and cash equivalents	-	-	-	24 959 086
Cash and cash equivalents at the beginning of the year	-	-	-	57 395 683
Cash and cash equivalents at year end				**82 354 769**

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 Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with 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.

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 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:

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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 20 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 retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. 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 22.

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.

1.3 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.

Accounting Policies

1.3 Investment property (continued)

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

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.

1.4 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.

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.

1.4 Property, plant and equipment (continued)

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**
Buildings	30 - 100 years
Community assets	10 - 100 years
Housing development fund	30 - 100 years
Infrastructure assets	5 - 100 years
Land	Indefinite
Other property, plant and equipment	2 - 30 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.

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.

1.5 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.

1.5 Site restoration and dismantling cost (continued)

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.

1.6 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.

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.

1.6 Intangible assets (continued)

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	3 - 10 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.

1.7 Financial instruments

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

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

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	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.

Accounting Policies

1.7 Financial instruments (continued)

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 liabiliites 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.

1.7 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.

1.7 Financial instruments (continued)

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.

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).

1.8 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

Any contingent rents are 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.

1.9 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.

1.9 Inventories (continued)

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

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

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

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

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

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

1.10 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).

1.11 Impairment of cash-generating assets

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

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.

1.11 Impairment of cash-generating assets (continued)

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.

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.

1.11 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.

1.12 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.

1.12 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.

1.13 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.

1.13 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:

- 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.

1.14 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.

Accounting Policies

1.14 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.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the 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).

1.14 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

1.14 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.

1.15 Provisions and contingencies

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

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

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.

1.15 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 48.

1.15 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 1.11 and 1.12.
- 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;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

1.16 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.

1.16 Discontinued operations (continued)

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.

1.17 Revenue from exchange transactions

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

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

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 services performed to date as a percentage of total services to be performed.

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.

1.18 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.

1.18 Revenue from non-exchange transactions (continued)

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.

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.

1.18 Revenue from non-exchange transactions (continued)

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.

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.

1.19 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.

1.20 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.

1.20 Service concession arrangements: Grantor (continued)

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.

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.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 46 for detail.

1.22 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.

1.22 Unauthorised expenditure (continued)

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.

1.23 Fruitless and wasteful expenditure

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

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

1.24 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.

1.25 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.

1.26 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 47.

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.

1.27 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.

1.28 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.

Accounting Policies

1.28 Budget information (continued)

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.

1.29 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.

1.30 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 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The impact of the amendment is not material.

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed 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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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 standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

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 standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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).

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

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

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

- control;
- related party transactions; and
- remuneration of management.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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’).

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.

2. New standards and interpretations (continued)

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.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

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.

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 standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

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.

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.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42 380	42 380
Bank balances	98 892 726	82 312 386
	98 935 106	**82 354 766**

Figures in Rand	2015	2014

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK (Nelspruit)- Cheque Account 1040-000-077	89 450 780	80 877 105	95 780 173	78 503 556	68 059 552	49 647 860
ABSA BANK (Nelspruit)- Cheque Account 4078-303-563	20 456 926	14 386 659	7 680 443	20 389 170	14 252 833	7 705 443
Total	**109 907 706**	**95 263 764**	**103 460 616**	**98 892 726**	**82 312 385**	**57 353 303**

4. Consumer receivables

	2015	2014
Gross balances		
Rates	30 497 349	26 356 090
Electricity	22 703 557	20 767 275
Water	8 387 166	6 278 017
Sewerage	6 108 454	5 055 133
Refuse	5 477 997	4 591 778
Housing rental	52 856	67 139
VAT, interest and deposits	9 540 171	7 935 563
	82 767 550	**71 050 995**
Less: Allowance for impairment		
Rates	(8 192 728)	(9 135 675)
Electricity	(6 099 033)	(7 198 453)
Water	(2 253 110)	(2 176 117)
Sewerage	(1 640 962)	(1 752 235)
Refuse	(1 471 597)	(1 591 624)
VAT, interest and deposits	(2 577 049)	(2 773 936)
	(22 234 479)	**(24 628 040)**
Net balance		
Rates	22 304 618	17 220 415
Electricity	16 604 524	13 568 822
Water	6 134 057	4 101 900
Sewerage	4 467 493	3 302 898
Refuse	4 006 400	3 000 154
Housing rental	67 139	67 139
VAT, interest and deposits	6 948 838	5 161 627
	60 533 069	**46 422 955**
Included in above is receivables from exchange transactions		
Electricity	16 604 524	13 568 822
Water	6 134 057	4 101 900
Sewerage	4 467 493	3 302 898
Refuse	4 006 400	3 000 154
VAT, interest and deposits	6 948 838	5 161 627
Housing rental	67 139	67 139
	38 228 451	**29 202 540**

Figures in Rand	2015	2014
4. Consumer receivables (continued)		
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	22 304 618	17 220 415
Net balance	**60 533 069**	**46 422 955**
Rates		
Current (0 -30 days)	17 519 452	15 629 600
31 - 60 days	1 951 172	1 438 787
61 - 90 days	1 057 365	880 958
91 - 120 days	757 221	724 481
121 - 150 days	715 560	592 792
> 150 days	8 496 578	7 089 470
	30 497 349	**26 356 088**
Electricity		
Current (0 -30 days)	19 695 968	17 875 439
31 - 60 days	689 954	760 576
61 - 90 days	384 200	384 331
91 - 120 days	225 564	235 630
121 - 150 days	162 471	98 647
> 150 days	1 545 400	1 412 651
	22 703 557	**20 767 274**
Water		
Current (0 -30 days)	4 510 539	3 197 201
31 - 60 days	416 201	406 028
61 - 90 days	298 749	206 461
91 - 120 days	188 835	152 776
121 - 150 days	208 463	150 667
> 150 days	2 764 380	2 164 883
	8 387 167	**6 278 016**
Sewerage		
Current (0 -30 days)	3 662 929	3 112 927
31 - 60 days	359 794	315 774
61 - 90 days	265 533	160 562
91 - 120 days	146 796	115 976
121 - 150 days	126 132	91 406
> 150 days	1 547 270	1 258 516
	6 108 454	**5 055 161**
Refuse		
Current (0 -30 days)	3 418 120	2 777 742
31 - 60 days	334 817	313 529
61 - 90 days	205 644	177 666
91 - 120 days	130 328	133 655
121 - 150 days	110 829	79 337
> 150 days	1 278 260	1 109 848
	5 477 998	**4 591 777**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer receivables (continued)

Housing rental

31 - 60 days	33 717	38 807
61 - 90 days	2 751	2 153
91 - 120 days	590	1 992
121 - 150 days	15 797	24 187
	52 855	**67 139**

VAT, interest and deposits

Current (0 -30 days)	5 353 636	4 427 441
31 - 60 days	508 182	366 128
61 - 90 days	355 630	251 755
91 - 120 days	216 699	204 277
121 - 150 days	204 237	177 748
> 150 days	2 901 787	2 508 215
	9 540 171	**7 935 654**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Consumer receivables (continued)

Summary of debtors by customer classification

Households		
Current (0 -30 days)	29 549 624	27 096 387
31 - 60 days	2 342 754	1 985 025
61 - 90 days	1 600 005	1 250 577
91 - 120 days	997 427	1 036 505
121 - 150 days	969 118	824 522
> 150 days	11 994 512	9 849 938
	47 453 440	42 042 954
Less: Allowance for impairment	(6 048 158)	(14 559 564)
	41 405 282	**27 483 390**

Business		
Current (0 -30 days)	22 869 805	18 244 902
31 - 60 days	1 439 481	1 179 555
61 - 90 days	752 779	632 530
91 - 120 days	498 213	454 823
121 - 150 days	498 436	362 227
> 150 days	5 623 496	4 896 935
	31 682 210	25 770 972
Less: Allowance for impairment	(1 460 878)	(7 863 947)
	30 221 332	**17 907 025**

Government		
Current (0 -30 days)	1 741 218	1 679 062
31 - 60 days	511 604	475 019
61 - 90 days	217 085	180 780
91 - 120 days	170 395	77 462
121 - 150 days	75 936	28 039
> 150 days	915 667	796 708
	3 631 905	3 237 070
Less: Allowance for impairment	(73 220)	(2 204 528)
	3 558 685	**1 032 542**

Total		
Current (0 -30 days)	54 160 601	47 020 350
31 - 60 days	4 293 837	3 639 600
61 - 90 days	2 569 871	2 063 887
91 - 120 days	1 666 033	1 568 790
121 - 150 days	1 543 489	1 214 785
> 150 days	18 533 675	15 543 583
	82 767 506	71 050 995
Less: Allowance for impairment	(22 234 479)	(24 628 040)
	60 533 027	**46 422 955**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(24 628 040)	(29 388 730)
Contributions to allowance	2 339 500	(1 137 692)
Debt impairment written off against allowance	54 061	5 898 382
	(22 234 479)	**(24 628 040)**

Figures in Rand	2015	2014

4. Consumer receivables (continued)

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2015 and 30 June 2014 all accounts past due were impaired.

Receivables from exchange transactions impaired

As of 30 June 2015, receivables from exchange transactions of R30,964,003 (2014: R 42 351 668) were impaired and provided for.

The amount of the allowance was R 22,234,479 as of 30 June 2015 (2014: R 24 628 040).

The ageing of these receivables is as follows:

3 to 6 months	9 416 831	-
Over 6 months	21 547 172	42 351 668

5. Receivables from exchange transactions

Consumer debtors	1 293 862	1 429 456
Deposits paid	1 065 192	1 054 884
Dumping site levies	202 921	215 899
Insurance	2 123 590	1 172 336
Leases	1 738 292	1 458 303
Main service contribution	3 352 713	3 352 218
Accrued interest	4 941 930	4 510 765
Sundry receivables	3 947 656	7 026 753
Less: Allowance for impairment	(5 886 615)	(6 815 600)
	12 779 541	**13 405 014**

Trade and other receivables pledged as security

During the year no trade and other receivables were pledged as security.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2015 and 2014 all accounts past due were impaired.

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R6,692,211 (2014: R 10 842 027) were impaired and provided for.

The amount of the provision was R 5,886,615 as of 30 June 2015 (2014: R 6 815 600).

The ageing of these receivables is as follows:

3 to 6 months	2 847 158	-
Over 6 months	3 845 053	10 842 027

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(6 815 600)	(4 914 513)
Provision for impairment	838 793	(1 901 087)
Amounts written off as uncollectible	90 192	-
	(5 886 615)	**(6 815 600)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from exchange transactions (continued)

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 38). For the year under review an amount of R90,192 was written off as uncollectable (2014: R0). The amounts are generally written off when there no is expectation of recovering additional cash.

6. Receivables from non-exchange transactions

Fines	26 514 960	18 788 843
Government grants and subsidies	962 490	-
Health subsidy	11 462 100	11 462 100
Less: Allowance for impairment	(22 003 021)	(16 766 364)
	16 936 529	**13 484 579**

Receivables from non-exchange transactions pledged as security

During the year no receivables from non-exchange transactions were pledged as security.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2015 and 30 June 2014 all accounts past due were impairmed.

Receivables from non-exchange transactions impaired

As of 30 June 2015, receivables from non-exchange transactions of R26,514,959 (2014: R 18 788 843) were impaired and provided for.

The amount of the allowance for impairment was R22,003,020 as of 30 June 2015 (2014: R 16 766 364).

Reconciliation of allowance for impairment

Opening balance	(16 766 364)	(8 356 518)
Allowance for impairment	(5 236 657)	(8 409 846)
	(22 003 021)	**(16 766 364)**

7. VAT receivable

VAT	31 292 987	27 916 416

The municipality is registered for VAT on the payment basis.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Operating lease asset

Current asset		
Opening balance	3 342 169	3 526 200
Movement for the year	(1 020 422)	(184 031)
	2 321 747	**3 342 169**
Minimum lease income due		
- within one year	13 977 126	12 341 574
- second to fifth year	9 753 753	23 655 102
- after 5 years	192 120	267 897
	23 922 999	**36 264 573**

Included in the operating lease revenue are the following significant contracts:

1. Shanduka Coal - Lease of Farms in Middelburg.
The contract expires on 28 February 2017.
Actual income levied 2014/15 R 12,094,613
Expected levy income 2015/16 R 12,751,161
Annual straigtlining R 12,636,653

2. Pole Add SA (Pty) - Manufacture, erect, maintain street identification signs incorporating with advertisement.

The contract expires on 30 September 2016.
Actual income levied 2014/15 R 96,101
Expected levy income 2015/16 R 105,951
Annual straigtlining R 86,938

3. MTN (PTY) LTD - Rental of Stand 908 Hendrina for base transceiver sites.
The contract expires on 31 October 2015
Actual income levied 2014/15 R 35,306
Expected levy income 2015/16 R 12,232
Annual straigtlining R 24,513

4. MTN (PTY) LTD - Rental of the remainder of portion 27 of the farm Middelburg & Townlands 287 JS for telecommunications base station.
The contract expires on 31 August 2016
Actual income levied 2014/15 R 36,400
Expected levy income 2015/16 R 40,040
Annual straigtlining R 37,072

5. Vodacom Service Provider Company - Rental of portion 170 of the farm Middelburg Town & Townlands 287 JS for base station.
The contract expires on 30 May 2016
Actual income levied 2014/15 R 35,937
Expected levy income 2015/16 R 38,907
Annual straigtlining R 35,748

6. Vodacom Service Provider Company - Rental of erf 7751 Middelburg ext 23 for base station.
The contract expires on 31 October 2016
Actual income levied 2014/15 R 29,440
Expected levy income 2015/16 R 34,560
Annual straigtlining R 30,452

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. Investments

At amortised cost		
ABSA bank	72 000 000	36 000 000
First National bank	72 000 000	36 000 000
Investec bank	122 000 000	116 000 000
Nedbank	72 000 000	66 000 000
Standard bank	72 000 000	96 000 000
	410 000 000	**350 000 000**

10. Inventories

Consumable stores	18 227 450	15 502 101
Land	153 138 835	120 042 494
RDP houses	128 952	22 566 526
Water	702 787	312 839
	172 198 024	**158 423 960**

10.1 Inventory shortages and surpluses

Inventory shortages written off during the year	(148 992)	(416 436)
Inventory surpluses for the year	123 237	46 790

Inventory pledged as security

During the year no inventory was pledged as security.

11. Long term loans

At amortised cost		
Sale of erven Loans were given at a low interest rate of 7.5% per annum to encourage development through the sale of vacant land. In terms of the MFMA no new loans are granted. The remaining repayment terms vary from 1 - 5 years for the different contracts.	158 312	286 883
	-	-
	-	-
	158 312	286 883

Non-current assets		
At amortised cost	47 532	84 088
Current assets		
At amortised cost	110 780	202 796
Non-current assets	47 532	84 088
Current assets	110 780	202 796
	158 312	**286 884**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	24 937 113	-	24 937 113	24 937 113	-	24 937 113

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	24 937 113	24 937 113

Reconciliation of investment property - 2014

	Opening balance	Total
Land	24 937 113	24 937 113

Pledged as security

None of hte above investment property has been pledged as security.

Details of property

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

13. 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	2 422 527 205	-	2 422 527 205	2 510 027 798	-	2 510 027 798
Buildings	301 330 489	(102 658 719)	198 671 770	296 324 333	(95 105 028)	201 219 305
Infrastructure	5 314 981 916	(2 570 543 215)	2 744 438 701	5 090 211 577	(2 465 398 499)	2 624 813 078
Community	734 083 564	(229 050 427)	505 033 137	721 468 221	(210 417 490)	511 050 731
Other property, plant and equipment	246 909 331	(144 669 240)	102 240 091	238 021 491	(135 075 733)	102 945 758
Housing development fund	6 742 664	(4 820 400)	1 922 264	6 742 664	(4 680 800)	2 061 864
Total	**9 026 575 169**	**(3 051 742 001)**	**5 974 833 168**	**8 862 796 084**	**(2 910 677 550)**	**5 952 118 534**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 510 027 798	210 129	-	(87 710 722)	-	-	2 422 527 205
Buildings	201 219 305	5 006 156	-	-	(7 174 567)	(379 125)	198 671 769
Infrastructure	2 624 813 078	224 770 339	-	-	(103 418 167)	(1 726 548)	2 744 438 702
Community	511 050 731	12 748 689	(21 928)	-	(16 157 872)	(2 586 484)	505 033 136
Other property, plant and equipment	102 945 759	23 245 101	(2 311 722)	-	(21 170 250)	(468 794)	102 240 094
Housing development fund	2 061 864	-	-	-	(139 600)	-	1 922 264
	5 952 118 535	**265 980 414**	**(2 333 650)**	**(87 710 722)**	**(148 060 456)**	**(5 160 951)**	**5 974 833 170**

Notes to the Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 542 938 884	70 349 243	-	(103 260 330)	-	-	2 510 027 797
Buildings	186 169 511	21 090 873	-	-	(5 977 269)	(63 810)	201 219 305
Infrastructure	2 548 039 230	183 212 825	(1 555 455)	-	(101 151 101)	(3 732 419)	2 624 813 080
Community	513 426 523	13 655 419	(119 879)	-	(15 649 852)	(261 479)	511 050 732
Other property, plant and equipment	101 176 225	24 264 267	(827 132)	-	(21 616 363)	(51 238)	102 945 759
Housing development fund	2 249 769	-	-	-	(162 524)	(25 382)	2 061 863
	5 894 000 142	**312 572 627**	**(2 502 466)**	**(103 260 330)**	**(144 557 109)**	**(4 134 328)**	**5 952 118 536**

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

Buildings	765 885	792 263
Other property, plant and equipment	262 279	574 355
	1 028 164	**1 366 618**

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	86 662 585	8 786 414	2 126 521	97 575 520
Additions/capital expenditure	37 971 353	460 902	19 478	38 451 733
Transferred to completed items	(12 873 599)	(8 786 414)	(363 386)	(22 023 399)
	111 760 339	**460 902**	**1 782 613**	**114 003 854**

13. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	67 751 150	8 820 242	23 720 119	100 291 511
Additions/capital expenditure	26 432 893	3 615 973	782 364	30 831 230
Transferred to completed items	(7 521 458)	(3 649 801)	(22 375 962)	(33 547 221)
	86 662 585	**8 786 414**	**2 126 521**	**97 575 520**

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.

14. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7 266 341	(5 370 697)	1 895 644	15 435 385	(12 603 366)	2 832 019

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	2 832 013	125 018	(2 524)	(1 058 864)	1 895 644

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 997 858	1 921 635	(95 434)	(992 046)	2 832 013

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.

15. Payables from exchange transactions

	2015	2014
Trade payables	121 730 945	86 408 350
Sundry receivables paid in advance	604 365	1 258 763
Staff leave	23 002 232	21 455 978
Retentions payable	25 060 367	26 910 138
Third party pre-paid sales in advance	1 777 688	1 478 006
Pre-paid meter sales in advance	3 811 272	3 112 424
Other payables	2 276 385	2 091 632
Consumer receivables paid in advance	6 993 234	9 797 308
	185 256 488	**152 512 599**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Payables from non-exchange transactions

Housing accreditation grant	1 343 965	1 750 950
Informal housing grant (RDP)	139 415	139 415
Other government grants	214 409	214 409
Payable to National Treasury	633 068	802 229
	2 330 857	**2 907 003**

17. Consumer deposits

Electricity and water	55 787 172	52 607 145
Sundry	16 165 034	12 322 977
	71 952 206	**64 930 122**

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits	6 919 889	6 950 292

18. Finance lease obligation

Minimum lease payments due		
- within one year	191 643	250 137
- in second to fifth year inclusive	111 169	330 949
	302 812	581 086
less: future finance charges	(21 329)	(83 328)
Present value of minimum lease payments	**281 483**	**497 758**

Present value of minimum lease payments due		
- within one year	173 542	216 590
- in second to fifth year inclusive	-	281 168
	173 542	**497 758**

Non-current liabilities	112 457	281 168
Current liabilities	173 542	216 590
	285 999	**497 758**

It is municipality policy to lease certain photo copiers under finance leases.

The average lease term was 3-5 years and the effective borrowing rate between 9% - 15% (2014: 9%-15%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Energy efficient demand site management (EEDSM)	-	4 641 315
Municipal infrastructure grant (MIG)	-	2 049 300
Informal housing grant (RDP)	1 993 207	1 933 474
	1 993 207	**8 624 089**

See note 31 for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Church erven	266 788	334 690	(167 428)	-	434 050
Landfill rehabilitation	5 966 069	8 851 294	-	-	14 817 363
Performance bonus	6 538 904	948 426	(2 227 838)	(3 170 649)	2 088 843
	12 771 761	**10 134 410**	**(2 395 266)**	**(3 170 649)**	**17 340 256**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Church erven	451 756	134 110	(319 078)	-	266 788
Landfill rehabilitation	-	5 966 069	-	-	5 966 069
Performance bonus	6 053 913	1 333 209	(1 106 998)	258 780	6 538 904
	6 505 669	**7 433 388**	**(1 426 076)**	**258 780**	**12 771 761**

Non-current liabilities	14 782 318	6 083 929
Current liabilities	2 557 938	6 687 832
	17 340 256	**12 771 761**

Landfill rehabilitation

The landfill rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year end to reflect the best estimate at reporting date. The site under consideration is the Middelburg landfill site. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat from Environmental & Sustainability Solutions (ESS). Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists.

20. Provisions (continued)

The 2015 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 Jnue 2015. The size of the Middelburg landfill site used up until now is approximately 6.7788 ha. The remaining life of the landfill is 9 years. Key financial assumptions used in this calculation were a CPI of 4.1306%, a discount rate of 6.3806% and therefore a net effective discount rate of 2.25%.

Performance bonus

The provision is to provide for performance bonuses of the section 57 employees and other senior managers where applicable.
The provision is calculated at 14% of the total renumeration in terms of the performance agreements at reporting date which is
usually paid within one year.

Church erven

The provision on church erven is for the obligation which the municipality have to pay 25% of the purchase price back to the church once the property is fully developed, which is evaluated at the end of each year to reflect the best estimate at reporting date.

21. Long term liabilities

	2015	2014
At amortised cost		
Standard Bank	2 410 775	6 907 519
Interest at 9.62% redeemable at 01/09/2015		
Infrastructure Finance Corporation	22 298 093	24 450 902
Interest at 9.59% redeemable at 30/06/2022		
Infrastructure Finance Corporation	24 289 855	26 265 393
Interest at 9.29% redeemable at 30/06/2023		
Infrastructure Finance Corporation	26 132 618	27 953 708
Interest at 9.02% redeemable at 30/06/2024		
First National Bank	13 706 189	16 214 739
Interest at 12.50% redeemable at 30/06/2019		
	88 837 530	**101 792 261**
Total other financial liabilities	**88 837 530**	**101 792 261**
Non-current liabilities		
At amortised cost	77 107 026	88 839 531
Current liabilities		
At amortised cost	11 730 504	12 952 730

22. Employee benefit obligations

Defined contribution plan

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

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ARCH Acturial Consultants and Actuaries.

Figures in Rand	2015	2014

22. Employee benefit obligations (continued)

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

Opening balance	70 425 000	69 623 708
Benefits paid	(6 209 013)	(7 394 688)
Net expense recognised in the statement of financial performance	9 180 000	8 195 980
	73 395 987	**70 425 000**

Net expense of the defined contribution recognised in the statement of financial performance

Current service cost	5 379 000	4 401 114
Interest cost	6 513 000	6 083 866
Actuarial (gains) losses	(2 712 000)	(2 289 000)
	9 180 000	**8 195 980**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,01 %	9,00 %
Consumer inflation	7,16 %	7,00 %
Medical cost trend rates	8,11 %	8,19 %
Net effective discount rate	0,83 %	0,70 %

Other assumptions

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

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined contribution plan	(73 395 987)	(70 425 000)	(69 623 708)	(74 925 000)	(69 812 000)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits. During the year the contributions expensed for the year
amounts to R 39 085 139 (2014 R36 481 886).

23. Long service award

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by ARCH Acturial Consultants and Actuaries as at 30 June 2015.

Figures in Rand	2015	2014

23. Long service award (continued)

Opening balance	16 746 000	13 740 077
Current service cost	1 645 000	1 448 641
Interest cost	1 358 000	974 639
Benefits vested	(1 816 000)	(1 260 000)
Actuarial gain/(loss)	(2 267 584)	1 842 643
	15 665 416	**16 746 000**

Current liability	1 170 704	1 816 001
Non-current liabilities	14 494 712	14 929 999
	15 665 416	**16 746 000**

Assumptions used at the reporting date:

Discount rates used	8,15 %	8,02 %
Normal salary increase rate	7,00 %	7,37 %

24. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	98 935 106	98 935 106
Consumer receivables	60 533 069	60 533 069
Receivables from exchange transactions	12 779 540	12 779 540
Receivables from non-exchange transactions	16 936 529	16 936 529
Long term loans	158 312	158 312
Investments	410 000	410 000
	189 752 556	**189 752 556**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	185 256 488	185 256 488
Payables from non-exchange transactions	2 330 857	2 330 857
Consumer deposits	71 952 206	71 952 206
Long term liabilities	88 837 530	88 837 530
Finance lease obligation	285 999	285 999
Provisions	17 340 256	17 340 256
	366 003 336	**366 003 336**

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	82 354 766	82 354 766
Consumer receivables	46 422 955	46 422 955
Receivables from exchange transactions	15 715 462	15 715 462

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

. Financial instruments disclosure (continued)

Receivables from non-exchange transactions	13 484 579	13 484 579
Long term loans	286 884	286 884
Investments	350 000 000	350 000 000
	508 264 646	**508 264 646**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	143 262 790	143 262 790
Payables from non-exchange transactions	2 907 003	2 907 003
Consumer deposits	64 930 112	64 930 112
Long term liabilities	101 792 261	101 792 261
Finance lease obligation	497 758	497 758
Provisions	12 771 762	12 771 762
	326 161 686	**326 161 686**

25. Housing development fund

Balance at the beginning of the year	7 061 612	7 061 612

26. Service charges

Sale of electricity	485 127 054	449 191 695
Sale of water	69 267 051	55 884 517
Sewerage charges	65 266 510	59 951 728
Refuse removal	69 904 155	61 033 051
	689 564 770	**626 060 991**

27. Interest received - trading

Property rates	879 034	1 075 633
Services	963 906	718 933
Sundry receivables	268 202	255 975
	2 111 142	**2 050 541**

28. Investment revenue

Interest revenue

Short term investments	14 521 964	16 586 483
Current bank account	9 782 536	5 889 171
	24 304 500	**22 475 654**
	-	-
	24 304 500	22 475 654

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

29. Other income

Administration fees	2 744 020	2 685 823
Building plan fees	1 581 428	1 446 113
Cemetry fees	412 494	450 136
Community service fees	720 456	859 209
Connection fees	6 576 173	5 229 523
Dumping site fees	1 076 621	1 080 858
Electricity	39 601	-
Entrance fees	428 154	343 201
ESKOM servitutes	2 348 715	-
Guarantee Keren Kula	1 153 797	-
Insurance claims	8 224 704	2 395 587
Internal fees	42 917	40 385
Main service contribution	4 471 597	6 951 524
Meter testing fees and calls	1 288	-
Option fee	258 324	239 687
Recovery of bad debts	-	71
Recovery of purification cost	586 324	586 324
Sale of erven	35 435 376	74 729 926
Sale of material and supplies	719 823	394 061
Sale of plants	-	580
Skills development fund refund	393 300	604 761
Sundry income	960 540	869 955
	68 175 652	**98 907 724**

30. Property rates

Rates received

Residential	153 306 601	142 160 110
Commercial	113 218 460	107 133 342
Government	15 498 612	14 528 271
Privately owned towns	577 098	604 085
	282 600 771	**264 425 808**

Valuations

Residential	18 817 047 700	18 378 050 000
Commercial	1 063 782 000	1 050 372 000
Government	4 935 677 000	4 746 588 500
Privately owned towns	64 475 000	64 780 000
	24 880 981 700	**24 239 790 500**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0,011 (2014: R 0,011) is applied to property valuations to determine assessment rates.

Figures in Rand	2015	2014

31. Government grants and subsidies

Operating grants		
Equitable share	103 556 000	92 630 001
Expanded public works programme (EPWP)	806 150	1 136 678
Finance management grant (FMG)	1 600 000	1 956 791
Informal housing grant (RDP)	7 896 377	22 566 526
Municipal accreditation capacity enhancement fund (MACEF)	-	52 226
Municipal infrastructure grant (MIG)	1 858 931	1 610 298
Municipal systems improvement grant (MSIG)	88 534	104 147
	115 805 992	120 056 667
Capital grants		
Energy efficient demand site management (EEDSM)	4 349 483	5 961 387
Expanded public works programme (EPWP)	504 470	485 126
Finance management grant (FMG)	-	122 016
Integrated national electrification programme (INEP)	-	358 385
Municipal accreditation capacity enhancement funding (MACEF)	-	34 375
Municipal infrastructure grant (MIG)	53 435 859	37 547 897
Municipal systems improvement grant (MSIG)	701 420	929 071
Neighbourhood development partnership grant (NDPG)	-	14 784 222
	58 991 232	60 222 479
	174 797 224	**180 279 146**

Equitable Share

The purpose of this grant is the provision of indigent support through free basic services. Registered indigents receive a rebate of 100% on discounted assessment rates and a monthly subsidy of R454 (2013: R267) on the cost of other services which are funded from this grant. This grant is unconditional.

Finance management grant (FMG)

Balance unspent at beginning of year	-	1 648 907
Current - year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(2 078 807)
Repaid to National Treasury	-	(948 907)
Recovered by National Treasury	-	(132 001)
Payable to National Treasury	-	(39 192)
	-	-

The purpose of this grant is to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003 and to fund the internship programme.

Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Municipal systems improvement grant (MSIG)

Balance unspent at beginning of year	-	300 000
Current - year receipts	934 000	890 000
Conditions met - transferred to revenue	(789 954)	(1 033 218)
Payable to National Treasury	(144 046)	(156 782)
	-	-

The purpose of this grant is to build in-house capacity to perform their functions and stabilise institutional and governance systems.

Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Government grants and subsidies (continued)

Municipal infrastructure grant (MIG)

	2015	2014
Balance unspent at beginning of year	2 049 300	125 751
Current - year receipts	52 283 000	41 756 000
Conditions met - transferred to revenue	(54 332 300)	(39 158 196)
Repaid to National Treasury	-	(125 751)
Payable to National Treasury	-	(548 504)
	-	**2 049 300**

The purpose of this grant is to construct basic municipal infrastructure to provide basic services for the benefit of poor households.

Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Integrated national electrification programme (INEP)

	2015	2014
Balance unspent at beginning of year	-	2 102 481
Current - year receipts	-	6 000 000
Conditions met - transferred to revenue	-	(5 961 387)
Repaid to National Treasury	-	(2 102 481)
Payable to National Treasury	-	(38 613)
	-	**-**

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings.

The conditions of the grant were met and no funds have been withheld.

Informal housing grant (RDP)

	2015	2014
Balance unspent at beginning of year	1 933 474	-
Current - year receipts	7 956 109	24 500 000
Conditions met - transferred to revenue	(7 896 376)	(22 566 526)
	1 993 207	**1 933 474**

The purpose of this grant is to provide funding to build capacity to implement level 2 housing accreditation.

Conditions still to be met - remain liabilities (see note 19).

Neighbourhood development partnership grant (NDPG)

	2015	2014
Balance unspent at beginning of year	-	3 149 164
Current - year receipts	-	11 637 000
Conditions met - transferred to revenue	-	(14 784 222)
Payable to National Treasury	-	(1 942)
	-	**-**

The purpose of this grant is to provide municipalities with capital subsidies for property development in townships and new residential neighbourhoods that include the construction or upgrading of community facilities and where appropriate, to attract private sector funding and input.

Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Energy efficient demand site management (EEDSM)

	2015	2014
Balance unspent at beginning of year	4 641 315	4 999 700

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Government grants and subsidies (continued)

Current - year receipts	(4 349 483)	(358 385)
Payable to National Treasury	(291 832)	-
	-	**4 641 315**

The purpose of this grant is to enhance energy saving within the municipality area of jurisdiction.

Conditions still to be met - remain liabilities (see note 19).

Expanded public works programme (EPWP)

Balance unspent at beginning of year	-	84 948
Current - year receipts	1 705 000	1 639 000
Conditions met - transferred to revenue	(1 507 809)	(1 621 803)
Repaid to National Teasury	-	(84 948)
Payable to National Treasury	(197 190)	(17 197)
	-	**-**

The purpose of the grant is to effect a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people.

Conditions still to be met - remain liabilities (see note 19).

Provincial health subsidy

Balance unspent/(due) at beginning of year	-	(11 462 100)
Transferred to receivables from non-exchange transactions (refer note 5).	-	11 462 100
	-	**-**

The purpose of this grant is to fund primary healthcare services. The primary health care services were transferred to the Mpumalanga provincial government on 01 August 2013.

The conditions of this subsidy has been met, but the subsidy has not yet been received.

32. Public contributions and donations

Developer donation	32 933 315	-
Eskom	-	4 348 955
Government donations	17 453	-
Nkangala District Municipality	-	39 474 477
Glencore mine	20 326 761	8 017 040
	53 277 529	**51 840 472**

No conditions or restriction attached. The assets were fully capitalised on 30 June 2015.

Major classes		
Buildings	-	2 697 053
Community assets - park	-	599 927
Community assets - vegetable tunnel	-	6 631 319
Infrastructure - roads	14 706 910	5 431 637
Infrastructure - water	8 194 567	29 078 008
Infrastructure - electricity	17 871 429	-
Infrastructure - sanitation	12 487 170	-
Intangible assets - arial photographs	-	1 392 640
Other assets	17 453	4 357 986
	53 277 529	**50 188 570**

Figures in Rand	2015	2014

33. Employee related costs

Workmen's compensation	2 039 112	1 837 428
Unemployment insurance fund	2 041 043	1 965 042
Salaries	212 230 523	203 227 929
Pension fund contributions	38 434 142	35 827 280
Overtime payments	56 311 581	47 942 521
Medical aid	16 490 645	14 784 080
Housing allowances	1 646 687	1 565 377
Group insurance	1 127 481	1 064 372
Cellphone allowances	526 214	502 503
	330 847 428	**308 716 532**

Municipal Manager: WD Fouche

Annual remuneration	1 283 305	983 868
Travel allowance	119 249	171 600
Cellphone allowances	20 769	33 336
Contributions to UIF, medical and pension funds	68 883	111 516
Performance bonuses	411 583	-
Other	(4 780)	4 537
	1 899 009	**1 304 857**

Appointed from 1 February 2012 until 31 January 2015.

Deputy Municipal Manager: SM Mnguni

Annual remuneration	986 496	915 379
Travel allowance	194 705	132 000
Cellphone allowances	22 601	19 236
Contributions to UIF, medical and pension funds	25 189	23 588
Other	4 751	4 449
	1 233 742	**1 094 652**

Acting as Municipal Manager from 1 February 2015.

Executive Manager Finance: E Wassermann

Annual remuneration	905 866	841 803
Travel allowance	122 184	108 000
Cellphone allowances	23 280	19 236
Contributions to UIF, medical and pension funds	64 229	59 744
Performance bonuses	99 243	-
Other	4 900	4 588
	1 219 702	**1 033 371**

Appointed from 1 March 2012 to 28 February 2017.

Figures in Rand	2015	2014

33. Employee related costs (continued)

Executive Manager Corporate services: T Mekuto

Annual remuneration	178 640	770 660
Travel allowance	30 000	120 000
Cellphone allowances	5 820	19 236
Contributions to UIF, medical and pension funds	31 287	118 989
Performance bonuses	439 266	-
Other	1 198	4 486
	686 211	**1 033 371**

Terminated on 30 September 2014.

Executive Manager Public Services: MC Hlatshwayo

Annual remuneration	932 667	865 691
Travel allowance	124 556	120 000
Cellphone allowances	20 544	19 236
Contributions to UIF, medical and pension funds	25 516	23 931
Other	4 812	4 513
	1 108 095	**1 033 371**

Appointed from 1 March 2013 until 28 February 2018.

Executive Manager Infrastructure Services: NB Thobela

Annual remuneration	789 299	-
Travel allowance	227 346	-
Cellphone allowances	20 594	-
Contributions to UIF, medical and pension funds	21 600	-
Other	81	-
	1 058 920	**-**

Appointed from 1 July 2014 until 30 June 2019.

Executive Manager Technical facilities: E Warambwa

Annual remuneration	-	279 407
Travel allowance	-	40 000
Cellphone allowances	-	6 412
Contributions to UIF, medical and pension funds	-	17 109
Other	-	1 529
	-	**344 457**

Terminated on 31 October 2013

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

34. Remuneration of councillors

Executive Mayor	770 497	724 669
Speaker	621 289	583 908
Chief Whip	583 990	548 719
Mayoral Committee Members	3 503 940	3 292 118
Councillors	12 414 029	11 938 172
	17 893 745	**17 087 586**

Councillors remuneration is made up of the following:		
Councillors remuneration	11 393 184	10 752 721
Pension contributions	650 998	754 088
Medical aid contributions	447 623	421 533
Travel allowance	4 009 218	3 748 534
Cell phone and other allowances	1 392 722	1 410 710
	17 893 745	**17 087 586**

In-kind benefits

The Executive Mayor, Chief Whip, 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.

34. Remuneration of councillors (continued)

2015	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor MAS Masina	428 740	186 507	60 849	69 933	24 468	770 497
Speaker RM Xaba	367 013	149 205	52 918	27 685	24 468	621 289
Chief Whip BP Ndala	347 297	139 880	50 180	22 165	24 468	583 990
	1 143 050	**475 592**	**163 947**	**119 783**	**73 404**	**1 975 776**

Mayoral committee	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr NJ Mahlangu	344 508	139 881	47 948	27 185	24 468	583 990
Cllr EF Mathebu	366 137	139 881	53 504	-	24 468	583 990
Cllr DJ Motsepe	401 275	139 881	-	18 366	24 468	583 990
Cllr SD Nkadimeng	397 476	139 881	-	22 165	24 468	583 990
Cllr EP Nkosi	337 651	139 881	48 477	33 513	24 468	583 990
Cllr H Pilodia	343 747	139 881	49 373	26 521	24 468	583 990
	2 190 794	**839 286**	**199 302**	**127 750**	**146 808**	**3 503 940**

Part time councillors	**Annual remuneration**	**Travel allowance**	**Pension contributions**	**Medical aid contributions**	**Cellphone and other allowances**	**Total**
Cllr AS Grobler	146 454	55 952	21 402	-	24 468	248 276
Cllr A Struwig	167 856	55 952	-	-	24 468	248 276
Cllr BC Skosana	167 856	55 952	-	-	24 468	248 276
Cllr BH Mokoena	146 454	55 952	21 402	-	24 468	248 276
Cllr B Nene	122 045	46 627	17 835	-	20 990	207 497
Cllr DJ Skhosana	167 856	55 952	-	-	24 468	248 276
Cllr EA Jele	167 856	55 952	-	-	24 468	248 276
Cllr E Du Toit	146 454	55 952	21 402	-	24 468	248 276
Cllr EO Motsepe	107 008	35 669	-	-	16 903	159 580
Cllr GHE Romijn	167 856	55 952	-	-	24 468	248 276
Cllr HF Niemann	146 454	55 952	21 402	-	24 468	248 276
Cllr J Dyason	167 856	55 952	-	-	24 468	248 276
Cllr JM Motsoeneng	3 443	1 148	-	-	454	5 045
Cllr J Matshiane	167 856	55 952	-	-	24 468	248 276
Cllr JP Pretoruis	146 454	55 952	21 402	-	24 468	248 276
Cllr J Skhosana	167 856	55 952	-	-	24 468	248 276
Cllr KN Monareng	127 407	56 431	18 040	22 409	24 468	248 755
Cllr PP Tau	223 808	-	-	-	24 468	248 276
Cllr KPJ Uys	146 454	55 952	21 402	-	24 468	248 276
Cllr LE Mkhuma	167 856	55 952	-	-	24 468	248 276
Cllr LI Manzini	146 454	56 418	21 402	-	24 468	248 742
Cllr ME Nyambi	167 856	57 335	-	-	24 468	249 659
Cllr MJ Sekgwele	167 856	55 952	-	-	24 468	248 276
Cllr M Mbatiwe	151 211	55 952	-	16 645	24 468	248 276
Cllr MR Mnguni	122 769	57 105	17 808	27 865	24 468	250 015
Cllr NJ Mlambo	167 856	55 952	-	-	24 468	248 276
Cllr NJ Nkambule	37 492	16 065	5 834	5 974	9 951	75 316
Cllr PJ Masilela	167 856	55 952	-	-	24 468	248 276

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

34. Remuneration of councillors (continued)

Cllr PM Shongwe	139 008	55 952	-	28 848	24 468	248 276
Cllr P Mobango	167 856	55 952	-	-	24 468	248 276
Cllr PN Sithole	132 804	44 268	-	-	19 405	196 477
Cllr SDM Longman	223 808	-	-	-	24 468	248 276
Cllr SJ Roos	167 856	55 952	-	-	24 468	248 276
Cllr SM Mnguni	146 454	55 952	21 402	-	24 468	248 276
Cllr SM Mogola	167 856	55 952	-	-	24 468	248 276
Cllr SS Zitha	167 856	60 985	-	-	24 468	253 309
Cllr S Wait	167 856	55 952	-	-	24 468	248 276
Cllr TB Mahlangu	167 856	55 952	-	-	24 468	248 276
Cllr TG Ndlangamandla	167 856	55 952	-	-	24 468	248 276
Cllr TN Morufane	55 952	18 651	-	-	8 156	82 759
Cllr TN Van Zyl	167 856	55 952	-	-	24 468	248 276
Cllr TR Langeveld	167 856	55 952	-	-	24 468	248 276
Cllr ZD Mtshweni	167 856	55 952	-	-	24 468	248 276
	6 479 075	**2 129 262**	**230 733**	**101 741**	**981 175**	**9 921 986**

Chairpersons	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr PM Hadebe	227 098	86 761	33 186	-	28 068	375 113
Cllr SA Lukhele	260 284	86 761	-	-	28 068	375 113
Cllr O Malinga	260 284	86 761	-	-	28 068	375 113
Cllr MTE Mnguni	227 098	86 761	33 186	-	28 068	375 113
Cllr MS Motebu	238 119	94 511	-	22 165	28 068	382 863
Cllr MJ Selala	197 560	75 544	-	29 073	28 068	330 245
Cllr MT Selala	230 903	86 761	-	30 465	28 068	376 197
Cllr PI Thwala	212 949	86 761	30 689	16 645	28 068	375 112
	1 854 295	**690 621**	**97 061**	**98 348**	**224 544**	**2 964 869**

35. Depreciation and amortisation

	2015	2014
Property, plant and equipment	149 055 537	145 546 992

36. Impairment of assets

	2015	2014
Impairments		
Property, plant and equipment	5 224 731	4 134 329
During the year assets which were lost or replaced and no longer in use were impaired. These assets remaining service potential to the municipality is R0 as the asset exist anymore.		
	5 224 731	4 134 329
	-	-

37. Finance costs

	2015	2014
Annuity loans	9 682 646	10 938 261
Finance leases	36 170	31 739
	9 718 816	**10 970 000**

Total interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 9% and 13% (2014: 9% to 13%).

Figures in Rand	2015	2014

38. Debt impairment

Contributions to allowance for impairment	2 060 164	11 448 624

39. Bulk purchases

Electricity	315 281 581	286 791 142
Water	11 580 356	9 855 531
	326 861 937	**296 646 673**
Percentage electricity losses	8,45 %	9,40 %
Percentage water losses	29,50 %	25,50 %

40. Contracted services

Commission fees	6 603 762	5 543 086
Garden waste removal services	6 929 367	2 827 439
Other contractors	11 426 101	11 365 236
Security services	9 498 806	8 759 179
	34 458 036	**28 494 940**

41. Grants and subsidies paid

Business linkage centre	280 000	230 000
Forever resorts marathon	30 000	27 000
Free basic services	59 334 388	53 794 301
Property rates rebates	3 092 009	2 677 987
Rotary, schools and other	225 000	63 000
Society for the prevention of cruelty to animals(SPCA)	550 000	475 000
Tourism information centre	280 000	250 000
	63 791 397	**57 517 288**
Grants paid to ME's	-	-
Other subsidies	63 791 397	57 517 288

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

42. General expenses

Advertising and publicity	5 042 326	3 604 729
Auditors remuneration	3 814 494	3 713 093
Bank charges	2 356 494	2 216 896
Chemicals	181 197	-
Connection fees	-	16 021 917
Consulting fees	9 152 420	5 085 610
Corporate expenditure	9 700 894	6 803 798
EPWP progames	1 001 312	1 136 678
Entertainment	2 865 787	2 445 159
Fuel and oil	14 494 621	15 536 939
Hire of equipment	2 073 960	2 293 467
Insurance	5 985 686	5 880 461
Inventory expensed	67 464 690	25 161 837
Legal fees	2 540 073	2 704 641
Licensing fees	3 865 255	2 991 977
Loss of inventory	148 992	416 436
Magazines, books and periodicals	212 455	219 253
Materials and supplies	8 757 890	8 761 329
Medical expenses	351 220	157 261
Occupational and safety expenses	279 591	301 261
Postage and courier	1 933 304	1 793 675
Printing and stationery	3 291 968	3 009 600
Engineering studies	2 193 489	-
Rental plants (nursery)	266 416	259 632
Skills development levies	3 081 547	2 864 748
Staff development cost	3 352 854	3 511 348
Staff welfare	777 125	616 295
Subscriptions and membership fees	3 598 151	3 392 091
Telephone and connectivity	4 627 894	3 714 286
Travel and accomodation	14 015 292	13 476 993
Uniforms	2 867 642	3 198 972
Utilities	32 135 129	30 482 655
Ward committee expenses	3 656 718	1 867 411
Write down of inventory to net realisable value	15 335 506	2 966 344
	231 422 392	**176 606 792**

43. Auditors' remuneration

Fees	3 814 494	3 713 093

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

44. Cash generated from operations

Surplus	105 415 676	171 144 783
Adjustments for:		
Depreciation and amortisation	149 055 537	145 546 992
Loss on sale of assets and liabilities	(2 389 321)	(952 413)
Finance costs - Finance leases	(211 759)	31 739
Impairment loss	5 224 731	4 134 329
Movements in operating lease assets and accruals	1 020 422	184 031
Movements in provisions	4 568 495	6 266 092
Other non-cash items	92 311 208	51 840 472
Changes in working capital:		
Inventories	(13 774 064)	(99 871 570)
Receivables from exchange transactions	625 476	1 277 620
Consumer receivables	(7 088 030)	6 776 814
Receivables from non-exchange transactions	(3 451 950)	655 911
Payables from exchange transactions	32 773 691	30 969 367
VAT	(3 376 571)	(25 836 989)
Taxes and transfers payable (non exchange)	(576 146)	114 455
Unspent conditional grants and receipts	(6 630 882)	1 722 643
	353 496 513	**294 004 276**

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 comparatives 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.

Refer to note 46 for details on comparative figures.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2014		Balance as previously reported	Prior period error	Reclassified	Restated balance
Revenue					
Service charges		626 611 035	(550 044)	-	626 060 991
Rental income		29 792 983	-	(255 873)	29 537 110
Interest received - trading		2 050 542	-	-	2 050 542
Income from agency fees		14 574 227	-	-	14 574 227
Licences and permits		8 541 415	-	(100 654)	8 440 761
Other exchange revenue		100 352 539	-	(1 444 815)	98 907 724
Interest received - investment		22 475 654	-	-	22 475 654
Gain on disposal of assets		91 307	-	(91 307)	-
Property rates		264 425 808	-	-	264 425 808
Government grants and subisidies		180 279 147	-	-	180 279 147
Public contributions and donations		50 188 570	-	1 651 902	51 840 472
Fines		14 349 255	-	-	14 349 255
Total revenue		1 313 732 482	(550 044)	(240 747)	1 312 941 691
Expenditure					
Employee related costs		(308 716 534)	-	-	(308 716 534)
Remuneration of councillors		(17 087 586)	-	-	(17 087 586)
Depreciation and amortisation		(145 546 992)	-	-	(145 546 992)
Impairment loss		(7 100 674)	-	2 966 344	(4 134 330)
Finance cost		(10 969 998)	-	-	(10 969 998)
Debt impairment		(11 448 625)	-	-	(11 448 625)
Collection cost		(248 954)	-	-	(248 954)
Repairs and maintenance		(49 666 195)	59 500	-	(49 606 695)
Bulk purchases		(296 646 672)	-	-	(296 646 672)
Contracted services		(28 554 441)	-	-	(28 554 441)
Grants and subsidies paid		(57 517 288)	-	-	(57 517 288)
Contributions to provisions		(16 336 673)	(311 560)	-	(16 648 233)
Operating lease rentals		-	-	(15 557 179)	(15 557 179)
Loss on disposal of assets		(2 597 902)	-	91 307	(2 506 595)
General expenses		(188 369 254)	-	11 762 464	(176 606 790)
Total expenditure		(1 140 807 788)	(252 060)	(737 064)	(1 141 796 912)
Operating surplus / (deficit)	172 924 694	-	-	-	172 924 694
Surplus / (deficit) for the year	172 924 694	-	-	-	172 924 694

45. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014		Balance as previously reported	Prior period error	Reclassified (note x)	Restated balance
Assets					
Current Assets					
Other receivables from exchange transactions		15 715 462	(2 310 448)	-	13 405 014
VAT receivable		19 806 538	8 109 878	-	27 916 416
Operating lease asset		3 383 107	(40 938)	-	3 342 169
Total current assets		38 905 107	5 758 492	-	44 663 599
Non-current Assets					
Investment property	-	-	-	24 937 113	24 937 113
Property, plant and equipment	972 493 652	-	4 561 997	(24 937 113)	952 118 536
Total non-current assets	972 493 652	-	4 561 997	-	977 055 649
Liabilities					
Current Liabilities					
Payables from exchange transactions	143 262 790	-	9 249 809	-	152 512 599
Total current liabilities	143 262 790	-	9 249 809	-	152 512 599
Net Assets					
Accumulated surplus - Opening balance	243 247 132	-	1 070 684	-	244 317 816
Total net assets	243 247 132	-	1 070 684	-	244 317 816

1. Property, plant and equipment and Investment property

A fence at the Hendrina transfer station was incorrrectly expensed to repairs and maintenance instead of being recognised as a capital asset. The amount was R59,500

Land at an amount of R4,502,497 was not included in the fixed asset register, this was subsequently corrected.

An amount of R24,937,113 was incorrectly included in Land and subsequently reclassified to Investment property.

	2015	2014
Adjustments affecting the statement of financial position		
Increase in Investment property	-	24 937 115
Decrease in Property, plant and equipment	-	(20 375 118)
Increase in accumulated surplus	-	(4 502 497)
Adjustments affecting the statement of financial performance		
Decrease in repairs and maintenance	-	(59 500)
	-	-

Figures in Rand	2015	2014

45. Prior period errors (continued)

2. Trade and other payables

VAT on expenditure to an amount of R8,109,878 was not captured when the accrual was raised in the prior year, This was subsequently corrected.

The provision for staff leave amounting to R311,560 was calculately incorrectly, subsequently the provision was corrected.

An amount of R828,373 relating to water research levies was not paid to the Department of Water Affairs as it was under dispute and is now resolved.

	2015	2014
Adjustments affecting the statement of financial position		
Increase in trade and other payables	-	(8 109 878)
Increase in VAT receivable	-	8 109 878
Increase in staff leave	-	3 111 560
Decrease in accumulated surplus	-	(3 939 933)
Adjustments affecting the statement of financial performance		
Increase in General expenditure	-	828 373
	-	**-**

3. Other receivables

Main services contributions were overstated with an amount of R1,760,403 and subsequently corrected.

An amount of R549,645 relating to service charges were overstated due to a change in the provision of raw water.

	2015	2014
Adjustments affecting the statement of financial position		
Decrease in accumulated surplus	-	2 310 448
Decrease other receivables	-	(2 310 448)
	-	**-**

46. Comparative figures

Certain comparative figures have been reclassified.

[insert reasons for reclassification]

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is disclosed in note 45 - Prior period errors.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

47. Commitments

Authorised capital expenditure

	2015	2014
Approved and contracted for		
• Land and buildings	-	7 985 100
• Infrastructure	21 879 193	25 483 095
• Community assets	4 230 130	18 702 245
• Specialised vehicles	-	849 300
• Other assets	3 613 052	205 000
	29 722 375	**53 224 740**
Approved but not yet contracted for		
• Land and buildings	4 000 000	1 220 000
• Infrastructure	1 873 293	11 024 000
• Community assets	140 000	-
• Other assets	344 452	3 422 000
• Specialised assets	729 842	300 000
	7 087 587	**15 966 000**
Total capital commitments		
Approved and contracted for	29 722 375	53 224 740
Approved but not yet contracted for	7 087 587	15 966 000
	36 809 962	**69 190 740**

Total commitments

	2015	2014
Total commitments		
Authorised capital expenditure	36 809 962	69 190 740

	2015	2014
This expenditure will be financed from		
External loans	28 540 809	44 008 495
Internal generated funds	8 269 153	18 481 330
Government grants	-	6 690 915
Other grants	-	10 000
	36 809 962	**69 190 740**

48. Contingencies

Forthwith is a list of possible liability claims where the outcome was unknown at year end:

1. M.M. Selala on behalf of Phillip Selala - this is a claim in the amount of R175 000 for damages against the Municipality for the injury to his child as result of loose paving.

2. T.A.C. Wesson - this is a claim in the amount of R100 000 for unlawful arrest in a traffic related incident.

3. ABSA Technology Finance Solutions (Pty) Ltd - this is a claim in the amount of R22 000 as the sum owing at the date of termination of the Master Rental Agreement.

4. Steven Mahlangu - this is a claim in the amount of R100 000 for unlawful arrest in a traffic related incident. The matter is referred to insurance.

5. H.E. Scheepers - this is a claim in the amount of R300 000 for unlawful arrest in a traffic related incident. Mr. Scheeper's attorney is awaiting outcome of criminal appeal before deciding whether to pursue with the civil claim against the Municipality or not. The matter is referred to Council's insurance.

6. J.B. Mahlangu - this is a claim in the amount of R50 000 wherein the fire department vehicle negligently collided with a minibus taxi. The matter is referred to Council's insurance.

7. F. De Beer – this is a claim in the amount of R13 690 instituted against the Municipality for damage caused by a pothole to a motor vehicle on corner Cowen Ntuli & Walter Sisulu Street. The matter is referred to Council's insurance.

8. Lurco Investment (Pty) Ltd – this is a claim in the amount of approximately R500 000 for an appeal hearing against the Municipality's decision not to approve the re-zoning application. Mpumalanga Township Board made a recommendation to uphold the appeal and to grant a High Court costs order against the Municipality. Should the MEC for Mpumalanga Provincial Government Department of Agriculture and Land Administration agree with the recommendation, costs to the amount of approximately R500 000 will be payable.

9. South African Local Authority Pension Fund - this is a claim in the amount of R76 268 being the amount paid to the beneficiary by the fund as a result of the failure by Municipality to timeously submit the claim forms. The matter is defended by Council's attorneys.

10. S.van Zyl - this is a claim in the amount of R200 000 for unlawful arrest in a traffic related incident. The matter is referred to insurance.

11. P.W. Botha & Others - this is a claim in the amount of R352 500 for unlawful arrest in a traffic related incident. The matter is referred to insurance.

12. S. van Vreden - this is a claim in the amount of R1 343 102 for damages, pain and suffering and loss of income due to alleged negligence by the Municipality.

13. Triple E Training Holdings (Pty) Ltd - this is a claim in the amount of R12 938 for damages for services rendered (Adult Basic Education and Training). The matter is defended by Council's attorneys.

14. S. Moroamoche - this is a claim in the amount of R72 700 against the Municipality for damage to a vehicle in an accident. The matter is defended by Council's attorneys.

15. E'Mhluzi Mall - this is a civil claim in the High Court for an approximate amount of R3 million or for retransfer of property to the Municipality. The matter is defended by Council's attorneys.

16. M.B. Lehwelere - this is a claim in the amount of R50 000 against the Municipality for damages after the claimant was dismissed at a disciplinary hearing during August 2006. The matter is defended by Council's attorneys.

17. C. van Rensburg - this is a claim in the amount of R100 000 against the Municipality for damages after a wheel dislodged from a vehicle which was driven by a Council employee on 15 May 2008. The matter is referred to insurance.

48. Contingencies (continued)

18. Zurich Insurance Company on behalf of A.N. Strydom - this is a claim in the amount of R76 867 against the Municipality for damage to a vehicle in an accident. The matter is defended by Council's insurers.

19. B. Chego - this a claim in the amount of R100 000 against the Municipality for damage to a vehicle in an accident. The matter is defended by Council's insurers.

22. C.J. Du Bruyn on behalf of V. Du Bruyn (minor) - this is a claim in the amount of R250 273 against the Municipality for negligence. The matter is defended by Council's insurers.

21. P.B. Siziba on behalf of P.M. Siziba (minor) - this is a claim in the amount of R505 000 against the Municipality for negligence. The matter is defended by Council's insurers.

22. A.F. Talane - this is a claim in the amount of R50 000 against the Municipality for unlawful arrest. The matter is defended by Council's insurers.

23. E.B. Mahlangu - this is a claim in the amount of R50 000 against the Municipality for unlawful arrest. The matter is defended by Council's insurers.

24. M.P. Kunneke - this is a claim in the amount of R1 000 000 against the Municipality for negligence. The matter is defended by Council's insurers.

25. Prestige Events - this is a claim in the amount of R682 438 against the Municipality for damages arising from the breach of contract. The matter is defended by Council’s attorneys.

26. D. Coetzee - this is a claim in the amount of R250 000 against the Municipality for unlawful arrest. Letter of demand referred to Council’s insurers.

27. J.N.H. Grobler - this is a claim in the amount of R430 518 against the Municipality for unlawful arrest and damage to vehicle. Matter referred to Council’s insurers.

28. J.M. Ravele - this is a claim in the amount of R89 508 against the Municipality for negligence or failure to exercise due care towards the plaintiff. Matter referred to Council’s insurers.

29. N.L. Mogashoa - this is a claim in the amount of R14 285 against the Municipality for damage to vehicle as a result of collision with municipal vehicle. Matter referred to Council's insurers.

33. E. Booysen - this is a claim in the amount of R1 000 000 against the Municipality for negligence due to failure to put up a cul-de-sac sign.

31. Nashua Mobile – this is a claim in the amount of R132 481 for non-payment of invoice due to dispute on possible fraud. The matter is referred to council’s attorneys.

32. Federale Stene - this is a claim in the amount of R5 691 064 against the Municipality for the failure to rehabilitate a landfill site. The matter is defended by Council’s attorneys.

33. Telkom SA SOC LTD - this is a claim in the amount of R37 910 against the Municipality for damaging communication infrastructure at Shanduka Mine Offices.

34. G.M. van Vuuren - this is a claim in the amount of R 2 150 for damages to his motor cycle caused by broken glass left on the street.

35. Ms. N. Nkosi - this is a claim in the amount of R73 750 against the Municipality for damages to property caused by a burst water pipe.

36. Mr. R. Sindane - this is a claim in the amount of R20 000 for damages to property caused by a burst water pipe.

37. Ms. M. Hlatshwayo - this is a claim in the amount of R20 000 for damages to property caused by a burst water pipe.

38. Ms. D.S. Mphahlele - this is a claim against the Municipality for damages to property caused by storm water.

48. Contingencies (continued)

39. Ms. E.Q. Mohoto - this is a claim in the amount of R6 000 against the Municipality for injuries sustained after she fell in a hole while walking on a sidewalk.

40. Mr. R.L. Modishane - this is a claim in the amount of R6 005 against the Municipality for damages to electronic equipment caused by a power surge.

41. Mr. P. Phetla - this is a claim in the amount of R16 864 against the Municipality for damages to his vehicle after colliding with a Municipality vehicle.

42. Mr. K.M. Skosana - this is a claim in the amount of R200 000 against the Municipality for being assaulted by traffic officers.

43. Telkom - this is a claim in the amount of R30 050 against the Municipality for damages caused to 12 fibre optic cables near Hendrina Power Station.

44. Mr. M. Mathunyane - this is a claim in the amount of R19 904 against the Municipality for damages caused to his vehicle after colliding with a Municipality vehicle.

45. Mr. M.J. Letsoalo - this is a claim in the amount of R50 822 against the Municipality for damages to property caused by a burst water pipe.

46. Mr. F.J. Venter - this is a claim in the amount of R20 006 against the Municipality for damages to his vehicle after colliding with a Municipality vehicle.

47. P.W. Saayman - this is a claim in the amount of R5 023 against the Municipality for the loss of a JoJo tank after it got burnt in a veld fire started by Council fire fighters.

48. Telkom SA SOC LTD - this is a claim in the amount of R21 532 against the Municipality for damages caused to a Telkom manhole.

49. N.S. Archer - this claim is in the amount of R2 148 against the Municipality for food that got spoiled as a result of a 2 day long power outage.

50. F.K. Mahlangu - this claim is in the amount of R4 104 against the Municipality for injuries sustained and loss to his phone after falling into a hole on the sidewalk at Mankge Street.

51. A. Ntamele - this is a claim in the amount of R400 000 against the Municipality for being shot by a traffic officer for no reason.

52. A.P. Samasuwo - this is a claim in the amount of R400 000 against the Municipality for being shot by a traffic officer for no reason.

53. D J Swanepoel and Associates (on behalf of Du Plessis) HBN893MP - this is a claim in the amount of R14 228 against the Municipality for damages caused to the third party's vehicle after colliding with a municipal vehicle.

54. Sithole B M - this is a claim in the amount of R24 267 for damages to vehicles as a result of collision with the municipal vehicle. Matter referred to Council's insurance.

55. T J van Dyk - this is a claim in the amount of R70 000 for unlawful arrest. Matter referred to Council's insurance.

56. M P Naidoo - this is a claim in the amount of R9 785 for damages to vehicle by a pothole. Matter referred to Council's insurance.

57. E J Joubert - this is a claim in the amount of R780 098 for injury as a result of falling into a manhole. Matter referred to Council's insurance.

58. M G de Koker - this is a claim in the amount of R16 500 for injury as a result of falling into a manhole. Matter referred to Council's insurance.

49. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's report note
Key management	Refer to note 33
Councillors	Refer to note 34

50. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital..

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 19, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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	143 616 223	2 078 421	25 060 367	23 002 232
Payables from non-exchange transactions	4 785 361	139 415	1 558 374	-
Long term liabilities	11 648 010	10 229 381	33 186 438	33 773 693

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	93 944 968	1 263 258	26 910 138	21 144 418
Payables from non-exchange transactions	2 907 003	-	-	-
Consumer deposits	-	-	-	64 930 122
Long term liabilities	12 952 730	19 020 212	42 921 432	15 645 581
Finance lease obligation	216 590	2 773	3 778	-

50. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2015	2014
Cash and cash equivalents	98 935 106	82 354 766
Consumer receivables	82 767 546	71 050 995
Receivables from exchange transactions	18 666 156	22 531 062
Receivables from non-exchange transactions	38 939 550	30 250 943
Long term loans	158 312	286 884
Investments	410 000	350 000 000

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.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain all of its borrowings in fixed rate investments.

51. Going concern

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

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

52. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

53. Unauthorised expenditure

Municipal governance and administration	33 716 842	8 977 379
Waste management	4 704 528	-
Property services	-	17 919 826
Community and public safety	14 579 111	7 540 179
Economic and environmental services (capital)	1 762 116	-
Trading services (capital)	3 704 542	-
	58 467 139	**34 437 384**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

53. Unauthorised expenditure (continued)

The above unauthorised expenditure within the votes is as a result of year-end accounting transactions not budgeted for. This unauthorised expenditure will be tabled in a special adjustment budget when the annual report is tabled in accordance with section 23(6) of the Budget and Reporting Regulations. Despite the overspending on the above votes, the total approved expenditure did not overspend.

54. Fruitless and wasteful expenditure

	2015	2014
Opening balance	294 465	296 165
Additions	124 556	-
Accomodation	-	(1 700)
Written off by Council	(278 940)	-
	140 081	**294 465**

The double booking for accommodation was written off by Council. The strategic legotla was for accommodation booked which was not used by delegates and not cancelled prior to the event. Interest was levied on a Eskom invoice which was not paid by due date. The envirofill is for a payment made into a fraudulent bank account. The outcome of the investigation is finalised and written off by Council. Council appointed a travel agent to arrange bookings for the municipal strategic legotla. The agent failed to pay the venue and as a result legal action was instituted against Council. This resulted that Council had to make another payment and this cases are still pending.

55. Irregular expenditure

56. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that 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.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

	2015	2014
Membership fees payable	358 177	2 347 432
Amount paid - current year	(358 177)	(3 247 432)
	-	**(900 000)**

Audit fees

	2015	2014
Current year fee	4 571 294	4 271 404
Amount paid - current year	(4 571 294)	(4 271 404)
	-	**-**

PAYE and UIF

	2015	2014
Current year payroll deduction (PAYE)	43 605 971	39 351 475
Current year payroll deduction (UIF)	4 090 075	3 934 812
Amount paid - current year (PAYE)	(43 605 971)	(39 351 475)
Amount paid - current year (UIF)	(4 090 075)	(3 934 812)
	-	**-**

Figures in Rand	2015	2014

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

Pension and medical aid deductions

	2015	2014
Current year payroll deduction (Medical aid)	28 593 440	25 418 577
Current year payroll deduction (Pension fund)	54 345 203	36 481 886
Amount paid - current year (Medical aid)	(28 593 440)	(25 418 577)
Amount paid - current year (Pension fund)	(54 345 203)	(36 481 886)
	-	-

VAT

	2015	2014
VAT receivable	31 292 987	27 916 416

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

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
Councillor O Malinga Account 34-2195-1X	931	4 378	5 309
Councillor MN Mathibela Account 21-0093-7X	-	3 439	3 439
Councillor PP Tau Account 89-2480-3X	-	5 497	5 497
	931	**13 314**	**14 245**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr EA Jele Account 2362233X	422	303	725
Cllr EA DM Longman Account 9700922X/9930472X	767	-	767
Cllr O Malinga Account 3421951X	462	1 586	2 048
Cllr PJ Masilela Account 6410916X/1239713X/6600878X	1 177	-	1 177
Cllr LE Mkhuma LE Account 6501995X/6602957X	665	-	665
Cllr MJ Selala Account 8045007X	174	-	174
Cllr DJ Skhosana Account 2380965X	498	-	498
Cllr PP Tau Account 8924803X	5 650	5 558	11 208
Cllr SS Zitha Account 2378059X	196	-	196
	10 011	**7 447**	**17 458**

Figures in Rand	2015	2014

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

Supply chain management regulations

Paragraph 13(c)(iii) of Government Gazette No. 27636 issued on 30 May 2005 indicates that a supply chain management policy must state that a municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted a quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months..

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or muncipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

	2015	2014
Emergency		
Kgapo Electrical Contractors - brother work for municipality	-	132 389
Payati Business Enterprise - wife work for municipality	176 117	160 433
Tsoga Mothea Trading & Projects - wife work for Sekhukune District Municipality	116 375	162 251
Dikoloi Gerbox & Diff - brother work for SAPS	-	45 486
Lefatshe La Rona Trading - wife is a teacher.	29 900	29 500
Matlapeng - Mahuma Construction CC - wife work for the department of international relations	-	245 504
H2R maintenance - mother in SAPS	-	6 071
Lifting operator training centre - wife is a teacher	-	6 270
Manico test station - relative working for public works.	-	13 300
Izwe-Libanzi Developments Consultants - relative work for department of health	9 882	224 748
Sole supplier or agent		
Mpumanzi Group - wifes of director are a teacher	-	303 163
Karen Sub Development - husband work for mpumalanga provincial department	-	149 454
Live Life Love Water - daughter work for municpality.	86 033	121 220
Madifahlo Event Co-ordinators - farther work for department of housing	-	4 000
Impossible or impractical		
Tenemo General Dealer (Pty) Ltd - Sister Dept of Health	141 785	-
Vutivictory (Pty) Ltd - Husband works at EES Department	27 600	-
Pro Video Foto Express - Relative works at IT Department	7 620	-
	595 312	**1 603 789**

58. Budget differences

Material differences between budget and actual amounts

Rental of facilities - Actual expenditure on buildings resulted in lessor rentals to be charged for departments.

Public contributions - Revenue recognised for assets donated by private developers.

Interest received - Higher interest received on investments due to increased prime rate and cash on hand.

Licenses and permits - More licenses and permits issued than budgeted.

Other income - Increase revenue as a result of insurance claims and dumping site levies.

Debt impairment - Increase debt impairment realised for traffic fines.

FInance charges - New external loan take up did not realised resulting that no additional interest was payable.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

58. Budget differences (continued)

Changes from the approved budget to the final budget