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Thabazimbi Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor General South Africa

General Information

Mayoral committee	
Executive Mayor	Cllr. P. A Mosito
	Cllr. S. G Matsietsa (Speaker)
Councillors	Cllr. B. N. Maguga (Member of MPAC)
	Cllr. M. L. Sikhwari (Ward Councillor and member of IPEDC)
	Cllr. D. R. Daniels (Ward Councillor and member of IPEDC)
	Cllr. S. A. Khumalo (Member of MPAC)
	Cllr. D. A. Moatshe (Member of MPAC)
	Cllr. F. Loots (Member of MPAC)
	Cllr. S. G. Lerumo (Member of community and social service committee)
	Cllr. R. C. Du Preez (Member of MPAC)
	Cllr. K. R. Mokwena (Member of MPAC)
	Cllr. P Strydom (Member of of Finance Committee)
	Cllr. M. Moselane (Ward Councillor and member of IPEDC)
	Cllr. J. M. Fisher (Member of community and social service committee)
	Cllr. M. E. Semadi (Chairperson of Finance Committee)
	Cllr. L. H. Joubert(Executive Committee Member and Chairperson of community and social service committee)
	Cllr. R. A. Ramogale (Chairperson of MPAC)
	Cllr. P. A. Scruton (Representative of District Council)
	Cllr. S. E. Sikwane (Representative of District Council)
	Cllr. R. C. Du Preez (Member of MPAC)
	Cllr. T. Mkansi (Chief Whip)
	Cllr. T. Molefe (Member of Infrastructure planning & economic Dev. committee
	Cllr. S. I. Manala (Member of social committee)
Grading of local authority	Low Capacity Municipality
Accounting Officer	Mr. C.G. Booysen
Chief Finance Officer (CFO)	Mr. S. Chaitezvi
Registered office	7 Rietbok Street Thabazimbi 0380
Business address	Private bag X 530 Thabazimbi 0380
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa

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The reports and statements set out below comprise the financial statements presented to the Auditor General:

Abbreviations

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

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 was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The financial statements set out on pages 4 to 59, which have been prepared on the going concern basis, were approved on 31 August 2015 and were signed on its behalf by:

Mr C. G. Booysen
Acting Municipal Manager
Thabazimbi Local Municipality

31 August 2015

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local service delivery to the surrounding community of Thabazimbi and operates principally in South Africa .

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

2. Going concern

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

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 financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name	Nationality
Mr C.G Booysen	South African

6. Corporate governance

General

The municipality is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the municipality supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa 2002. The municipality does not have a Board, but instead they have an Audit Committee. The Audit Committee met 6 times in the year under review to monitor the municipality's compliance with the code.

The salient features of the municipality's adoption of the Code is outlined below:

Audit committee

Mr L.E. Mphahlele was the chairperson of the audit committee. The audit committee met 5 times during the financial year to review matters neccessary to fulfill its role.

In terms of Section 166 of the Municipal Finance Management Act, Thabazimbi Local Municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities appoint members of the municipality’s audit committees who are not councillors of the municipality.

Accounting Officer's Report

Internal audit

Mr D. Manong is the head of Internal Audit. This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

The municipality banks primarily with ABSA Bank Limited.

8. Auditors

Auditor General South Africa.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	7	3,092,301	2,644,815
Other receivables	8	4,463,619	4,235,319
VAT receivable	9	7,336,204	10,487,854
Consumer debtors	10	79,677,929	70,205,168
Cash and cash equivalents	11	3,324,282	2,301,896
		97,894,335	**89,875,052**
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	879,600	879,600
Property, plant and equipment	4	853,185,191	897,101,872
Other financial assets	5	77,586	3,135,878
		854,142,377	**901,117,350**
Total Assets		**952,036,712**	**990,992,402**
Liabilities			
Current Liabilities			
Other financial liabilities	14	3,352,111	2,817,733
Finance lease obligation	12	1,059,118	4,959,535
Payables from exchange transactions	16	274,787,721	216,475,378
Consumer deposits	17	3,593,770	3,501,324
Unspent conditional grants and receipts	13	7,880,262	4,196,000
Provisions	15	12,359,215	12,098,861
		303,032,197	**244,048,831**
Non-Current Liabilities			
Other financial liabilities	14	2,059,451	3,065,079
Finance lease obligation	12	367,361	15,223,795
Employee benefit obligation	6	28,758,644	25,135,346
Provisions	15	22,418,653	20,645,152
		53,604,109	**64,069,372**
Total Liabilities		**356,636,306**	**308,118,203**
Net Assets		**595,400,406**	**682,874,199**
Accumulated surplus		595,400,406	682,874,199

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	120,629,592	92,068,703
Traffic fines		1,035,119	1,568,974
Rental of facilities and equipment	45	423,195	380,873
Agency services		3,218,198	5,524,138
Sale of PPE		777,026	4,364,241
Fees earned		89,865	2,631,579
Discount received		-	1,133
Other income	23	3,752,206	1,711,094
Interest received - investment	27	11,851,961	8,483,020
Total revenue from exchange transactions		**141,777,162**	**116,733,755**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	22,556,962	13,708,483
Donations		1,182,730	1,200,000
Transfer revenue			
Government grants & subsidies	21	75,497,353	72,470,015
Total revenue from non-exchange transactions		**99,237,045**	**87,378,498**
Total revenue	18	**241,014,207**	**204,112,253**
Expenditure			
Employee related costs	25	(101,669,881)	(100,567,218)
Remuneration of councillors	26	(7,086,023)	(6,237,442)
Depreciation and amortisation	28	(43,797,035)	(44,566,679)
Impairment loss/ Reversal of impairments	46	(40,491,620)	(14,596,386)
Finance costs	29	(14,623,173)	(14,362,299)
Lease rentals on operating lease		875,296	(3,159,365)
Repairs and maintenance		(7,956,835)	(12,815,335)
Bulk purchases	31	(74,618,623)	(64,860,598)
General Expenses	24	(48,148,912)	(53,666,389)
Total expenditure		**(337,516,806)**	**(314,831,711)**
Operating deficit		**(96,502,599)**	**(110,719,458)**
Gain on biological assets and agricultural produce	44	-	269,500
Deficit for the year		**(96,502,599)**	**(110,449,958)**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	**1,041,446,035**	**1,041,446,035**
Changes in net assets		
Changes in other assets	(248,121,877)	(248,121,877)
Net income (losses) recognised directly in net assets	(248,121,877)	(248,121,877)
Surplus for the year	(110,449,959)	(110,449,959)
Total recognised income and expenses for the year	(358,571,836)	(358,571,836)
Total changes	(358,571,836)	(358,571,836)
Restated* Balance at 01 July 2014	**898,966,647**	**898,966,647**
Changes in net assets		
Change in other assets	(207,063,642)	(207,063,642)
Net income (losses) recognised directly in net assets	(207,063,642)	(207,063,642)
Surplus for the year	(96,502,599)	(96,502,599)
Total recognised income and expenses for the year	(303,566,241)	(303,566,241)
Total changes	(303,566,241)	(303,566,241)
Balance at 30 June 2015	**595,400,406**	**595,400,406**

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Service charges and rates		149,450,497	79,923,681
Grants		76,185,506	91,109,804
Interest income		11,851,961	8,483,020
Other receipts		-	13,710,238
		237,487,964	193,226,743
Payments			
Employee costs		(109,286,430)	(96,663,597)
Suppliers		(124,298,239)	40,355,916
Finance costs		(14,623,173)	(14,362,299)
Other payments		23,282,989	(24,288,035)
		(224,924,853)	(94,958,015)
Net cash flows from operating activities	32	**12,563,111**	**98,268,728**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(14,712,733)	(104,469,435)
Proceeds from sale of property, plant and equipment	4	19,341,815	-
Proceeds from sale of financial assets		3,058,292	-
Proceeds from sale of biological assets	3	-	269,500
Increase in financial assets		-	(482,453)
Net cash flows inflows sale of PPE		-	300,000
Net cash flows from investing activities		**7,687,374**	**(104,382,388)**
Cash flows from financing activities			
Repayment of other financial liabilities		(471,249)	5,882,812
Finance lease payments		(18,756,850)	(604,598)
Net cash flows from financing activities		**(19,228,099)**	**5,278,214**
Net increase/(decrease) in cash and cash equivalents		**1,022,386**	**(835,446)**
Cash and cash equivalents at the beginning of the year		2,301,896	3,137,342
Cash and cash equivalents at the end of the year	11	**3,324,282**	**2,301,896**

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	160,302,229	16,098,827	**176,401,056**	120,629,592	**(55,771,464)**	
Traffic Fines	672,000	182,737	**854,737**	1,035,119	**180,382**	
Rental of facilities and equipment	1,152,000	-	**1,152,000**	423,195	**(728,805)**	
Agency services	2,000,000	-	**2,000,000**	3,218,198	**1,218,198**	
Miscellaneous other revenue	-	-	**-**	777,026	**777,026**	
Fees earned	-	-	**-**	89,865	**89,865**	
Other income - (rollup)	11,344,000	(4,233,771)	**7,110,229**	3,752,206	**(3,358,023)**	
Interest received - investment	4,848,503	-	**4,848,503**	11,851,961	**7,003,458**	
Total revenue from exchange transactions	**180,318,732**	**12,047,793**	**192,366,525**	**141,777,162**	**(50,589,363)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17,977,536	5,650,000	**23,627,536**	22,556,962	**(1,070,574)**	
Other taxation revenue 2	-	-	**-**	1,182,730	**1,182,730**	
Transfer revenue						
Government grants & subsidies	69,092,318	-	**69,092,318**	75,497,353	**6,405,035**	
Total revenue from non-exchange transactions	**87,069,854**	**5,650,000**	**92,719,854**	**99,237,045**	**6,517,191**	
Total revenue	**267,388,586**	**17,697,793**	**285,086,379**	**241,014,207**	**(44,072,172)**	
Expenditure						
Personnel	(91,790,096)	2,984,505	**(88,805,591)**	(101,669,881)	**(12,864,290)**	
Remuneration of councillors	(7,898,519)	42	**(7,898,477)**	(7,086,023)	**812,454**	
Depreciation and amortisation	(19,350,000)	-	**(19,350,000)**	(43,797,035)	**(24,447,035)**	
Impairment loss/ Reversal of impairments	(2,100,000)	-	**(2,100,000)**	(40,491,620)	**(38,391,620)**	
Finance costs	(361,332)	300,000	**(61,332)**	(14,623,173)	**(14,561,841)**	
Lease rentals on operating lease	-	-	**-**	875,296	**875,296**	
Repairs and maintenance	-	-	**-**	(7,956,835)	**(7,956,835)**	
Bulk purchases	(61,979,227)	-	**(61,979,227)**	(74,618,623)	**(12,639,396)**	
Contracted Services	(5,558,715)	(2,400,000)	**(7,958,715)**	-	**7,958,715**	
General Expenses	(41,233,184)	4,897,244	**(36,335,940)**	(48,148,912)	**(11,812,972)**	
Total expenditure	**(230,271,073)**	**5,781,791**	**(224,489,282)**	**(337,516,806)**	**(113,027,524)**	
Deficit before taxation	**37,117,513**	**23,479,584**	**60,597,097**	**(96,502,599)**	**(157,099,696)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**37,117,513**	**23,479,584**	**60,597,097**	**(96,502,599)**	**(157,099,696)**	

Reconciliation

Thabazimbi Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3,357,020	(1,000,000)	**2,357,020**	3,092,301	**735,281**	
Other financial assets	2,624,502	(2,423,569)	**200,933**	-	**(200,933)**	
Other receivables	-	-	**-**	4,463,619	**4,463,619**	
VAT receivable	-	-	**-**	7,336,204	**7,336,204**	
Consumer debtors	46,258,000	-	**46,258,000**	79,677,928	**33,419,928**	
Cash and cash equivalents	1,741,334	-	**1,741,334**	3,324,282	**1,582,948**	
	53,980,856	**(3,423,569)**	**50,557,287**	**97,894,334**	**47,337,047**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	-	-	**-**	879,600	**879,600**	
Property, plant and equipment	1,248,990,176	-	**1,248,990,176**	853,185,191	**(395,804,985)**	
Other financial assets	-	-	**-**	77,586	**77,586**	
	1,248,990,176	**-**	**1,248,990,176**	**854,142,377**	**(394,847,799)**	
Total Assets	**1,302,971,032**	**(3,423,569)**	**1,299,547,463**	**952,036,711**	**(347,510,752)**	
Liabilities						
Current Liabilities						
Other financial liabilities	2,115,000	-	**2,115,000**	3,352,111	**1,237,111**	
Finance lease obligation	-	-	**-**	1,059,118	**1,059,118**	
Payables from exchange transactions	34,500,000	-	**34,500,000**	274,787,721	**240,287,721**	
Consumer deposits	3,347,768	-	**3,347,768**	3,593,770	**246,002**	
Unspent conditional grants and receipts	-	-	**-**	7,880,262	**7,880,262**	
Provisions	44,458,400	-	**44,458,400**	12,359,215	**(32,099,185)**	
	84,421,168	**-**	**84,421,168**	**303,032,197**	**218,611,029**	
Non-Current Liabilities						
Other financial liabilities	5,255,587	-	**5,255,587**	2,059,451	**(3,196,136)**	
Finance lease obligation	-	-	**-**	367,361	**367,361**	
Employee benefit obligation	-	-	**-**	28,758,644	**28,758,644**	
Provisions	36,260,977	-	**36,260,977**	22,333,254	**(13,927,723)**	
	41,516,564	**-**	**41,516,564**	**53,518,710**	**12,002,146**	
Total Liabilities	**125,937,732**	**-**	**125,937,732**	**356,550,907**	**230,613,175**	
Net Assets	**1,177,033,300**	**(3,423,569)**	**1,173,609,731**	**595,485,804**	**(578,123,927)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,177,033,300	(3,423,569)	**1,173,609,731**	595,485,804	**(578,123,927)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	102,018,318	27,000,000	**129,018,318**	-	**(129,018,318)**	
Other receipts	151,181,000	-	**151,181,000**	-	**(151,181,000)**	
	253,199,318	**27,000,000**	**280,199,318**	**-**	**(280,199,318)**	
Payments						
Employee costs	(91,790,096)	-	**(91,790,096)**	-	**91,790,096**	
Suppliers	(120,759,904)	(9,882,000)	**(130,641,904)**	-	**130,641,904**	
Finance costs	(365,332)	-	**(365,332)**	-	**365,332**	
	(212,915,332)	**(9,882,000)**	**(222,797,332)**	**-**	**222,797,332**	
Net cash flows from operating activities	**40,283,986**	**17,118,000**	**57,401,986**	**-**	**(57,401,986)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(45,251,000)	(27,000,000)	**(72,251,000)**	-	**72,251,000**	
Other cash item	2,400,000	136,500,000	**138,900,000**	-	**(138,900,000)**	
Net cash flows from investing activities	**(42,851,000)**	**109,500,000**	**66,649,000**	**-**	**(66,649,000)**	
Cash flows from financing activities						
Repayment of other financial liabilities	(1,137,000)	-	**(1,137,000)**	-	**1,137,000**	
Net increase/(decrease) in cash and cash equivalents	(3,704,014)	126,618,000	**122,913,986**	-	**(122,913,986)**	
Cash and cash equivalents at the beginning of the year	5,441,000	(126,618,000)	**(121,177,000)**	-	**121,177,000**	
Cash and cash equivalents at the end of the year	**1,736,986**	**-**	**1,736,986**	**-**	**(1,736,986)**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Allowance for doubtful debts

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

1.2 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

1.3 Property, plant and equipment

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Item	Average useful life
Buildings	30 years
Infrastructure	
• Roads and Paving	20 years
• Pedestrian Malls	20 years
• Electricity	20 years
• Water	20 years
• Sewerage	20 years
Community	
• Buildings	30 years
• Recreational Facilities	30 years
• Halls	30 years
• Libraries	30 years
Other	
• Specialist Vehicles	5 years
• Other Vehicles	5 years
• Office Equipment	7 years
• Furniture and Fittings	5 years
• Bins and Containers	5 years
• Specialised Plant and equipment	5 years
• Other Landfill Site	15 years
• Emergency Equipments	5 years
• Computer Equipment	5 years

1.3 Property, plant and equipment (continued)

Heritage

• Buildings	None
• Paintings and Artifacts	None

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

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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.

1.4 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	5 years

1.5 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.

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

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

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

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

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

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

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or

1.5 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

1.5 Financial instruments (continued)

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

Classification

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

Class	**Category**
Bank Balances	Financial asset measured at amortised cost
Receivables	Financial asset measured at amortised cost

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

Class	**Category**
DBSA Loan	Financial liability measured at amortised cost
Trade Payables	Financial liability measured at amortised cost

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

1.5 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

1.5 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.6 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.6 Leases (continued)

Operating leases - lessee

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

1.7 Inventories

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

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

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

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

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

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

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

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

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

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

1.8 Impairment of cash-generating assets (continued)

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

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

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.10 Share capital / contributed capital

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

1.11 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

1.11 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

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

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

1.11 Employee benefits (continued)

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.12 Provisions and contingencies

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 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 entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

If the related asset is measured using the revaluation model:
- 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. This applies under both the cost model and the revaluation model.

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

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

1.13 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

1.14 Revenue from non-exchange transactions

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

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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

1.15 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.16 Investment income

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

1.17 Borrowing costs

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

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

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

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

1.19 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.20 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.

1.21 Irregular expenditure

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

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

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

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

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

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

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

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

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Accounting Policies

1.22 Related parties (continued)

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.

Notes to the Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

3. Biological assets that form part of an agricultural activity

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Other consumable biological assets	879,600	-	879,600	879,600	-	879,600

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Total
Other consumable biological assets	879,600	879,600

Reconciliation of biological assets that form part of an agricultural activity - 2014

	Opening balance	Gains or losses arising from changes in fair value	Total
Other consumable biological assets	610,100	269,500	879,600

Notes to the Financial Statements

Figures in Rand	2015	2014

4. 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	8,773,662	-	8,773,662	8,773,662	-	8,773,662
Buildings	204,781,178	(105,045,707)	99,735,471	203,956,300	(95,330,834)	108,625,466
Plant and machinery	1,033,808	(537,707)	496,101	1,033,808	(372,738)	661,070
Furniture and fixtures	2,186,776	(1,113,157)	1,073,619	2,186,776	(824,633)	1,362,143
Motor vehicles	6,561,024	(2,762,683)	3,798,341	24,673,635	(4,148,943)	20,524,692
Office equipment	5,208,170	(2,927,807)	2,280,363	8,646,247	(4,665,988)	3,980,259
Infrastructure - Roads	553,018,557	(219,073,193)	333,945,364	553,018,557	(200,564,917)	352,453,640
Work in progress	117,776,092	-	117,776,092	104,246,089	-	104,246,089
Electricity network	152,301,695	(51,551,850)	100,749,845	152,301,695	(49,809,496)	102,492,199
Sport facilities	55,910,015	(28,019,744)	27,890,271	55,910,015	(25,784,759)	30,125,256
Security equipment	79,770	(75,781)	3,989	79,770	(65,677)	14,093
Sanitation	107,244,448	(64,859,125)	42,385,323	107,244,448	(62,996,010)	44,248,438
Water network	238,819,112	(124,549,272)	114,269,840	238,719,113	(119,133,039)	119,586,074
Emergency equipment	15,287	(8,377)	6,910	15,287	(6,496)	8,791
Total	**1,453,709,594**	**(600,524,403)**	**853,185,191**	**1,460,805,402**	**(563,703,530)**	**897,101,872**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	8,773,662	-	-	-	-	8,773,662
Buildings	108,625,466	-	-	824,878	(9,714,874)	99,735,470
Plant and machinery	661,071	-	-	-	(164,969)	496,102
Furniture and fixtures	1,362,143	-	-	-	(288,524)	1,073,619
Motor vehicles	20,524,693	1,182,730	(19,295,341)	3,537,479	(2,151,219)	3,798,342
Office equipment	3,980,259	-	(46,474)	47,079	(1,700,501)	2,280,363
Infrastructure - Roads and Bridges	352,453,640	-	-	-	(18,508,276)	333,945,364
Work in Progress	104,246,089	13,530,003	-	-	-	117,776,092
Electrical Network	102,492,199	-	-	-	(1,742,354)	100,749,845
Sports facilities	30,125,256	-	-	-	(2,234,985)	27,890,271
Security Equipment	14,093	-	-	-	(10,104)	3,989
Sanitation	44,248,438	-	-	-	(1,863,115)	42,385,323
Water network	119,586,073	-	-	-	(5,316,233)	114,269,840
Emergency Equipment	8,791	-	-	-	(1,881)	6,910
	897,101,873	**14,712,733**	**(19,341,815)**	**4,409,436**	**(43,697,035)**	**853,185,192**

Figures in Rand	2015	2014

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Land	-	8,773,662	-	8,773,662
Buildings	118,340,340	-	(9,714,874)	108,625,466
Plant and machinery	781,310	4,999	(125,238)	661,071
Furniture and fixtures	1,506,940	122,619	(267,416)	1,362,143
Motor vehicles	2,999,749	20,495,342	(2,970,398)	20,524,693
Office equipment	2,174,415	3,530,152	(1,724,308)	3,980,259
Road Infrastructure	370,776,765	167,417	(18,490,542)	352,453,640
Work in Progress	104,246,089	-	-	104,246,089
Electrical Network	32,859,309	71,375,244	(1,742,354)	102,492,199
Sport facilities	32,360,241	-	(2,234,985)	30,125,256
Security equipment	29,249	-	(15,156)	14,093
Sanitation	46,111,553	-	(1,863,115)	44,248,438
Water and storm water network	125,002,306	-	(5,416,233)	119,586,073
Emergency Equipment	10,672	-	(1,881)	8,791
	837,198,938	**104,469,435**	**(44,566,500)**	**897,101,873**

Other information

The municipality auctioned Plant & Machinery, Office Equipment and Motor Vehicle in the 2013/2014 financial year. The cost and accumulated depreciation have been deemed to be equal, making the net proceeds profit on sale of PPE of R2,212,162.40
Property, plant and equipment class 1

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.

5. Other financial assets

	2015	2014
At amortised cost		
Sanlam Investment: Market Investment	77,586	73,105
Old Mutual: Investment Fund	-	3,062,773
	77,586	**3,135,878**
Non-current assets		
At amortised cost	77,586	3,135,878

6. Employee benefit obligations

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

	2015	2014
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(25,135,346)	(18,786,272)
Present value of the defined benefit obligation-partly or wholly funded	(1,584,472)	(1,127,712)
Fair value of plan assets	97,822	(3,654,151)
Fair value of reimbursement rights	(2,353,848)	(1,766,315)
Other	217,200	199,104
	(28,758,644)	**(25,135,346)**

Figures in Rand	2015	2014

6. Employee benefit obligations (continued)

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

Opening balance	19,283,896	12,934,822
Net expense recognised in the statement of financial performance	3,623,298	6,349,074
	22,907,194	**19,283,896**

Net expense recognised in the statement of financial performance

Current service cost	1,584,472	1,127,712
Interest cost	2,353,848	1,766,315
Actuarial (gains) losses	(97,822)	3,654,151
Expected return on plan assets	(217,200)	(199,104)
	3,623,298	**6,349,074**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.23 %	9.40 %
Medical cost trend rates	8.27 %	8.40 %
Future changes in maximum state healthcare benefits	0.89 %	0.84 %

Key demographic assumptions used at the reporting date.

Average retiremnt age:		63
Continuation of membership at retirement:		95%
Proportion assumed married at retirement:	95%	
Proportion of eligible current non-member employees joining the scheme by retirement:		30%
Mortality during employment:		SA 85-90
Post retiment:		PA(90)-1]

7. Inventories

Water	143,108	169,304
Stock on hand	2,949,193	2,475,500
	3,092,301	2,644,804
Inventories (write-downs)	-	11
	3,092,301	**2,644,815**

8. Other receivables

Other receivables	4,463,619	4,235,319

9. VAT receivable

VAT	7,336,204	10,487,854

VAT is accounted for on an accrual basis but paid on cash basis to the South African Revenue Services.

Notes to the Financial Statements

Figures in Rand	2015	2014

10. Consumer debtors

Gross balances		
Rates	32,869,896	15,489,470
Electricity	17,075,549	16,608,553
Water	74,933,801	80,945,483
Sewerage	38,924,159	18,213,946
Refuse	24,726,557	13,103,505
Other	3,576,152	1,750,048
	192,106,114	**146,111,005**
Less: Allowance for impairment		
Rates	(17,753,782)	(12,603,206)
Electricity	(6,959,022)	(5,923,160)
Water	(46,875,462)	(42,781,479)
Sewerage	(19,607,153)	(8,326,787)
Refuse	(21,232,766)	(6,271,205)
	(112,428,185)	**(75,905,837)**
Net balance		
Rates	15,116,114	2,886,264
Electricity	10,116,527	10,685,393
Water	28,058,339	38,164,004
Sewerage	19,317,006	9,887,159
Refuse	3,493,791	6,832,300
Other	3,576,152	1,750,048
	79,677,929	**70,205,168**
Included in above is receivables from exchange transactions		
Electricity	9,899,995	12,504,296
Water	28,342,747	44,378,826
Sewerage	4,726,716	4,776,718
Refuse	17,276,939	11,942,741
	60,246,397	**73,602,581**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	15,324,126	1,075,241
Net balance	**75,570,523**	**74,677,822**
Rates		
Current (0 -30 days)	1,764,033	-
31 - 60 days	779,136	1,202,266
61 - 90 days	1,712,124	724,478
91 - 120 days	567,635	575,973
121 - 365 days	3,529,330	383,547
> 365 days	6,763,856	-
	15,116,114	**2,886,264**

Notes to the Financial Statements

Figures in Rand	2015	2014

10. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	1,918,660	2,150,082
31 - 60 days	833,147	872,773
61 - 90 days	346,365	557,420
91 - 120 days	308,659	560,672
121 - 365 days	203,090	6,544,446
> 365 days	6,506,606	-
	10,116,527	**10,685,393**

Water		
Current (0 -30 days)	4,668,177	2,380,607
31 - 60 days	698,063	957,940
61 - 90 days	667,051	1,762,080
91 - 120 days	517,352	7,771,172
121 - 365 days	16,116,448	25,292,205
> 365 days	5,391,248	-
	28,058,339	**38,164,004**

Sewerage		
Current (0 -30 days)	494,101	954,163
31 - 60 days	179,193	626,842
61 - 90 days	158,801	528,578
91 - 120 days	145,914	476,058
121 - 365 days	1,091,505	425,774
> 365 days	17,247,492	6,875,744
	19,317,006	**9,887,159**

Refuse		
Current (0 -30 days)	1,350,629	648,356
31 - 60 days	449,276	439,952
61 - 90 days	427,211	592,344
91 - 120 days	416,880	2,160,972
121 - 365 days	329,597	265,155
> 365 days	520,198	2,725,521
	3,493,791	**6,832,300**

Debt arrangements		
Current (0 -30 days)	197,242	123,770
31 - 60 days	85,329	85,584
61 - 90 days	86,269	82,541
91 - 120 days	86,760	54,895
121 - 365 days	789,354	50,431
> 365 days	2,331,198	1,352,827
	3,576,152	**1,750,048**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(75,905,837)	(63,295,692)
Contributions to allowance	(36,522,349)	(12,610,145)
	(112,428,186)	**(75,905,837)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Financial Statements

Figures in Rand	2015	2014

11. Consumer debtors disclosure (continued)

Cash on hand	442	3,598
Bank balances	3,323,841	2,298,298
	3,324,283	**2,301,896**

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 Limited-Cheque Account# 1580000009	233,104	859,591	1,943,771	1,748,659	1,988,119	2,905,722
ABSA Bank Account # 165322	425,527	138,440	66,298	1,377,092	138,440	66,298
ABSA Fixed Deposit-Short Term Investment	182,729	173,618	165,322	182,729	171,739	165,322
Total	**841,360**	**1,171,649**	**2,175,391**	**3,308,480**	**2,298,298**	**3,137,342**

12. Finance lease obligation

Minimum lease payments due		
- within one year	1,059,118	4,959,535
- in second to fifth year inclusive	367,362	15,223,960
Present value of minimum lease payments	**1,426,480**	**20,183,495**

Present value of minimum lease payments due		
- within one year	1,059,118	4,959,535
- in second to fifth year inclusive	367,362	15,223,960
	1,426,480	**20,183,495**

Non-current liabilities	367,361	15,223,795
Current liabilities	1,059,118	4,959,535
	1,426,479	**20,183,330**

13. Unspent conditional grants and receipts

Balance of unspent conditional grant is R 7 880 262.00 at 30 June 2015, reconciliation disclosed on note number 23.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	7,880,262	4,196,000

14. Other financial liabilities

At amortised cost		
Development Bank of South Africa	5,411,563	5,882,812

Loan No	Purpose of Loan	Security	Value of Security	Loan Redemption date	Loan Amount
61000399	Regorogile Road Brick Paving	Debt Service Reserve Account	1,150,000	30/06/2016	3,000,000
61001174	Street & Stormwater	N/A		30/09/2018	9,073,000
61001268	Upgr Electricity Network	N/A	0	31/03/2018	581,890
61001269	Upgr Sewer Purification Works	N/A	0	31/03/2018	271,052

Notes to the Financial Statements

Figures in Rand	2015	2014

14. Other financial liabilities (continued)

61001270	Resealing of streets	N/A	0		31/03/2018	252,309
61003196	Upgr Sewer Purification Works	Sinking funds security		60,000	31/03/2012	610,000
61002835	Electricity Lalf 15498	N/A		-	30/06/2015	1,852,000

Non-current liabilities

	2015	2014
At amortised cost	2,059,451	3,065,079

Current liabilities

	2015	2014
At amortised cost	3,352,111	2,817,733

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site	15,276,915	1,842,135	-	17,119,050
Long service awards	5,368,237	986,531	(1,055,165)	5,299,603
Provision for leave pay	11,773,868	260,354	-	12,034,222
Landfill site and Longs service award - Short term	324,993	-	-	324,993
	32,744,013	**3,089,020**	**(1,055,165)**	**34,777,868**

	2015	2014
Non-current liabilities	22,418,653	20,645,152
Current liabilities	12,359,215	12,098,861
	34,777,868	**32,744,013**

16. Payables from exchange transactions

	2015	2014
Trade payables	237,766,972	195,091,192
Retentions witheld	8,476,439	8,889,595
Amounts received in advance	25,537,928	9,767,774
Other payables	3,006,382	2,726,817
	274,787,721	**216,475,378**

17. Consumer deposits

	2015	2014
Water & lights	3,593,770	3,501,324

18. Revenue

	2015	2014
Service charges	120,629,592	92,068,703
Traffic fines	1,035,119	1,568,974
Rental of facilities and equipment	423,195	380,873
Agency services	3,218,198	5,524,138
Sale of PPE	777,026	4,364,241
Bulk contributions	89,865	2,631,579
Discount received	-	1,133
Other income	3,752,206	1,711,094
Interest received - investment	11,851,961	8,483,020
Property rates	22,556,962	13,708,483
Donations	1,182,730	1,200,000
Government grants & subsidies	75,497,353	72,470,015
	241,014,207	**204,112,253**

Notes to the Financial Statements

Figures in Rand	2015	2014

18. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	120,629,592	92,068,703
Traffic fines	1,035,119	1,568,974
Rental of facilities and equipment	423,195	380,873
Agency services	3,218,198	5,524,138
Sale of PPE	777,026	4,364,241
Bulk Contributions	89,865	2,631,579
Discount received	-	1,133
Other income	3,752,206	1,711,094
Interest received	11,851,961	8,483,020
	141,777,162	**116,733,755**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	22,556,962	13,708,483
Donations	1,182,730	1,200,000
Transfer revenue		
Government grants & subsidies	75,497,353	72,470,015
	99,237,045	**87,378,498**

19. Property rates

Rates received

Residential	5,047,609	2,452,706
Commercial	7,208,859	3,427,617
State	55,966	53,784
Small holdings and farms	10,244,529	7,774,377
	22,556,963	**13,708,484**

Valuations

Residential	3,512,123,630	3,203,474,000
Commercial	839,441,700	963,176,400
State	73,102,000	93,951,000
Municipal	88,832,700	21,583,500
Small holdings and farms	7,426,677,100	7,711,045,200
Social & Vacant land	324,369,900	220,516,930
	|2,264,547,030	**|2,213,747,030**

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.

20. Service charges

Sale of electricity	49,150,639	47,195,469
Sale of water	36,894,472	20,125,499
Sewerage and sanitation charges	24,507,414	13,001,044
Refuse removal	10,077,067	8,615,276
Other service charges	-	3,131,415
	120,629,592	**92,068,703**

Notes to the Financial Statements

Figures in Rand	2015	2014

21. Government grants and subsidies

Operating grants

Equitable share	60,733,000	60,129,000
Municipal Infrastructure Grant (MIG)	6,593,819	8,621,211
Financial Management Grant (FMG)	1,600,000	1,550,000
Municipal Systems Improvement Grant (MSIG)	934,000	890,000
EPWP Grant	1,486,000	1,000,000
Fire Subsidy	-	189,701
SETA Grant	100,533	90,103
Electrification Grant	4,050,000	-
	75,497,352	**72,470,015**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	4,196,000	1
Current-year receipts	13,170,000	27,261,000
Conditions met - transferred to revenue	(7,466,111)	(8,621,211)
Current year utilised	(2,019,627)	(14,443,790)
	7,880,262	**4,196,000**

The grant was used to accelerate basic infrastructure backlogs for the benefit of the community. The revenue recognised met the conditions of the grant. (see note 13).

Financial Management Grant

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

The grant was used to promote and support reforms in financial management through financial management internship and reform programmes.The revenue recognised met the conditions of the grant (see note 13).

Municipal Systems Improvement Program Grant

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

The grant was used for strengthening administrative systems, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant (see note 13).

EPWP Grant

Current-year receipts	1,486,000	1,000,000
Conditions met - transferred to revenue	(1,486,000)	(1,000,000)
	-	**-**

The grant was used to expand employment creation afforts as a national priority through the use of labour intensive delivery methods within the municipality. The conditions of the grant were met (see note 13).

Electrification Grant

Figures in Rand	2015	2014

21. Government grants and subsidies (continued)

Current-year receipts	4,050,000	-
Conditions met - transferred to revenue	(4,050,000)	-
	-	-

The grant was used for conversion of meters to smart metres. The conditions have been met(see note 13).

SETA grant

Current-year receipts	100,533	90,103
Conditions met - transferred to revenue	(100,533)	(90,103)
	-	-

The grant has been utilised for training.Conditions of the grant were met (see note 13).

Changes in level of government grants

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

22. Other revenue

Bulk contributions	89,865	2,631,579
Discount received	-	1,133
Other income (Breakdown note 22)	3,752,206	1,711,094
	3,842,071	**4,343,806**

23. Other income

Meter Fees	2,167,940	86,956
Tender Fees	(63,703)	61,720
Fees - Graves	243,507	199,923
Fines	219	4,117
Clearence certificate	4,731	4,603
Fees - Plans	181,166	485,717
Connection Fees	119,885	326,087
Sale - Photocopies	1,366	17,345
Fire Services - Fees	678,102	291,056
Sales - Refuse Bags	52	523
Database	17,336	18,049
Fees - Hawkers	12,061	35,376
Miscelleneous income accounts	4,579	15,878
Telephone and Fax	248,744	7,673
Surpluses	9,436	4,247
Registration and subscription Fees	126,784	151,825
	3,752,205	**1,711,095**

Notes to the Financial Statements

Figures in Rand	2015	2014

24. General expenses

Advertising	94,043	946,017
Auditors remuneration	2,271,080	2,845,625
Bank charges	502,882	705,971
Cleaning	1,185,469	1,180,909
Commission paid	58,024	-
Consulting and professional fees	11,003,711	7,787,994
Debt collection	1,275,910	3,854,858
Electricity Vending	216,923	216,978
Entertainment	180,376	1,388,881
Insurance	1,172,851	1,260,247
Community projects expenditure	13,591,832	8,575,985
Donations allowed	2,045	-
Marketing	-	189,761
Magazines, books and periodicals	-	2,127
Motor vehicle expenses	3,006,253	2,866,635
Postage and courier	342,876	309,021
Printing and stationery	1,017,516	1,678,643
Protective clothing	131,888	1,190,605
Security	3,630,994	2,023,284
Health and safety expenses	11,682	250,400
Subscription	1,079,807	796,563
Telephone and fax	1,583,460	1,695,919
Training Fees	370,610	3,736,019
Travel - local	1,988,783	2,456,985
Title deed search fees	117,040	92,576
Sewerage and waste disposal	44,834	(505)
Refuse	266,318	38,298
Stock losses	219,556	195,100
Landfill site	216,671	4,146,133
Cross subsidy	2,249,479	3,183,802
Game expenses	18,114	44,016
Promulgation of By Laws	297,885	-
Biological stock written off	-	7,543
	48,148,912	**53,666,390**

Notes to the Financial Statements

Figures in Rand	2015	2014

25. Employee related costs

Basic	61,285,076	62,075,590
Bonus	4,294,529	3,507,089
Medical aid - company contributions	3,948,653	3,268,279
UIF	551,088	589,236
SDL	947,428	808,521
Leave pay provision charge	2,762,835	5,458,351
Defined contribution plans	15,168,434	15,691,608
Travel, motor car, accommodation, subsistence and other allowances	6,741,595	5,382,657
Overtime payments	7,108,650	5,732,180
13th Cheques	(2,242,314)	(2,175,237)
Housing benefits and allowances	84,820	102,944
Provident fund	869,086	763,272
Industrial council	28,682	39,123
Vesting benefits	(68,634)	(676,396)
	101,479,928	**100,567,217**

Remuneration of Municipal Manager

Annual Remuneration	1,025,053	1,018,453
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	11,691	11,625
	1,216,744	**1,210,078**

Remuneration of Chief Finance Officer

Annual Remuneration	895,240	736,000
Car Allowance	150,450	184,000
Contributions to UIF, Medical and Pension Funds	10,803	8,832
	1,056,493	**928,832**

Remuneration of Technical Services Manager

Annual Remuneration	1,166,421	770,640
Car Allowance	189,360	196,560
Contributions to UIF, Medical and Pension Funds	13,165	9,293
	1,368,946	**976,493**

Remuneration of Corporate Services Manager

Annual Remuneration	795,733	709,712
Car Allowance	120,000	127,200
Contributions to UIF, Medical and Pension Funds	11,384	97,993
	927,117	**934,905**

Remuneration of Community and Social Services Manager

Annual Remuneration	532,763	568,459
Car Allowance	54,000	127,200
Contributions to UIF, Medical and Pension Funds	5,782	6,290
	592,545	**701,949**

Remuneration of Planning and Development Manager

Figures in Rand	2015	2014

25. Employee related costs (continued)

Annual Remuneration	792,695	784,000
Car Allowance	156,000	163,200
Contributions to UIF, Medical and Pension Funds	8,584	8,572
	957,279	**955,772**

26. Remuneration of councillors

Councillors	7,086,023	6,237,442

27. Investment revenue

Interest revenue		
Bank	408,648	497,307
Interest received - Consumer debtors	11,443,313	7,985,712
	11,851,961	**8,483,019**

The amount included in Investment revenue arising from non-exchange transactions amounted to R 407,578.00(R497,307.00)
.
The amount included in Investment revenue arising from exchange transactions amounted to R 11,443,313.00(2014 = R7,985,712.00).

28. Depreciation and amortisation

Property, plant and equipment	43,797,035	44,566,679

29. Finance costs

Finance cost	14,623,173	14,362,299

30. Auditors' remuneration

Fees	2,271,080	2,845,625

31. Bulk purchases

Electricity	56,917,274	48,141,026
Water	17,701,349	16,719,572
	74,618,623	**64,860,598**

Notes to the Financial Statements

Figures in Rand	2015	2014

32. Cash generated from operations

Deficit	(96,502,599)	(110,449,959)
Adjustments for:		
Depreciation and amortisation	43,797,035	44,566,679
Loss on sale of assets and liabilities	-	(269,500)
Impairment deficit	40,491,620	14,596,386
Movements in operating lease assets and accruals	-	19,040,302
Movements in retirement benefit assets and liabilities	3,623,298	6,349,074
Movements in provisions	2,033,855	4,756,958
Increase in financial assets	3,058,292	(482,453)
Other losses in asset recognition	(41,374,179)	184,287,342
Losses recognised directly in net assets	9,028,806	(149,017,718)
Changes in working capital:		
Inventories	(447,486)	223,323
Consumer debtors	(12,609,667)	(9,595,678)
Payables from exchange transactions	58,312,343	91,850,057
VAT	3,151,650	-
Unspent conditional grants and receipts	3,684,262	4,195,999
Consumer deposits	92,446	-
Increase in other financial assets	(3,305,315)	(1,782,084)
Other financial liability	(471,250)	-
	12,563,111	**98,268,728**

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	58,131,343	281,160,627
Total capital commitments		
Already contracted for but not provided for	58,131,343	281,160,627

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

Notes to the Financial Statements

Figures in Rand	2015	2014

34. Contingencies

No	Case Details	Date when case started	Case Number	Description of the case	Attorney handling the case	Estimated Financial Impact
1	Batshabi vs TLM	2012/11/23	366/14	Failure to pay service provider as agreed	Gumbo & Co	106,590
2	Polokwane Surfacing vs TLM	2014/12/01	6632/14	Outstanding payment in respect of service rendered	Thomas Grobler	2,910,628
3	Enviro Facilities Management vs TLM	2014/08/27	495/15	Payment in respect of service rendered	Tracy Sischy Attorneys	155,000
4	Fawcett Security vs TLM	2015/03/31	Letter of demand	Outstanding payment in respect of service rendered	Muthray & Associates Incorporated	2,364,650
5	Makaulazilwa Incorporated vs TLM	2015/06/18	1183/2015	Payment in respect of service rendered	Mashishi Attorneys	1,186,372
6	Tlou Mokgalaka Investments vs TLM	2014/11/19	Letter of demand	Payment in respect of service rendered	Couzyn Hertzog & Horak Attorneys	183,837
7	Messrs Mmathoka Trading Enterprise cc vs TLM	2015/02/16	551/15	Payment in respect of service rendered	Joubert & May Attorneys	194,735
8	Delta Built Enviroment Consultants (Pty) Ltd vs TLM	2015/07/20	1049/2015	Payment in respect of service rendered	Vezi & De Beer Incorporated Attorneys	89,550
9	Aurecon South Africa vs TLM	2014/10/23	28308/2015	Payment in respect of service rendered	Summoned from theRegistrar of the High Court of South Africa Gauteng Division, Pretoria	3,000,000
10	Mmathoka Trading Enterprise cc vs TLM	2015/03/13	1151/14	Payment in respect of service rendered	C/O Joubert & May	194,735
11	African Hardware vs TLM	2012/10/24	Letter of demand	Payment in respect of service rendered	SJ Pienaar Attorney	13,416
12	Quantibuilt vs TLM	26/03/2014	18879/2015	Demand payment for service	Van Velden-Duffey	32,000,000
13	Blue Sand Trading 854 cc vs TLM	2015/06/23	495/15	Payment in respect of service rendered	C/O Makgafela Attorneys	200,000
14	Auditor General of South Africa vs TLM	2015/02/12	1005/11/15	Payment in respect of service rendered	C/o Hack Stupel, Ross Attorneys	2,097,758
15	Psyco-Jam Developments vs TLM	2015/05/15	4885/2015	Outsatnding payments	Hack Stupel & Ross	3,244,880
16	Sunel Eloff vs TLM	2014/10/07	761/14	Claims the relief and on the grounds set out in the particular claim	Hardam & Associates Inc	12,634
17	National Fund for Municipal Workers vs TLM	2014/10/20	Letter demand	Arrears on pension fund contribution	Van der merwe associates incorporated	8,634

Notes to the Financial Statements

Figures in Rand						2015	2014

34. Contingencies (continued)

18	Gert vs TLM	2015/08/13	582/15	Claim against the Municipality	Michael propper & Associates Inc	8,060	
19	ME Ntsoane vs TLM	2015/07/22	519/15	Representing TLm vs ME Ntsoane case	SJ Pienaar Attorney	1,200,000	
20	Ipes utility vs TLM	2013/02/20	7059/13	Demand payment for service	Mohale Incorporated	108,211	
21	Ingwe Waste Man vs TLM	2012/12/23	Letter of demand	Demand for payment of service rendered	Nkonoane	1,200,000	
22	African Innovative vs TLM	2014/10/03	Letter of demand	Demand for payment of service rendered	Hills Incorporated Attorneys	998,304	
23	Odirile vs TLM	2014/07/01	Letter of demand	Outstanding invioces	ML Mhlangu Attorney	3,111,709	
24	Debra Design vs TLM	2014/07/01	Letter of demand	Demand for payment of service rendered	Mogobu Attorney	348,678	
25	Makgoka Developments vs TLM	2014/10/24	Letter of demand	Demand for payment of service rendered	Moshokoa Attorneys	237,383	
26	Xakanaka Trading vs TLM	2014/04/14	581/2014	Outstanding payment in respect of service rendered	Gerrie Raubenheimer Attorneys	1,055,020	
27	Itebeng Trading vs TLM	2015/01/13	Letter of demand	Outstanding payment	C/O Serokolo Attorneys	136,800	
28	Marieta Hendrina Bernard vs TLM	2014/07/01	72668/12	Paymnent in respect of service rendered	Eric Marx Attorneys	35,623	
29	Millenium Waste Management vs TLM	2014/07/01	8353/2010	Outstanding payments	Duplesis De Heus	170,832	
	TOTAL					**56,573,940**	

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Notes to the Financial Statements

Figures in Rand	2015	2014

35. Related parties

Relationships	
Municipal Gratuity Fund	Post Employment benefit plan for employees of Thabazimbi
Department of Transport	Fellow entity

Related party balances

Related party transactions

	2015	2014
License Commission earned		
Department of Transport	3,348,457	4,786,010
Balance owed to Department of Transport		
Balance owed	24,629,670	18,139,463
Subscription fees paid to/Received from Related Parties		
SALGA	1,079,147	865,400
Section 56 and Section 57 Managers		
Municipal Manager	1,216,744	1,270,078
Chief Financial Officer	1,056,493	928,832
Technical Service Manager	1,368,947	976,493
Corporate Services Manager	927,117	934,905
Planning and Development Manager	957,279	955,772
Community and social services Manager	592,544	701,949
Chief Operating Officer	-	656,663
Compensation to accounting officer and other key management		
Defined contribution plans	9,388	4,826

36. Comparative figures

Certain comparative figures have been reclassified.

Statement of financial position	**As previously stated**	**Restated**
Vat receivable	24,724,680	12,758,447
Vat payable	(11,966,233)	14,202,386
Cash cash equivalents	3,013,529	1,988,119
Receivables from exchanges	2,497,193	4,065,374
Property, plant and equipment	1,250,300,696	1,347,785,652
Land	29,763	8,773,662
Work In Progress	118,686,776	104,883,870
Depreciation Provision	(296,893,722)	(563,703,531)
Provisions	(15,443,607)	(15,256,515)
Consumer Deposits	(3,562,316)	(3,501,324)
Statement of Financial Performance		
Service Charges	(19,682,308)	(15,860,023)
Traffic Fines	(1,002,460)	(1,568,974)
Other Income	(6,947,017)	(8,074,722)
Depreciation	67,318,950	44,515,423
General Expenses	21,009,730	19,517,549
Employee Costs	22,317,081	21,588,557
Lease Expenses	3,369,765	2,380,867
Finance Costs	93,488	2,676,538
Bad Debts Expense	12,631,818	14,596,386
Accumulated Surplus	(1,077,104,691)	(838,362,011)

Notes to the Financial Statements

Figures in Rand	2015	2014

37. Risk management

Liquidity risk

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

Credit risk

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

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

Figures in Rand	2015	2014

38. Going concern

GRAP requires that management performs a brief assessment of the going concern of the institution. Going concern assumption is a fundamental principle in the preparation of financial statements.

Under the going concern assumption an entity is ordinarily viewed as continuing in business for the forseeable future with neither the intention nor the necessity of liquidation or ceasing trading. Accordingly, assets and liabilities of Thabazimbi Local Municipality are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in normal course of business.

Management of Thabazimbi Local Municipality that a few material uncertainties were noted in making its assessment. The material uncertainties relates to the fact that the Municipality is currently facing acute cash flow challenges mainly resulting from unpaid services by the surrounding communities.

This is further supported by a very poor working capital ratio and this has lead to some of the Municipal Vehicles being auctioned by a long outstanding creditor.

The going concern assessment made took into account all available information for the foreseeable future.
Other factors considered include the ones below;

Financial
. Though the Municipality's net worth is a healthy balance, the Net Working Capital of the Municipality is significantly strained.
. Negative operating cash flows for the past finacial year and the trend continue into the current financial year.
. Adverse key financial ratios, though the entity is not profit oriented, recovery of full cost of supply is critical to sustain the service delivery.
. Inability to pay creditors on due dates.
. Inability to comply with the terms of loan agreements.

Other
. Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that may be unlikely to be satisfied instantly.

Mitigating Plans

. The entity has debtors amounting to more R189 million (Gross) and has commenced on a rigorous debt collection campaign to liquidate this asset.
. Serious moratorium on new financial commitments has been sanctioned and priority is given to already incur financial obligations and responds to all the immerging legal cases.
. The Municipality has been placed under the Intervention of the MEC of Cooperative Governance Human Settlements and Traditional Affairs and a fiancial recovery plan was built to turn around the fortunes of the Municipality.
. The Department of Coghsta seconded a competent Acting Accounting Officer and a Finacial Specialist to turn lead and drive the financial recovery of the Municipality.

The above mitigating plans are susbequent events.

Conclusion
Management strongly believes the mitigating factors put in place to date will suffice in spearheading the financial recovery of the Municipality of Thabazimbi in the foreseeable future.

39. Events after the reporting date

Some municipal assets have been attached by long outstanding creditors.
The Annual Financial Statements values have not been adjusted by the attachment of the assets.

40. Unauthorised expenditure

	2015	2014
Unauthorised expenditure	318,351,713	197,093,536
Incurred during the year	30,815,935	121,258,177
	349,167,648	**318,351,713**

Figures in Rand	2015	2014

40. Unauthorised expenditure (continued)

Details of Unauthorised expenditure	DIsciplinary steps taken	Amount
MIG grant not used for its intended purpose	Disciplinary action in process	
Over expenditure on budget	Disciplinary action in process	

41. Fruitless and wasteful expenditure

	2015	2014
Opening balance	17,099,887	5,477,641
incurred during the year	18,293,692	11,622,246
	35,393,579	**17,099,887**

Details of fruitless and wastefull expenditure	Disciplinary steps taken	Amount
Opening balance		17,099,887
Interest and Penalties	None	18,293,692
		35,393,579

42. Irregular expenditure

	2015	2014
Opening balance	243,387,203	243,387,203
Add: Irregular Expenditure - current year (non compliance with the SCM policies and procedures)	13,231,860	-
	256,619,063	**243,387,203**

43. Additional disclosure in terms of Municipal Finance Management Act

Material losses through distribution of water losses

	2015	2014
Opening balance	44,423	27,112
Purchases during the year	3,627,187	4,103,993
Recorded Billing during the year	(2,114,613)	(2,772,529)
Distribution losses	(32,530)	(44,423)
Water distribution losses (Kl)	**1,524,467**	**1,314,153**
% Loss	42%	32%
Average cost per Kl (R)	4.40	3.75
Distribution Losses (R)	R6 706 511	R4 924 131

Electricity losses

	2015	2014
Opening balance	68,282,110	63,702,101
Current year subscription / fee	(50,977,682)	(56,678,250)
	17,304,428	**7,023,851**
% Loss	25%	11%
Average cost per Kl (R)	0.96	0.87
Distribution Losses (R)	R16 663 101	R6 125 612

Notes to the Financial Statements

Figures in Rand	2015	2014

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

PAYE and UIF

Opening balance	4,217,702	844,475
Current year subscription / fee	13,705,436	10,855,616
Amount paid - current year	(16,752,291)	(7,482,389)
	1,170,847	**4,217,702**

Pension and Medical Aid Deductions

Opening balance	4,908,670	1,308,002
Current year subscription / fee	22,829,593	19,380,668
Amount paid - current year	(25,804,468)	(15,780,000)
	1,933,795	**4,908,670**

VAT

VAT receivable	7,336,204	10,487,854

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

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

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

Councillors' arrear consumer accounts

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. A.S Khumalo	82,849	-	82,849
Cllr. P.A Mosito	1,481	-	1,481
Cllr. M.M Moselane	7,132	-	7,132
Cllr. M.E Semadi	1,578	-	1,578
Cllr. P.A. Scruton	2,041	-	2,041
Cllr. C.S. Sikwane	6,164	-	6,164
Cllr.D.A Moatshe	1,338	-	1,338
Cllr. S.G Lerumo	76	-	76
Cllr. MD Tlhabadira	509	-	509
Cllr. L.H Jourbert	1,362	-	1,362
Cllr. PJ Strydom	7,135	-	7,135
	111,665	**-**	**111,665**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. F Loots	1,120	-	1,120
Cllr.RA Ramogale	2,755	-	2,755
Cllr. PA Mosito	(885)	-	(885)
Cllr. M.M Moselane	10,327	33,838	44,165
Cllr.M. E Semadi	359	-	359
Cllr.M Fisher	3,067	21,877	24,944
Cllr. Scruton	6,684	45	6,729
Cllr. D.A Moashe	(1,063)	(63)	(1,126)
Cllr.C.S Sikwane	4,798	1,838	6,636
Cllr. A.S Khumalo	593	-	593
Cllr. TD Molefe	758	3,197	3,955
Cllr. Moatshe	344	-	344
	28,857	**60,732**	**89,589**

During the year there were no Councillors with accounts outstanding for more than 90 days.

44. Gains or losses on biological assets

	2015	2014
Gains or losses arising from a change in fair value less point of sale costs	-	269,500

45. Rental of facilities and equipment

	2015	2014
Premises		
Premises	422,540	380,434
Facilities and equipment		
Rental of equipment	654	439
	423,194	**380,873**

Notes to the Financial Statements

Figures in Rand	2015	2014
46. Impairment of assets		
Impairments		
Trade and other receivables	40,491,620	14,596,386