UMZIMVUBU

LOCAL MUNICIPALITY

Financial statements
for the 6 months ended 31 December 2015

General Information

Members of the council

KS Pangwa	**Mayor**
ZO Sisilana	**Speaker**
N Mbele	**Chief Whip**
MV Nkqayi	Infrastructure and planning
VA Bulana	Community services
LT Qasha	Corporate services
Z Ndevu	Budget and treasury
EN Ngalonkulu - Lebelo	Communications and SPU
N Mpumlwana	Local economic development
N Nkula	Exco member
PK Thingathinga	Exco member
FJ Hem	Member
AL Mwezula	Member
MV Nkqayi	Member
MM Mpepanduku	Member
M Mpakumpaku	Member
X Jona	Member
NM Mlenzana	Member
M Jojo	Member
ZJ Mendu	Member
V Nyangane	Member
N Gogela	Member
ZB Mtebele	Member
CT Ndawo	Member
BMA Zililo	Member
N Sonyabashi	Member
SAN Cekeshe	Member
S Mankanku	Member
NT Xezu	Member
N Jijana	Member
V Ngabaza	Member
FN Ngonyolo	Member
CM Ngalonkulu	Member
BT Ngqasa	Member
MH Kwekwile	Member
NA Sobahle	Member
NP Ndabeni	Member
S Nogcantsi	Member
N Nkula	Member
SP Myingwa	Member
EN Ngalonkulu-Lebelo	Member
N Mpumlwana	Member
NE Pakkies	Member
T Mabindisa	Member
MM Gwanya	Member
AZ Gwebani	Member
N Boyce	Member
NO Godlo	Member
LT Qasha	Member

General Information

	B Mngweba	Member
	NP Mlandu	Member
	UN Makanda	Member
	PK Thingathinga	Member
	TA Mambi	Member
	F Ntwakumba	Member
	ZO Sisilana	Member
	N Mbele	Member
	KS Phangwa	Member
	NN Gcadinja	Member
	VA Bulana	Member
	N Mpanda	Member
	SK Mnukwa	Member
	Z Ndevu	Member
	B Ripa	Member
	NA Matshongo	Member
Accounting Officer	Mr G.P.T Nota	
Chief Finance Officer (CFO)	Mrs X.N Venn	
Grading of local authority	3	
Auditors	Auditor General of South Africa	
Bankers	First National Bank	
Registered office	Erf 813 Main Street Mount Frere 5090	
Business address	Erf 813 Main Street Mount Frere 5090	
Postal address	Private Bag X9020 Mount Frere 5090	
Fax Number	(039) 255 0167	
Telephone Number	(039) 255 0166	

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Abbreviations

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

Accounting Officer's responsibilities and approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Interim financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the interim financial statements fairly present the state of the affairs of the municipality as at the 6 month period of the financial year and the results of its operations and cash flows for the period then ended. The internal auditors are engaged to express an opinion on the annual financial statements and was given unristricted access to all the financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 31 December 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 accounting officer is primarily responsible for the financial affairs of the municipality.

The accounting officer certifies that that the salaries, allowances and benefits of the councillors as disclosed in the notes to the financial statements are within the upper limits of the framework envisaged by section 219 of the Constitution read in conjunction with the Remuneration of Public Office Bearers Act and Minister of Provincial and Local Governments determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I am responsible for the preparation of these interim financial statements, which are set out on pages 6 to 65 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr. G.P.T. Nota
Municipal Manager

Mt Frere

29 February 2016

Statement of Financial Position as at 31 December 2015

Figures in Rand	Note(s)	2015	2015
Assets			
Current Assets			
Inventories	2	403 988	328 104
Operating lease asset	3	82 995	89 681
Receivables from exchange transactions	4	2 012 795	2 250 667
Receivables from non-exchange transactions	5	10 119 597	5 451 924
VAT receivable	6	2 593 305	11 518 597
Cash and cash equivalents	7	105 260 651	25 251 174
		120 473 331	**44 890 147**
Non-Current Assets			
Investment property	8	20 411 575	20 411 575
Property, plant and equipment	9	427 090 816	417 604 718
Intangible assets	10	1 022 771	1 152 670
Heritage assets	11	17 719	17 719
		448 542 881	**439 186 682**
Total Assets		**569 016 212**	**484 076 829**
Liabilities			
Current Liabilities			
Current protion of long term liabilities	12	-	26 715 764
Operating lease liability	3	6 939	5 102
Payables from exchange transactions	13	7 367 915	12 572 195
Payables from non-exchange transactions	14	1 553 254	2 393 846
Non - current portion of employee benefit liability	15	91 225	159 898
Unspent conditional grants and receipts	16	14 439 601	1 420 605
		23 458 934	**43 267 410**
Non-Current Liabilities			
Non - current portion of employee benefit liability	15	1 011 912	1 011 912
Provisions	17	9 040 445	9 040 445
		10 052 357	**10 052 357**
Total Liabilities		**33 511 291**	**53 319 767**
Net Assets		**535 504 921**	**430 757 062**
Accumulated surplus		535 504 917	430 757 064

Statement of Financial Performance

Figures in Rand	Note(s)	6 months ending 31 December 2015 2015	12 months 2015
Revenue			
Revenue from exchange transactions			
Sale of land		-	511 470
Service charges	19	738 726	1 426 599
Rental of facilities and equipment	20	1 013 564	1 282 767
Agency services		744 619	1 400 182
Licences and permits		1 186 930	2 381 474
Other income	21	1 107 430	2 761 654
Interest Earned - External Investment	22	2 233 476	3 704 587
Interest Earned - Outstanding Debtors	22	1 050 293	1 516 359
Total revenue from exchange transactions		**8 075 038**	**14 985 092**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	9 930 791	8 945 786
Transfer revenue			
Government Grants & Subsidies Received	24	177 670 636	210 997 461
Fines, Penalties and Forfeits		1 047 726	1 670 450
Public Contributions and Donations		6 500	3 000
Total revenue from non-exchange transactions		**188 655 653**	**221 616 697**
Total revenue	42	**196 730 691**	**236 601 789**
Expenditure			
Employee related costs	25	(28 185 049)	(50 612 946)
Remuneration of councillors	26	(7 314 587)	(14 621 700)
Depreciation and amortisation	27	(15 505 063)	(30 756 916)
Impairment Losses	28	(5 271 028)	(6 731 805)
Finance costs	29	(35 688)	(5 498 655)
Repairs and maintenance		(488 438)	(1 936 177)
Contracted services	30	(2 766 531)	(7 341 493)
Transfers and Subsidies	31	(1 166 115)	(3 457 058)
Government Grant(Conditional)		(2 432 295)	(6 140 700)
Sale of land		-	(1 513)
General Expenses	32	(28 818 048)	(55 229 136)
Total expenditure		**(91 982 842)**	**(182 328 099)**
Operating surplus		**104 747 849**	**54 273 690**
Loss on disposal of Property,Plant and Equipment		-	(23 606 224)
Surplus for the 6 months		**104 747 849**	**30 667 466**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	**400 089 598**	**400 089 598**
Changes in net assets		
Surplus for the 6 months	30 667 466	30 667 466
Total changes	30 667 466	30 667 466
Balance at 01 July 2015	**430 757 068**	**430 757 068**
Changes in net assets		
Surplus for the 6 months	104 747 849	104 747 849
Total changes	104 747 849	104 747 849
Balance at 31 December 2015	**535 504 917**	**535 504 917**

Note(s)

Umzimvubu Local Municipality
Financial Statements for the 6 months ended 31 December 2015

Cash Flow Statement

Figures in Rand	Note(s)	6 months ending 31 December 2015 2015	12 months 2015
Cash flows from operating activities			
Receipts			
Property Rates		1 893 915	9 676 442
Public Contributions and Donations		6 500	3 000
Grants		190 940 000	209 842 807
Interest income		2 233 476	4 100 101
Service Charges		1 050 293	2 353 579
Cash flows of discontinued operations		215 515	-
Other receipts		-	11 214 046
		196 339 699	237 189 975
Payments			
Employee costs		(28 185 049)	(50 418 700)
Remuneration of Councillors		(7 314 587)	(14 621 700)
Finance costs		(35 688)	(5 498 655)
Suppliers Paid		(19 810 313)	(72 928 401)
Other Payments		(9 371 879)	(3 458 570)
		(64 717 516)	(146 926 026)
Undefined difference compared to the cash generated from operations note		**(1)**	**-**
Net cash flows from operating activities	33	**131 622 182**	**90 263 949**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(24 686 355)	(84 200 132)
Proceeds from sale of property, plant and equipment	9	-	464 843
Purchases of Intangible Assets	10	(174 906)	(392 962)
Proceeds from disposal of Intangible asset/of landsale	10	-	511 470
Net cash flows from investing activities		**(24 861 261)**	**(83 616 781)**
Cash flows from financing activities			
Repayment of current protion of long term liabilities		(26 715 764)	-
Repayment of borrowings		(35 681)	(23 872 315)
Net cash flows from financing activities		**(26 751 445)**	**(23 872 315)**
Net increase/(decrease) in cash and cash equivalents		**80 009 476**	**(17 225 147)**
Cash and cash equivalents at the beginning of the year		25 251 174	42 476 321
Cash and cash equivalents at the end of the year	7	**105 260 650**	**25 251 174**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of land	1 100 000	-	**1 100 000**	-	**(1 100 000)**	
Service charges	2 000 000	-	**2 000 000**	738 726	**(1 261 274)**	
Rental of facilities and equipment	1 437 956	-	**1 437 956**	1 013 564	**(424 392)**	
Agency services	1 314 730	-	**1 314 730**	744 619	**(570 111)**	
Licences and permits	2 500 000	-	**2 500 000**	1 186 930	**(1 313 070)**	
Other income	17 549 669	-	**17 549 669**	1 107 430	**(16 442 239)**	
Interest received - investment	2 242 400	-	**2 242 400**	2 233 476	**(8 924)**	
Interest earned on outstanding debtors	1 460 200	-	**1 460 200**	1 050 293	**(409 907)**	
Total revenue from exchange transactions	**29 604 955**	**-**	**29 604 955**	**8 075 038**	**(21 529 917)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	10 430 000	-	**10 430 000**	9 930 791	**(499 209)**	
Transfer revenue						
Government grants & subsidies	179 115 837	-	**179 115 837**	177 670 636	**(1 445 201)**	
Fines, Penalties and Forfeits	4 242 477	-	**4 242 477**	1 047 726	**(3 194 751)**	
Gains on disposal of assets	-	-	**-**	6 500	**6 500**	
Total revenue from non-exchange transactions	**193 788 314**	**-**	**193 788 314**	**188 655 653**	**(5 132 661)**	
Total revenue	**223 393 269**	**-**	**223 393 269**	**196 730 691**	**(26 662 578)**	
Expenditure						
Personnel	(53 544 489)	-	**(53 544 489)**	(28 185 049)	**25 359 440**	
Remuneration of councillors	(17 410 843)	-	**(17 410 843)**	(7 314 587)	**10 096 256**	
Depreciation and amortisation	(45 705 000)	-	**(45 705 000)**	(15 505 063)	**30 199 937**	
Impairment loss/ Reversal of impairments	(30 000 000)	-	**(30 000 000)**	(5 271 028)	**24 728 972**	
Finance costs	(2 000 000)	-	**(2 000 000)**	(35 688)	**1 964 312**	
Repairs and maintenance	-	-	**-**	(488 438)	**(488 438)**	
Contracted Services	(16 622 905)	-	**(16 622 905)**	(2 766 531)	**13 856 374**	
Transfers and Subsidies	(4 416 765)	-	**(4 416 765)**	(1 166 115)	**3 250 650**	
Cost of housing sold	-	-	**-**	(2 432 295)	**(2 432 295)**	
General Expenses	(90 018 340)	-	**(90 018 340)**	(28 818 048)	**61 200 292**	
Total expenditure	**(259 718 342)**	**-**	**(259 718 342)**	**(91 982 842)**	**167 735 500**	
Operating surplus	**(36 325 073)**	**-**	**(36 325 073)**	**104 747 849**	**141 072 922**	
Transfers recognised - capital	78 277 000	-	**78 277 000**	-	**(78 277 000)**	
Surplus before taxation	**41 951 927**	**-**	**41 951 927**	**104 747 849**	**62 795 922**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**41 951 927**	**-**	**41 951 927**	**104 747 849**	**62 795 922**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	452 224	-	**452 224**	403 988	**(48 236)**	
Call investment deposits	31 470 936	-	**31 470 936**	-	**(31 470 936)**	
Operating lease asset	113 116	-	**113 116**	82 995	**(30 121)**	
Receivables from exchange transactions	930 759	-	**930 759**	2 012 795	**1 082 036**	
Receivables from non-exchange transactions	1 436 683	-	**1 436 683**	10 119 597	**8 682 914**	
VAT receivable	-	-	**-**	2 593 305	**2 593 305**	
Cash and cash equivalents	32 235 325	-	**32 235 325**	105 260 651	**73 025 326**	
	66 639 043	**-**	**66 639 043**	**120 473 331**	**53 834 288**	
Non-Current Assets						
Investment property	29 922 300	-	**29 922 300**	20 411 575	**(9 510 725)**	
Property, plant and equipment	230 935 258	-	**230 935 258**	427 090 816	**196 155 558**	
Intangible assets	2 370 672	-	**2 370 672**	1 022 771	**(1 347 901)**	
Heritage assets	17 719	-	**17 719**	17 719	**-**	
	263 245 949	**-**	**263 245 949**	**448 542 881**	**185 296 932**	
Total Assets	**329 884 992**	**-**	**329 884 992**	**569 016 212**	**239 131 220**	
Liabilities						
Current Liabilities						
Current protion of long term liabilities	15 863 060	-	**15 863 060**	-	**(15 863 060)**	
Operating lease liability	-	-	**-**	6 939	**6 939**	
Payables from exchange transactions	17 119 339	-	**17 119 339**	7 367 915	**(9 751 424)**	
Taxes and transfers payable (non-exchange)	-	-	**-**	1 553 254	**1 553 254**	
Non - current portion of employee benefit liability	72 985	-	**72 985**	91 227	**18 242**	
Unspent conditional grants and receipts	-	-	**-**	14 439 601	**14 439 601**	
	33 055 384	**-**	**33 055 384**	**23 458 936**	**(9 596 448)**	
Non-Current Liabilities						
Current protion of long term liabilities	624 539	-	**624 539**	-	**(624 539)**	
Non - current portion of employee benefit liability	-	-	**-**	1 011 912	**1 011 912**	
Provisions	10 788 652	-	**10 788 652**	9 040 445	**(1 748 207)**	
	11 413 191	**-**	**11 413 191**	**10 052 357**	**(1 360 834)**	
Total Liabilities	**44 468 575**	**-**	**44 468 575**	**33 511 293**	**(10 957 282)**	
Net Assets	**285 416 417**	**-**	**285 416 417**	**535 504 919**	**250 088 502**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Reserves	251 916 693	-	**251 916 693**	-	**(251 916 693)**	
Accumulated surplus	33 499 724	-	**33 499 724**	535 504 919	**502 005 195**	
Total Net Assets	**285 416 417**	**-**	**285 416 417**	**535 504 919**	**250 088 502**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates and other	8 866 000	-	**8 866 000**	17 381 878	**8 515 878**	
Grants	257 392 000	-	**257 392 000**	145 837 739	**(111 554 261)**	
Interest income	3 701 000	-	**3 701 000**	-	**(3 701 000)**	
Other receipts	1 700 000	-	**1 700 000**	-	**(1 700 000)**	
Other revenue	25 560 815	-	**25 560 815**	-	**(25 560 815)**	
	297 219 815	**-**	**297 219 815**	**163 219 617**	**(134 000 198)**	
Payments						
Employee costs	(177 596 000)	-	**(177 596 000)**	(63 110 864)	**114 485 136**	
Finance costs	(2 000 000)	-	**(2 000 000)**	-	**2 000 000**	
Other payments	-	-	**-**	(5 206 981)	**(5 206 981)**	
Other cash item	(4 417 000)	-	**(4 417 000)**	-	**4 417 000**	
	(184 013 000)	**-**	**(184 013 000)**	**(68 317 845)**	**115 695 155**	
Net cash flows from operating activities	**113 206 815**	**-**	**113 206 815**	**94 901 772**	**(18 305 043)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	1 100 000	-	**1 100 000**	-	**(1 100 000)**	
Capital assets	(84 802 000)	-	**(84 802 000)**	-	**84 802 000**	
Net cash flows from investing activities	**(83 702 000)**	**-**	**(83 702 000)**	**-**	**83 702 000**	
Cash flows from financing activities						
Repayment of borrowing	(25 000 000)	-	**(25 000 000)**	-	**25 000 000**	
Net increase/(decrease) in cash and cash equivalents	4 504 815	-	**4 504 815**	94 901 772	**90 396 957**	
Cash and cash equivalents at the beginning of the year	(42 476 000)	-	**(42 476 000)**	-	**42 476 000**	
Cash and cash equivalents at the end of the year	**(37 971 185)**	**-**	**(37 971 185)**	**94 901 772**	**132 872 957**	

Accounting Policies

1. Basis of Presentation

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.

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

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

These accounting policies are consistent with the previous period.

Accounting Policies

1.1 Standards of General Recognised Accounting Practice (GRAP) and Interpretations (IGRAP) issued and effective:

GRAP 1 - Presentation of Financial Statements (as revised in 2010)

GRAP 2 - Cash Flow Statements (as revised in 2010)

GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)

GRAP 4 - The Effects of Changes in Foreign Exchange Rates (as revised in 2010)

GRAP 5 - Borrowing Costs (as revised in 2013)

GRAP 6 - Consolidated and Separate Financial Statements

GRAP 7 - Investments in Associates GRAP 8 - Interests in Joint Ventures GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)

GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)

GRAP 11 - Construction Contracts (as revised in 2010)

GRAP 12 - Inventories (as revised in 2010)

GRAP 13 - Leases (as revised in 2010)

GRAP 14 - Events After the Reporting Date (as revised in 2010)

GRAP 16 - Investment Property (as revised in 2010)

GRAP 17 - Property, Plant and Equipment (as revised in 2010)

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)

GRAP 21 - Impairment of Non-cash-generating Assets

GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

GRAP 24 - Presentation of Budget Information in Financial Statements

GRAP 25 - Employee Benefits

GRAP 26 - Impairment of Cash-generating Assets

GRAP 27 - Agriculture

GRAP 31 - Intangible Assets

GRAP 100 - Discontinued Operations (as revised in 2013)

GRAP 103 - Heritage Assets

GRAP 104 - Financial Instruments

IGRAP 1 - Applying the Probability Test on Initial Recognition of Revenue (As revised in 2012)

IGRAP 2 - Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 - Determining whether an Arrangement Contains a Lease

IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

Accounting Policies

IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

IGRAP 6 - Loyalty Programmes

IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 - Distributions of Non-cash Assets to Owners

IGRAP 10 - Assets Received from Customers

IGRAP 13 - Operating Leases – Incentives

IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 - Intangible Assets – Website Costs

1.2 Standards issued, future effective date

GRAP 20 - Related Party Disclosures

GRAP 32 - Service Concession Arrangements: Grantor

GRAP 108 - Statutory Receivables

GRAP 109 - Accounting by Principals and Agents

1.3 Going concern assumption

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

1.4 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other source. 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

The municipality assesses its trade 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.

Accounting Policies

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit of - in its 2015 financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Fair value estimation

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

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

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 15.

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.

2. Investment property

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.
The following provisions are set for the creation and utilisation of the CRR:
-The cash funds that backup the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
-The CRR may only be utilised for the purpose of purchasing items of Property,Plant and Equipment and may not be used for the maintenance of these items.

-Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

2.1.2 Capital Contributions from Government

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (CircularNo18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property,Plant and Equipment financed from government grants.

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

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

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

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.

Accounting Policies

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

Accounting Policies

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life in years
Buildings	Straight line	25 - 100
Mobile offices	Straight line	5 - 10
Infrastructure		-
Roads and paving	Straight line	45 - 50
Gravel roads	Straight line	3 - 10
Landfill sites	Straight line	10 - 65
Security	Straight line	5 - 10
Recreational facilities	Straight line	15 - 60
Other		-
Specialist vehicles	Straight line	5 - 20
Other vehicles	Straight line	5 - 10
Office equipment	Straight line	3 - 7
Furniture and fittings	Straight line	5 - 10
Watercraft	Straight line	15
Bins and containers	Straight line	5
Specialised plant and equipment	Straight line	10 - 15
Other items of plant and equipment	Straight line	2 - 5
Library books	Straight line	5 - 20

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

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

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

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

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

Accounting Policies

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.

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset or that have different useful lives, are depreciated separately.

Depreciation only commeneces when the asset is available unless stated otherwise.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the expenditure will flow to the municipality and the cost can be measured reliably. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the assets that is being replaced and capitalises the new component.

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.

Intangible assets are initially recognised at cost.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software	4 years
Website	Indefinite

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

5. Investment Property

5.1 Initial Recognition
Investment Property includes property (land or a building,or part of a building,or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation,rather than held to meet service delivery objectives,the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Recognition criteria

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

At initial recognition,the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property.However,where an Investment Property was acquired through a non-exchange transaction (i.e.where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
(b) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
(c) A property owned by the municipality and leased out at a below market rental; and
(d) Property that is being constructed or developed for future use as investment property.
(e) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations,the land is regarded as held for capital appreciation);

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property
The following assets do not fall in the ambit of Investment Property and shall be classified as Property,Plant and Equipment,Inventory or Non-current Assets Held-for-Sale, as appropriate: (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
(b) Property being constructed or developed on behalf of third parties;
(c) Owner-occupied property,including (among other things) property held for future use as owner- occupied property, property held for future development and subsequent use as owner occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

(d) Property that is leased to another entity under a finance lease;
(e) Property held to provide goods and services and also generates cash inflows; and
(f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property,Plantand Equipment.

5.2 Subsequent Measurement
Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses.Depreciation is calculated on cost,using the Straight-line Method over the useful life of the property, which is estimated at 25-100 years.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition
An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. Heritage Assets

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives.The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition
The cost of an item of Heritage Assets is recognised as an asset if,and only if,it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition.The cost of an item of Heritage Assets 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 the municipality.Trade discounts and rebates are deducted in arriving at the cost.The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e.a non-exchange transaction),the cost is deemed to be equal to the fair value of that asset on the date acquired.
The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset,or a combination of monetary and non-monetary assets,is measured at the fair value of the asset given up,unless the fair value of the asset received is more clearly evident.If the acquired item could not be measured at its fair value,its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.Where the municipality replaces parts of an asset,it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal,or when no future economic benefits or service potential are expected from its use or disposal.The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised.Gains are not classified as revenue.Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

7. Impairment of Assets

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Accounting Policies

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.
The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.
If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. Inventory

8.**1 Initial Recognition**

Inventories comprise current assets held-for-sale,current assets for consumption or distribution during the ordinary course of business.Inventories are initially recognised at cost.Cost generally refers to the purchase price,plus taxes,transport costs and any other costs in bringing the Inventories to their current location and condition.Where Inventory is manufactured,constructed or produced,the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e.a non-exchanget ransaction),the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development.Costs also include a proportion of overhead costs.

Accounting Policies

8.2 Subsequent Measurement

8.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores,raw materials,work-in-progress,inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value(net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

8.2.2 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by publicauction. Net realisable value is the estimated selling price in the ordinary course of business,less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise.The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as are duction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold,distributed,written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. Revenue recognition

9.1 General
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.
Revenue is derived from a variety of sources which include rates levied,grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality’s activities as described below,except when specifically stated otherwise.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.The municipality bases its estimates on historical results, taking into consideration the type of customer,the type of transaction and the specifics of each arrangement.
Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.
Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value inexchange.Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

9.2.2 Rentals Received

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

9.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the Time-proportionate Basis that takes into account the effective yield on the investment.

9.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified.The revenue recognised is in terms of the agency agreement.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably.The asset shall be recognised as revenue,except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and are liable estimate of the amount can be made.

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises.Collection charges are recognised when such amounts are legally enforceable.Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable.A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9.3.2 Fines
Fines are accounted for in accordance with GRAP 23 and from the current year the interpretation was done in accordance with GRAP 1 as detailed below.

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probabble that the economic benefits or services potential will flow to the municipality and the amount of thr revenue can be measured reliably.
Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initiial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initiial recognition.

9.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria,conditions or obligations embodied in the agreement.Where the agreement contains a stipulation to return the asset,other future economic benefits or service potential,in the event of non-compliance to these stipulations and would been forced by the transferor,a liability is recognised to the extent that the criteria,conditions or obligations have not been met.Where such requirements are not enforceable,or where past experience has indicated that the transfer or has never enforced the requirement to return the transferred asset,other future economic benefits or service potential when breaches have occurred,the stipulation will be considered a restriction and is recognised as revenue.
Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

9.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria,conditions or obligations embodied in the agreement.Where the agreement contains a stipulation to return the asset,other future economic benefits or service potential,in the event of non-compliance to these stipulations and would been forced by the transferor,a liability is recognised to the extent that the criteria,conditions or obligations have not been met.Where such requirements are not enforceable,or where past experience has indicated that the transfer or has never enforced the requirement to return the transferred asset,other future economic benefits or service potential when breaches have occurred,the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs,are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated inaccordance with grant conditions.If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

9.**3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**
Revenue from the recovery of unauthorised,irregular,fruitless and wasteful expenditure is based on legislated procedures,including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery there of from the responsible councillors or officials is virtually certain.

10. Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events,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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality,supplemented by experience of similar transactions and,in some cases,reports from independent experts.The evidence considered includes any additional evidence provided by events after the reporting date.Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances.Where the provision being measured involves a large population of items,the obligationis estimated by weighting all possible outcomes by their associated probabilities.

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.

Accounting Policies

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.Gains from the expected disposal of assets are not taken into account in measuring a provision.Provisions are not recognised for future operating losses.The present obligation under an onerous contract is recognised and measured as a provision.An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received unde rit.The unavoidable costs under a contract reflect the least net cost of exiting from the contract,which is the lower of the cost of fulfilling it and any compensation or penaltie sarising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.When the effect of discounting is material,provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money.The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

10.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions,comprising rehabilitation and land fill site closure,are based on the municipality’s policy,taking into account current technological,environmental and regulatory requirements.The provision for rehabilitation is recognised as and when the environmental liability arises.To the extent that the obligations relate to the asset,they are capitalised as part of the cost of those assets.Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality 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 municipality 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 and .

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.

Accounting Policies

11. Employee Benefit Obligations

The municipality changed its Accounting Policy from IAS19 to GRAP 25 with no effect on the financial information previously disclosed.

11.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered,except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay,are recognised during the period in which the employee renders the related service.The liability for leave pay is based on the total accrued leave days at year end and is shown as a credit or in the Statement of Financial Position.The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors,and has both defined benefit and defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity.The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality’s contributions to the defined contribution funds are established in terms of the rules governing those plans.Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.The municipality has no further payment obligations once the contributions have been paid.The contributions are recognised as employee benefit expense when they are due.Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees.According to the rules of the Long-service Allowance Scheme,which the municipality instituted and operates,an employee (who is on the current Conditions of Service),is entitled to a cash allowance,calculated in terms of the rules of the scheme,after 10,15,20,25 and 30
years of continued service.The municipality’s liability is based on an actuarial valuation.The Projected Unit Credit Method isused to value the liabilities.Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

12. Leases

12.1 Classification

Leases are classified as:

Finance Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property,plant and equipment,in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as:

Accounting Policies

Operating Leases.

12.2 The Municipality as Lessee

12.2.1 Finance Leases

Where the municipality enters into a finance lease,property,plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or,if lower,the present value of the minimum lease payments,each determined at the inception of the lease.Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities.The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement,discounted for the effect of interest.In discounting the lease payments,the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset,plus any direct costs incurred.Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred.

Subsequent to initial recognition,the leased assets are accounted for inaccordance with the stated accounting policies applicable to property,plant and equipment or intangibles.The lease liability is reduced by the lease payments,which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method.Finance costs are expensed when incurred.The accounting policies relating to derecognition of financial instruments are applied to lease payables.The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

12.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a Straightline Basis over the term of the relevant lease.The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter in to operating leases,such incentives are recognised as a liability.The aggregate benefit of incentives is recognised as a reduction of rental expense on a Straight-line Basis,except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.3 The Municipality as Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the municipality’s net investment in the leases.Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic reate of return on the municipality’s net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease

12.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement,the municipality determines whether such an arrangement is,or contains a lease.A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset.An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset.At inception,or upon reassessment of the arrangement,the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably,an asset and a liability are recognised at an amount equal to the fair value of the underlying asset.Subsequently the liability is reduced as payments are made and an inputed finance charge on the liability is recognised using the municipality’s incremental borrowing rate.

13. Grants-In-Aid

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

(a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
(b) Expect to be repaid in future; or
(c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14. Borrowing costs

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

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

15. Unauthorised Expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for,expenditure that is not in terms of the conditions of an allocation received from another sphere of government,municipality or organ of state,and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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.

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

16. Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure is expenditure that was made invain and would have been avoided had reasonable care been exercised.All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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.

17. Irregular expenditure

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No56 of 2003),the Municipal Systems Act (Act No32 of 2000),the Public Office Bearers Act (Act No20 of 1998),or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies.Irregular Expenditure excludes Unauthorised Expenditure.Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered,it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. Changes in Accounting Policies, Estimates and Errors

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy.In such cases the municipality restated the opening balances of assets,liabilities and net assets for the earliest period for which retrospective restatement is practical.Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively inaccordance with GRAP 3 requirements.Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred inaccordance with GRAP 3 requirements,except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error.In such cases the municipality shall restate the opening balances of assets,liabilities and net assets for the earliest period for which retrospective restatement is practical.Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

19. Contingent Assets And Contingent Liabilities

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence o rnon-occurrence of one or more uncertain future events not wholly within the control of the municipality.A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised.Contingencies are disclosed in Notes to the Annual Financial Statements.

20. Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources.Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance,but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:
Approved and contracted commitments,where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments,where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date. Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date,but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.

Other commitments for contracts that are non-cancellable or only cancellable at significant cost,should relate to something other than the business of the municipality.

21. Relates Parties

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.
Individuals as well as their close family members,and/or entities are related parties if one party has the ability,directly or indirectly,to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.Management is regarded as a related party and comprises the Councillors,Mayor,Executive Committee Members,Municipal Manager,Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

22. Events After The Reporting Date

Events after the reporting date that are classified as adjusting events have been accounted for in the Interim Financial Statements.The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Financial Statements.

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

those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

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

Accounting Policies

23. Comparative Information

23.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

23.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

23.3 Budget Information

The annual budget figures have been prepared inaccordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement,called the Statement of Comparison of Budget and Actual amounts.Explanatory comment will be provided at year end in the statement giving reasons for overall growth or decline in the budget and motivations for over or under spending on line items.The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates.These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2016.

24. Financial instruments

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

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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 municipality 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 municipality 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 municipality’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 municipality.

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

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

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

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

25 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

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.

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.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

Notes to the Financial Statements

Figures in Rand	2015	2015

2. Inventories

Unsold Properties Held for Resale	25 076	25 076
Consumables stores - Stationery	378 912	303 029
	403 988	328 105
	403 988	**328 104**

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost.

Inventories are expected to be utilised within 12 months after the reporting date.

No Inventories have been pledged as collateral for Liabilities of the municipality.

Property stock relates to sites that are in the process of being sold, there has been no movement from the prior period as the process is still underway and will be finalised before the end of June 2016.

3. Operating lease receivables

Current assets	82 995	89 681
Current liabilities	(6 939)	(5 102)
	76 056	**84 579**

3. Operating lease receivables (continued)

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.
Leasing Arrangements Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable under Operating Leases
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	761 987	920 058
2 to 5 years		301 958
Total Operating Lease Arrangements	761 987	1 222 016
Rental Income recognised in the Statement of Financial Performance	31 581	1 513 088

The following restrictions have been imposed by the municipality in terms of the lease agreements:
(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

4. Receivables from exchange transactions

Trade debtors	2 559 160	2 594 133
Value Added Tax (VAT)	887 205	870 978
Other debtors	676 296	676 296
Land Sales	340 763	854 139
Provision for impairment	(2 450 629)	(2 744 879)
	2 012 795	**2 250 667**

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

The municipality does not hold deposits or other security for its Receivables.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

The Provision for Impairment on Other Trade Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

Figures in Rand	2015	2015

4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 6 months past due are not considered to be impaired. At 31 December 2015, - (2015: 2 960 004) were past due but not impaired.

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

1 month past due	-	83 426
2 months past due	-	83 053
3 months past due	-	2 793 525

Trade and other receivables impaired

As of 31 December 2015, trade and other receivables of - (2015: -) were impaired and provided for.

The amount of the provision was (1 839 534) as of 31 December 2015 (2015: 1 228 828).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 250 667	5 294 418
Provision for impairment	(237 872)	(3 043 752)
	2 012 795	**2 250 667**

As at 31 December 2015	Gross balances	Provision for impairment	Total
Service debtors- Refuse	3 390 849	(2 757 039)	633 810
Value Added Tax (VAT)	748 039	(666 893)	81 146
Land Sales	854 139	(232 596)	621 543
Other debtors	676 296	-	676 296
	5 669 323	**(3 656 528)**	**2 012 795**

As at 30 June 2015	Gross balances	Provision for impairment	Total
Service debtors- Refuse	2 893 005	(2 438 512)	454 493
Value Added Tax (VAT)	870 978	(372 643)	498 335
Land Sales	854 139	(232 596)	621 543
Other debtors	676 296	-	676 296
	5 294 418	**(3 043 751)**	**2 250 667**

5. Receivables from non-exchange transactions

Sundry Debtors	9 055	9 055
Assessment Rates Debtors	7 552 767	3 157 887
Interest/ Penalty Charges	2 375 439	1 525 317
Sundry Deposits	1 885	1 885
Traffic Fines	7 105 636	6 600 264
Government Subsidy Claims	(832 335)	250 366
Provision for impairment	(6 092 850)	(6 092 850)
	10 119 597	**5 451 924**

Figures in Rand	2015	2015

5. Receivables from non-exchange transactions (continued)

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 31 December 2015, - (2015: -) were past due but not impaired.

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

Receivables from non-exchange transactions impaired

As of 31 December 2015, other receivables from non-exchange transactions of - (2015: -) were impaired and provided for.

The amount of the provision was (1 839 534) as of 31 December 2015 (2015: 1 228 828).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	5 451 924	11 544 774
Provision for impairment	-	(6 092 850)
Other	4 667 673	-
	10 119 597	**5 451 924**

6. VAT receivable

VAT Receivable.	2 593 305	11 518 597

VAT is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Notes to the Financial Statements

Figures in Rand

7. Cash and cash equivalents

Petty Cash	6 683	-
Cashbook balance	39 199 594	2 612 543
Current Investments	66 054 374	22 638 631
	105 260 651	**25 251 174**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for: amount committed to Eskom as a guarantee.	161 400	161 400

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	31 December 2015	**30 June 2015**	**30 June 2014**	**31 December 2015**	**30 June 2015**	**30 June 2014**
FIRST NATIONAL BANK - Account Type - Service delivery reserve (62033254723)	1 147	1 122	4 528 540	1 147	1 122	4 528 540
FIRST NATIONAL BANK - Account Type - Operational Investment (62029450715)	25 425 046	527 907	4 071 922	25 425 046	527 907	4 071 922
FIRST NATIONAL BANK - Account Type - Municipal infrastructure Grant (62086036714)	15 632 450	33 226	-	15 632 450	33 226	-
FIRST NATIONAL BANK - Account Type - Guarantee Investment (62068742157)	257 121	253 440	10 396 608	257 121	253 440	10 396 608
FIRST NATIONAL BANK - Account Type - Capital replacement reserve (62067998040)		-	246 993	-	-	246 993
FIRST NATIONAL BANK - Account Type - Dedea projects (62245288411)	388 547	378 908	-	388 547	378 908	-
FIRST NATIONAL BANK - Account Type - Finance management grant (62276187294)	1 321 365	1 071	476 867	1 321 365	1 071	476 867
FIRST NATIONAL BANK - Account Type - Municipal system improvement grant (62276189018)	947 818	1 047	263 719	947 818	1 047	263 719

Notes to the Financial Statements

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7. Cash and cash equivalents (continued)

FIRST NATIONAL BANK - Account Type - Electrification program (62288560925)	54 808	17 032	40 488	54 808	17 032	40 488
FIRST NATIONAL BANK - Account Type - DBSA investment (62442023636)	82 668	80 422	286 717	82 668	80 422	286 717
NEDBANK - Account Type - Nedbank (7881112786)	21 873 007	21 344 329	-	21 873 007	21 344 329	-
FIRST NATIONAL BANK - Account Type - Main Account (62022183727)	39 167 470	24 969 362	5 065 440	39 119 594	22 163 466	12 363
Total	**105 151 447**	**47 607 866**	**25 377 295**	**105 103 571**	**44 801 970**	**20 324 218**

Figures in Rand	2015	2015

8. Investment property

	2015			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 411 575	-	20 411 575	20 411 575	-	20 411 575

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	20 411 575	20 411 575

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	20 411 575	20 411 575

The investment property consists out of land only and therefore there is no depreciation.
All of the municipality’s Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on Investment Property.

8.1 Investment Property carried at Fair Value
The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.
8.2 Impairment of Investment Property
No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

9. Property, plant and equipment

	2015			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 673 371	-	7 673 371	7 673 371	-	7 673 371
Buildings	36 941 340	(13 660 932)	23 280 408	36 941 340	(13 000 671)	23 940 669
Infrastructure	441 223 017	(126 875 360)	314 347 657	422 332 049	(116 214 376)	306 117 673
Community	81 606 757	(17 196 478)	64 410 279	81 606 757	(15 919 073)	65 687 684
Other property, plant and equipment	31 865 475	(14 487 952)	17 377 523	26 070 089	(12 048 701)	14 021 388
Leased Assets	1 681 279	(1 679 701)	1 578	1 681 279	(1 517 347)	163 932
Total	**600 991 239**	**(173 900 423)**	**427 090 816**	**576 304 885**	**(158 700 168)**	**417 604 718**

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Capital under construction - Additions	Transfers received	Transfers	Depreciation	Total
Land	7 673 371	-	-	-	-	-	7 673 371
Buildings	23 940 669	-	-	-	-	(660 261)	23 280 408
Infrastructure	306 117 673	1 404 573	17 486 396	1 988 160	(1 988 160)	(10 660 985)	314 347 657
Community	65 687 684	-	-	-	-	(1 277 405)	64 410 279
Other property, plant and equipment	14 021 388	1 223 309	4 572 077	-	-	(2 439 251)	17 377 523
Leased Assets	163 932	-	-	-	-	(162 354)	1 578
	417 604 717	**2 627 882**	**22 058 473**	**1 988 160**	**(1 988 160)**	**(15 200 256)**	**427 090 816**

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Capital under construction - Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	7 673 371	-	-	-	-	-	-	-	7 673 371
Buildings	25 171 489	364 073	61 665	-	3 155 582	(3 518 869)	(1 293 271)	-	23 940 669
Infrastructure	255 439 478	16 995 742	54 287 033	(695 838)	-	363 286	(20 272 028)	-	306 117 673
Community	85 629 978	1 009 718	7 886 230	(23 057 355)	6 695 323	(7 682 820)	(3 855 680)	(937 710)	65 687 684
Other property, plant and equipment	14 137 748	3 595 671	-	(295 439)	987 499	-	(4 404 091)	-	14 021 388
Leased Assets	499 385	-	-	-	-	-	(335 453)	-	163 932
	388 551 449	**21 965 204**	**62 234 928**	**(24 048 632)**	**10 838 404**	**(10 838 403)**	**(30 160 523)**	**(937 710)**	**417 604 718**

Pledged as security

Carrying value of assets pledged as security:

Land and buildings	-	331 349

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

Notes to the Financial Statements

Figures in Rand	2015	2015

10. Intangible assets

	2015			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer Software	2 790 109	(2 000 852)	789 257	2 651 203	(1 696 046)	955 157
Website Development (Under Construction)	233 514	-	233 514	197 514	-	197 514
Total	**3 023 623**	**(2 000 852)**	**1 022 771**	**2 848 717**	**(1 696 046)**	**1 152 670**

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer Software	955 157	138 906	(304 806)	789 257
Website Development (Under Construction)	197 514	36 000	-	233 514
	1 152 671	**174 906**	**(304 806)**	**1 022 771**

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer Software	1 292 138	281 847	(22 435)	(596 393)	955 156
Website Development (Under Construction)	86 400	111 114	-	-	197 514
	1 378 538	**392 961**	**(22 435)**	**(596 393)**	**1 152 670**

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation"in the Statement of Financial Performance

All of the municipality's Intangible Assets are held under freehold interests and no Intangible assets had been pledged as security for any liabilities of the municpality.

Computer software are issued under license and are restricted to the conditions under which each license are issued.

The municipality amortises all its Intangible assets and no such assets are regarded as having indefinite useful lives.

The useful lives of the intangible assets remain unchanged from the previous year.

No impairment losses have been recognised on intangible assets of the municipality at the reporting date.

11. Heritage assets

	2015			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
At cost less accumulated impairment losses	17 719	-	17 719	17 719	-	17 719

Notes to the Financial Statements

Figures in Rand	2015	2015

11. Heritage assets (continued)

Reconciliation of heritage assets 2015

	Opening balance	Total
Municipal Jewellery	17 719	17 719

Reconciliation of heritage assets 2015

	Opening balance	Total
Municipal jewellery	17 719	17 719

All the municipality's Heritage assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

Restrictions on heritage assets

No restrictions apply to any of the heritage assets of the municipality.

12. Long-Term Liabilities

At amortised cost		
Annuity Loans	-	26 715 764

The Annuity Loan was taken up in the previous financial year from the Development Bank of Southern Africa and was repayable with the last instalment paid in the current financial year at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Governement in accordance with the Division of Revenue Act.

Finance Lease Liabilities relates to Vehicles with lease terms of 5 (2015: 2) years. The effective interest rate on Finance Leases is the prime rate set by the South African Reserve Bank which was 9% at the inception date of the leases. Capitalised Lease Liabilities are secured over the items of vehicles leased

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Current liabilities		
Annuity Loans	-	26 715 764

13. Payables from exchange transactions

Trade creditors	1 017 563	7 034 152
Payments received in advanced	511 656	290 512
Staff leave accrued	4 966 430	4 371 375
Retentions	442 732	516 740
Value Added Tax (Output)	429 534	359 416
	7 367 915	**12 572 195**

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.
The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Figures in Rand	2015	2015

14. Payables from non-exchange transactions

Payments received in advance	1 532 063	134 950
Rental Deposit	21 191	10 348
Interest on external loan	-	2 248 548
	1 553 254	**2 393 846**

15. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1 171 810)	(842 751)
Fair value of reimbursement rights	68 673	-
Increase in provision due to estimate	-	(329 059)
	(1 103 137)	**(1 171 810)**

Non-current liabilities	(1 011 912)	(1 011 912)
Current liabilities	(91 225)	(159 898)
	(1 103 137)	**(1 171 810)**

The municipality operates an unfunded defined benefit plan for all its employees . Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years of service inclusive, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The were no movements in the provision for Long-service Award in the period under review. Due to cost we are unable to appoint an Expert to account for the values to report on.The Expert will be appointed for assessment at year end, 30 June 2016.

At half year (2015: 139) employees were eligible for Long service awards.

The current service cost for the period ending 31 December 2015 is estimated to be R91 225, whereas the cost for the ensuing period is estimated to be R159 898 (30 June 2015: R185 448 and R208 540 respectively).

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

Opening balance	1 171 810	977 565
Benefits paid	(68 673)	(122 468)
Net expense recognised in the statement of financial performance	-	316 713
	1 103 137	**1 171 810**

Net expense recognised in the statement of financial performance

Current service cost	-	185 448
Interest cost	-	71 834
Actuarial (gains) losses	-	59 431
	-	**316 713**

Figures in Rand	2015	2015

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.86 %	7.86 %
Expected rate of return on assets	7.02 %	7.02 %
Net effective discount rate	0.79 %	0.79 %
Expected return on plan assets	7.83 %	7.83 %
Expected rate of salary increase	7.07 %	7.07 %
Expected retirement age - females	58.00 %	58.00 %
Expected retirement age - males	58.00 %	58.00 %

The history of experienced adjustments is as follows:

	2016	2015	2014	2013	2012
Present value of defined benefit obligation	1 103 137	1 171 810	977 565	941 275	718 205

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts		
National Government Grants	13 126 628	898
Provincial Government Grants	1 312 973	1 419 707
	14 439 601	**1 420 605**

Movement during the 6 months

Figures in Rand	2015	2015
Financial management	975 758	87
Municipal systems improvement	722 761	811
Department of Corporative Government and Traditional Affairs	-	392 385
Department of Economic Affairs and Trade	1 027 322	1 027 322
Municipal infrastructure	12 436 535	-
LED	2 628	-
Arts and culture	283 022	-
Electrification project	(724 299)	-
Expanded public works	(284 126)	-
Subtotal	14 439 601	1 420 605
	14 439 601	**1 420 605**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See note 24 for reconciliation of grants from National/Provincial Government.

Notes to the Financial Statements

Figures in Rand	2015	2015

17. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Total
Rehabilitation of Land-fill Sites	9 040 445	9 040 445

Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Rehabilitation of Land-fill Sites	6 158 527	2 881 918	9 040 445

17.1 Rehabilitation of Land-fill Sites
In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R 9 040 445 (2015 : R9 040 445) to restore the sites at the end of its useful lifes, estimated to be between 12 and 16 years. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

No movement on landfill site provision due to cost implications and budget contraints as the municipality will have to appoint an expert.

18. Accumulated surplus

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capital Contributions from Government** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Contributions ensures consumer equity and is not backed by cash.

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital replacement reserve (CRR)	5 014 475	5 014 475
Capital contributions from government	364 892 879	364 892 879
Accumulated surplus/ (deficit) due to the results of operations	95 937 470	30 182 244
	465 844 824	**400 089 598**

19. Service charges

Refuse removal	738 726	1 426 599

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

20. Rental of facilities and equipment

Ameneties and Hall hire		
Ameneties	970 726	1 172 986
Hall hire	42 576	91 228
	1 013 302	**1 264 214**
Facilities and equipment		
Rental of equipment	262	18 553
	1 013 564	**1 282 767**

Notes to the Financial Statements

Figures in Rand	2015	2015

21. Other income

Parks	1 468	15 776
Storage of goods	1 474	8 825
Tourism	-	16 946
Advertising	56 184	95 879
Clearance,planning reserves and special content income	311 527	1 001 277
Flee Market	184	3 211
Funeral plot fees	8 928	11 777
LG Seta	82 164	77 507
Pound fees	205 739	358 437
Rezoning certificate	99	1 037
Subdivision	-	3 087
Tender Fees	184 299	236 915
Sales: Wood & Aloe	640	3 190
Sportsfield	22 325	45 806
Building Planning Fees	232 399	381 984
Awards	-	500 000
	1 107 430	**2 761 655**

22. Interest Earned

Outstanding debtors		
Outstanding Billing Debtors	1 050 293	1 516 359
External investments		
Bank Account	450 306	611 894
Investments	1 783 170	3 092 693
	2 233 476	**3 704 587**
	3 283 769	**5 220 946**

Figures in Rand	2015	2015

23. Property rates

Rates received

Residential	9 930 791	8 945 786

Valuations

Residential	2 568 461	2 864 098
Commercial	2 076 948	2 164 691
State	5 285 382	3 916 997
	9 930 791	**8 945 786**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.

Interim valuations are processed on an quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,2 c/R (2013/14: 1,2 c/R)
Business Properties: 1,4 c/R (2013/14: 1,4 c/R)
Agricultural & Government Properties: 1,3 c/R (2013/14: 1,3 c/R)

Rates are levied monthly on property owners and are payable on the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

In accordance with Section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

The new general valuation will be implemented on 01 July 2017.

Property rates	**Property valuations - June 2015**	**Actual levies June 2015**	**Total**
Residential	376 970 395	2 864 098	379 834 493
Commercial	259 918 955	2 164 691	262 083 646
State	341 448 333	3 916 997	345 365 330
	978 337 683	**8 945 786**	**987 283 469**

Figures in Rand	2015	2015

24. Government grants and subsidies

Operating grants

Equitable share	127 325 000	136 168 000
National: FMG	591 254	1 599 913
National: MSIG	208 050	937 912
National: MIG	14 215 175	41 112 442
National: Energy	33 724 298	27 000 000
National: EPWP	1 500 125	1 593 000
Provincial: Dept Cooperative Government & Traditional Affair (COGTA)	-	1 277 360
Department Economic Affairs and Trade (DEAT)	-	623 469
Other Subsidies	106 734	685 365
	177 670 636	210 997 461
	177 670 636	**210 997 460**

National: EPWP Grant

Current-year receipts	1 216 000	1 593 000
Conditions met - transferred to revenue	(1 500 126)	(1 593 000)
Overspent	284 126	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant is utilised for creating of job opportunities in enviromental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes.

National: FMG

Balance unspent at beginning of 6 months	(87)	-
Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(639 599)	(1 599 913)
(Underspent)/Overspent	(960 314)	(87)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

National: MIG Funds

Current-year receipts	26 869 000	41 112 442
Conditions met - transferred to revenue	(16 186 187)	(41 112 442)
(Underspent)/Overspent	(10 682 813)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been witheld.

National: MSIG Funds

Figures in Rand	2015	2015

24. Government grants and subsidies (continued)

Balance unspent at beginning of 6 months	(811)	4 723
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(209 257)	(937 912)
(Underspent)/Overspent	(719 932)	(811)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

National: Department Energy

Current-year receipts	33 000 000	27 000 000
Conditions met - transferred to revenue	(34 385 700)	(27 000 000)
(Underspent)/Overspent	1 385 700	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was received from the Department of Mineral and Energy for the upgrading of substations and electrical installations within the greater municipal area.

Provincial: Dept Cooperative Government & Traditional Affairs (Cogta)

Balance unspent at beginning of 6 months	(392 385)	1 419 745
Current-year receipts	-	250 000
Conditions met - transferred to revenue	-	(1 277 360)
(Underspent)/Overspent	392 385	(392 385)
	-	-

Conditions still to be met - remain liabilities (see note 16).

This grant is utilised as funding of "Operation Clean Audit" a National Government initiative.

Provincial: Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of 6 months	(1 027 322)	1 150 791
Current-year receipts	-	500 000
Conditions met - transferred to revenue	-	(623 469)
(Underspent)/Overspent	1 027 322	(1 027 322)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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

Figures in Rand	2015	2015

25. Employee related costs

Basic	20 527 021	35 444 827
Bonus	-	1 166 723
Medical aid - company contributions	3 918 191	6 983 814
Travel, motor car, accommodation, subsistence and other allowances	2 374 317	4 528 747
Long-service awards	-	29 377
Housing benefits and allowances	1 365 520	2 459 458
	28 185 049	**50 612 946**

Remuneration of the Municipal Manager

Annual Remuneration	370 117	820 223
Car and other allowance	61 686	224 428
Performance Bonuses	126 783	-
Contributions to UIF, Medical and Pension Funds	89 120	188 532
	647 706	**1 233 183**

Remuneration of Chief Financial Officer

Annual Remuneration	278 976	618 244
Car and other allowance	138 694	265 787
Performance Bonuses	46 496	-
Contributions to UIF, Medical and Pension Funds	23 960	45 888
	488 126	**929 919**

Remuneration of the Manager : Community Services

Annual Remuneration	278 976	643 642
Car and other allowance	138 513	286 278
Performance Bonuses	46 496	-
	463 985	**929 921**

Remuneration of the Manager : Corporate Services

Annual Remuneration	278 976	669 041
Car and other allowance	162 736	234 091
Performance Bonuses	46 496	-
Contributions to UIF, Medical and Pension Funds	-	26 788
	488 208	**929 920**

Remuneration of the Manager : Local Economic Devel

Annual Remuneration	278 976	618 244
Car and other allowance	138 694	265 787
Performance Bonuses	46 496	-
Contributions to UIF, Medical and Pension Funds	23 960	45 888
	488 126	**929 919**

Remuneration of the Manager: Infrastructure and P

Annual Remuneration	278 976	618 244
Car and other allowance	138 776	311 676
Performance Bonuses	46 496	-

Figures in Rand	2015	2015

25. Employee related costs (continued)

	464 248	**929 920**

Remuneration of the Manager: Chief Operations Officer

Annual Remuneration	278 976	618 244
Car and other allowance	130 434	249 810
Performance Bonuses	32 302	-
Contributions to UIF, Medical and Pension Funds	-	61 866
	441 712	**929 920**

26. Remuneration of councillors

Executive Mayor	359 248	1 123 508
Mayoral Committee Members	-	5 800 447
Speaker	287 398	279 738
Chief Whip	-	262 254
Executive Committee Members	1 939 938	1 625 975
Councillors	4 664 362	4 601 481
Company Contributions to UIF, Medical and Pension Funds	63 641	928 297
	7 314 587	**14 621 700**

27. Depreciation and amortisation

Property, plant and equipment	15 200 256	30 157 903
Intangible assets	304 807	599 013
	15 505 063	**30 756 916**

28. Impairment Losses

Impairments

Property, plant and equipment	-	937 710
Trade and other receivables	5 271 028	5 794 095
	5 271 028	**6 731 805**

Impairment loss on financial assets

Impairment losses recognised:

Receivables from exchange transactions	4 517 067	1 085 572
Receivables from non-exchange transactions	459 711	3 647 423
Minus impairment of VAT Debtors (not an expense to the entity)	294 250	1 061 100
	5 271 028	**5 794 095**

29. Finance costs

Landfill Provision	-	2 953 752
Finance leases	35 688	2 544 903
	35 688	**5 498 655**

Notes to the Financial Statements

Figures in Rand	2015	2015

30. Contracted services

Debt Collection	59 510	562 314
Interim Valuation	123 180	537 369
Internal Audit Services	129 801	824 553
Security Costs	2 454 040	5 417 257
	2 766 531	**7 341 493**

31. Grants and subsidies paid

Other subsidies		
Farmer mentorship programme	226 520	251 710
Work exposure	-	31 489
Free basic services	939 595	3 173 859
	1 166 115	**3 457 058**

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Figures in Rand	2015	2015

32. General expenses

Advertising	368 348	836 047
Audit Fees	2 548 242	3 709 684
Bank charges	307 505	381 841
Cleaning Services	96 092	363 864
Strategic Support and Ind	95 120	180 324
Community based planning	-	137 353
Consulting and professional fees	51 885	2 037 679
Batho Pele programmes	2 800	34 270
Career exhibition	-	802 034
Communication strategy	165 247	192 712
Community radio support	75 392	233 308
Environmental Management	241 519	125 383
Catering	322 898	616 078
Consumables & Beverages	37 213	65 275
Books & Publications	-	37 684
SMME Development	690 614	1 411 444
Survey and Planning	390 117	1 703 999
Public Safety	120 326	346 160
Disaster Management Plan	-	137 970
Fleet rental services	315 424	445 404
Health & safety	203 410	303 450
Employee Relations Programmes	65 888	266 560
Food for Waste	107 505	184 347
Employment Equity Programmes	76 315	218 968
Membership fees	11 651	83 949
Electricity and Water Purchases	521 887	954 868
Entertainment	35 611	101 491
Fuel and oil	999 210	1 870 686
Forestry Development	68 000	98 000
Events & Programs	244 169	816 080
Printing and stationery	1 116 672	921 076
Outreach Program	-	21 898
HIV/AIDS	46 175	87 575
Induction Program	-	8 950
Material & Stores	104 979	390 280
Promotional Material	46 250	413 951
Recruitment Activities	22 857	82 450
Internal Audit Committee	188 752	911 970
Postage	293	5 221
ICT Licensing (Bulk)	295 177	392 927
Intergovernmental Relations (IGR)	4 250	39 950
Strategic Planning	757 995	1 124 364
Agrarian Reform	3 446 990	3 750 859
Uniforms & Protective Clothing	278 393	931 078
Legal Fees	907 185	983 846
Subsistance and Travelling	2 454 043	6 748 474
Ammunition	-	1 638
Branding & Marketing	113 068	526 779
Conference Fees	139 710	381 286
Bursaries (Scarce Skills)	237 182	408 112
Bursaries (Internal)	33 777	210 923
Refuse Bags & Bins	195 501	903 904
Investment Promotion	165 000	847 949
Subsistance and Travelling	10 101 411	16 436 764
	28 818 048	**55 229 136**

Notes to the Financial Statements

Figures in Rand	2015	2015

32. General expenses (continued)

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter- departmental Charges are charged to other trading and economic services for support services rendered.

33. Cash generated from operations

Surplus	104 747 849	30 667 466
Adjustments for:		
Depreciation and amortisation	15 505 063	30 756 916
Gain on sale of property, plant and equipment	-	23 606 224
Finance costs - Finance leases	35 688	-
Impairment losses on property, plant and equipment	5 271 028	937 710
Contribution to provisions - current	8 523	147 552
Contribution to provisions - non current	(68 673)	2 881 918
Contribution to impairment provision	-	5 794 095
Loss on sale of land	-	(511 470)
Contribution to employee benefits	-	169 161
Expenditure incurred from long service awards liability	-	(122 468)
Changes in working capital:		
Inventories	(75 883)	50 285
Receivables from exchange transactions	(5 033 156)	926 980
Other receivables from non-exchange transactions	(4 667 673)	1 295 751
Operating lease asset	-	31 581
Payables from exchange transactions	(5 204 280)	(523 821)
VAT	8 925 292	(4 683 679)
Payables from non-exchange transactions	(840 592)	(10 700)
Unspent conditional grants and receipts	13 018 996	(1 154 654)
Consumer deposits	-	5 102
	131 622 182	**90 263 949**

34. Commitments

Capital Commitments

Already contracted for but not provided for		
• Infrastructure	66 956 193	28 317 636
• Community	723 983	-
• Other	5 672 781	772 668
• Reclaimable Input Value Added Tax (VAT)	-	4 072 643
	73 352 957	**33 162 947**
Total capital commitments		
Already contracted for but not provided for	73 352 957	33 162 947

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.

35. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 31 December 2015.

Notes to the Financial Statements

Figures in Rand	2015	2015

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Council subscriptions	251 146	614 266
Amount paid - current year	(251 146)	(614 266)
	-	-

Audit fees

Opening balance	33 513	44 128
Current year subscription / fee	2 548 242	3 709 684
Amount paid - current year	(2 548 242)	(3 676 171)
Amount paid - previous years	(33 513)	(44 128)
	-	**33 513**

PAYE and UIF

Opening balance	-	38 733
Current year subscription / fee	5 741 170	14 403 186
Amount paid - current year	(5 741 170)	(14 403 186)
Amount paid - previous years	-	(38 733)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	2 092
Current year subscription / fee	5 935 725	10 927 131
Amount paid - current year	(5 935 725)	(10 927 131)
Amount paid - previous years	-	(2 092)
	-	-

VAT

VAT receivable	2 593 305	11 518 597

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

All VAT returns have been submitted by the due date throughout the 6 months.

Notes to the Financial Statements

Figures in Rand	2015	2015

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Lexis Nexis - Annual Labour Law Conference	12 138	
Alfred Nzo Community Radio - Advert for rate payers ceremony	3 591	
Alfred Nzo Community Radio - Advert for Mayoral Cup	6 384	
Alfred Nzo Community Radio - Advert for Road Accident Fund in partnership with ULM	4 503	
Alfred Nzo Community Radio - Advert for road Mayoral Mbizo’s	8 379	
Alfred Nzo Community Radio - Outside Broadcasting for SABC events on community radio	23 940	
Department of transport - Supply and delivery of driving License Cards	19 039	
Barbock Africa Services Volvo - Repairs and Maintenance	23 338	
Magna Business Solutions - Interface to laser camera data to the Trafman system	120 621	
Voice clinic - Registration Fees training for MS Batyi	17 988	
Lexis Nexis - Online IR Network	17 300	
The Voice Clinic - Business English writing skills	9 119	
Lexis Nexis - Debtors Registration	41 490	
Alfred Nzo Community Radio - Advert for woman’s Month	29 200	
Barbock Equipment - Repairs for Bulldozer	26 988	
Barbock Equipment - Transportation of dozer	20 748	
SITA Soc Ltd - Conference from Govtech	31 500	
Barbock Africa Services Pty Ltd - Repairs and maintenance	127 145	
Alfred Nzo Community Radio - Advert for Activism	10 830	
Magna Business Solutions - Trafman Annual License	120 621	
Department of transport - Supply and delivery of driving License Cards	17 064	
	691 926	

37. Contingencies

40.1 Guarantees:

The municipality did not issue any guarantee during the financial years under review.

40.2 Court Proceedings: 4 679 341
(a) Non-payment for work done: 450 000
The municipality are being sued by Maximum Profit Recovery (Pty) Ltd for an amount of R300000 for a VAT recovery audit being done by them and afterwards by another service provider who was paid the relevant commission.Possibility of settlement as parties has started to engage each other.The matter was set down for trial to the 07th of March 2014 but matter could not proceed and it was postponed sine die. We have filed our discovery notices and now we waiting for the pre-trial date.
(b) Dispute over Contract awarded 756 000
Phiko Security Services have instituted action against the municipality for an amount of R756 005 plus interestat 15.5% for services renedered plus legal costs.The value of the liability is estimated at about R906 005. Court date 15 April 2015. (c) Sunset Beach Trading 299CC
The claimant has brought a case against the municipality for cancelling a contract and the municipality is exposed to the value of the contract for R900 000.This matter was on the roll for trial.The plea was served and filed at Court on the 13th of May 2014.

38. Auditors' remuneration

Fees	2 548 242	3 709 684

Figures in Rand	2015	2015

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Notes to the Financial Statements

Figures in Rand	2015	2015

39. Related parties

All Related Party transactions are conducted at arm's length,unless stated otherwise.

43.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below :

Name of Related Person	Designation	Description of Related Party Relationship
N Manciya-Canca	Official	Spouse of the Owner of Litto Trading

43.2 Services Rendered to Related Parties

During the year the municipality did not render amy services to Related Parties.

43.3 Loans Granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans from prior to this date exists.

43.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

43.5 Purchase From Related Parties

The municipality bought goods from the following companies, which are considered to be Related The municipality bought goods from the following companies, which are considered to be Related Parties :

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchase for the year 2015	Purchase for the year 2015
Litto Trading cc	NP Canca (Spouse)	Owner	Official	129 550	72 334
Total Purchase				**129 550**	72 334

The transactions were concluded in full compliance with the muncipalitys Supply Chain Management Policy and the transactions are considered to be at arms length.

Related party balances

Councillor N. MBELE		
Arrear consumer accounts	2 898	1 335

During the financial period under review the Councillors listed above had arrear accounts outstanding for more than 90 days.

40. Risk management

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 18 and the Statement of Changes in Net Assets.

Debt is defined as Long-term Liabilities, together with its Short-term Portion

40. Risk management (continued)

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.
Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

40. Risk management (continued)

Significant risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

-

Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipality's income or the value of the holdings in Financial Instruments. The objective of market risk management is to manage and control market risk esposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

40. Risk management (continued)

Market Risk
There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.
Foreign Currency Risk Management
The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.
Interest Rate Risk Management
Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.
Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.
Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.
Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment I discounting, where applicable.
The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.
The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis
The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.
Credit Risk Management
Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposure from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank). No investment with a tenure exceeding twelve months are made.
Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.
There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.
Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Notes to the Financial Statements

Figures in Rand	2015	2015

40. Risk management (continued)

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long- term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables
The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Other Price Risks
The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Notes to the Financial Statements

Figures in Rand	2015	2015

41. Finance lease obligation

Minimum lease payments due		
- within one year	159 193	262 468
- in second to fifth year inclusive	-	159 193
	159 193	421 661
less: future finance charges	-	(24 260)
Present value of minimum lease payments	**159 193**	**397 401**

Present value of minimum lease payments due		
- within one year	155 042	242 359
- in second to fifth year inclusive	-	155 042
	155 042	**397 401**

17.1 Summary of Arrangements

Finance Lease Liabilities relates to Vehicles with lease terms of 5 (2015: 5) years. The effective interest rate on Finance Leases is the prime rate set by the South African Reserve Bank which is currently 10.25% (2015: 8.5%). Capitalised Lease Liabilities are secured over the items of vehicles leased.
The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

17.2 Obligations under Finance Lease Liabilities
The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2015: 5 years). The effective interest rate on Finance Leases is set at the bank prime rate which is currently 10.25% (2015: 8.5%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.
The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality has finance lease agreements for the following significant classes of assets:
- Vehicles
Included in these classes are the following significant leases:

(i) Vehicles
- Installments are payable monthly in arrears

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiaited by the municipality.

Figures in Rand	2015	2015

42. Revenue

Sale of land	-	511 470
Service charges	738 726	1 426 599
Rental of facilities and equipment	1 013 564	1 282 767
Vehicle registrations	744 619	1 400 182
Licences and permits	1 186 930	2 381 474
Sundry income	1 107 430	2 761 654
Interest received - investment	2 233 476	3 704 587
Dividends received	1 050 293	1 516 359
Property rates	9 930 791	8 945 786
Government grants & subsidies	177 670 636	210 997 461
Traffic fines	1 047 726	1 670 450
Donation income	6 500	3 000
	196 730 691	**236 601 789**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of land	-	511 470
Service charges	738 726	1 426 599
Rental of facilities and equipment	1 013 564	1 282 767
Vehicle registrations	744 619	1 400 182
Licences and permits	1 186 930	2 381 474
Sundry income	1 107 430	2 761 654
Interest received - investment	2 233 476	3 704 587
Dividends received	1 050 293	1 516 359
	8 075 038	**14 985 092**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9 930 791	8 945 786
Transfer revenue		
Government grants & subsidies	177 670 636	210 997 461
Fines, Penalties and Forfeits	1 047 726	1 670 450
Donation income	6 500	3 000
	188 655 653	**221 616 697**