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

General Information

Legal form of entity	Local Municipality WC051
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Mayoral committee	
Executive Mayor	Hon. Theron W du P
Deputy Executive Mayor	Cllr. Van As BJ
Speaker	Hon. Horn HG
Councillors	Cllr. Bobbejee M Cllr. Botes P Cllr. Botha J Cllr. Gouws M
Grading of local authority	Grade 1
Capacity of local authority	Small
Accounting Officer	Mr. Williams PA
Chief Finance Officer (CFO)	Ms. Groenewald A
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank Standard Bank
Auditors	Auditor General of South Africa
Attorneys	Blyth & Coetzee Attorneys Davids Attorneys De Vries, De Wet & Krouwkam Attorneys

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2015.

Accounting Officer
PA Williams

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Cash and cash equivalents	3	14 758 371	8 317 171
Receivables from exchange transactions	4	1 432 861	1 362 705
Receivables from non-exchange transactions	5	5 323 318	2 973 506
VAT Receivable	6	2 333 395	353 425
Operating lease asset	7	6 676	2 501
Inventories	8	5 312 811	5 697 975
Current portion of long term receivables from exchange transactions	9	281	4 220
		29 167 713	**18 711 503**
Non-Current Assets			
Operating lease asset	7	2 697	9 373
Investment property	10	4 511 190	4 440 413
Property, plant and equipment	11	161 434 891	147 576 040
Intangible assets	12	669 220	343 357
Heritage assets	13	43 354	43 354
		166 661 352	**152 412 537**
Total Assets		**195 829 065**	**171 124 040**
Liabilities			
Current Liabilities			
Employee benefit obligation	14	92 000	81 000
Payables from exchange transactions	17	5 951 626	3 282 016
Consumer deposits	18	406 255	395 505
Unspent conditional grants and receipts	19	6 357 897	3 039 539
Provisions	20	417 533	205 078
		13 225 311	**7 003 138**
Non-Current Liabilities			
Employee benefit obligation	14	3 785 000	3 820 000
Provisions	20	4 347 842	3 051 584
		8 132 842	**6 871 584**
Total Liabilities		**21 358 153**	**13 874 722**
Net Assets		**174 470 912**	**157 249 318**
Accumulated surplus	49	174 470 912	157 249 318

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	21	13 902 626	13 109 627
Interest received	22	1 346 300	965 764
Rental income	23	1 274 595	1 120 532
Licences and permits		176 204	209 385
Agency services		83 646	120 092
Other income	24	618 541	249 382
Total revenue from exchange transactions		**17 401 912**	**15 774 782**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	2 794 213	2 614 590
Transfer revenue			
Government grants and subsidies	26	39 494 478	29 259 697
Fines, penalties and forfeits		28 432 776	17 121 289
Total revenue from non-exchange transactions		**70 721 467**	**48 995 576**
Total revenue		**88 123 379**	**64 770 358**
Expenditure			
Employee related costs	27	(12 861 255)	(10 148 920)
Remuneration of councillors	28	(2 412 029)	(2 293 077)
Debt impairment	29	(19 976 306)	(12 324 587)
Depreciation and amortisation	30	(7 746 012)	(7 799 243)
Impairment loss	31	(26 713)	(145 707)
Finance costs	32	(225 211)	(206 339)
Repairs and maintenance		(1 638 813)	(1 487 317)
Bulk purchases	33	(6 573 271)	(6 648 043)
Contracted services	34	(45 871)	(97 844)
Grants and subsidies paid	35	(1 245 778)	(1 098 818)
General expenses	36	(17 875 975)	(14 357 409)
Library lease		(76 980)	(12 900)
Collection costs		(187 844)	(21 667)
Total expenditure		**(70 892 058)**	**(56 641 871)**
Operating surplus		**17 231 321**	**8 128 487**
Loss on disposal of assets		(9 727)	(60 461)
Surplus for the year		**17 221 594**	**8 068 026**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013 as restated	**149 181 289**	**149 181 289**
Changes in net assets		
Surplus for the year	8 068 029	8 068 029
Total changes	8 068 029	8 068 029
Balance at 01 July 2014	**157 249 318**	**157 249 318**
Changes in net assets		
Surplus for the year	17 221 594	17 221 594
Total changes	17 221 594	17 221 594
Balance at 30 June 2015	**174 470 912**	**174 470 912**

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 299 408	21 480 588
Grants		41 567 057	27 972 335
Interest income		1 346 300	965 764
Other receipts		535 844	234 682
		65 748 609	50 653 369
Payments			
Cash paid to employees		(15 297 284)	(13 752 997)
Cash paid to suppliers		(22 856 787)	(25 994 321)
Finance costs		(225 211)	(206 339)
		(38 379 282)	(39 953 656)
Net cash flows from operating activities	38	**27 369 327**	**10 699 713**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(20 395 586)	(10 223 318)
Purchase of intangible assets	12	(524 889)	-
Long term receivables	12	(7 652)	(118 782)
Net cash flows from investing activities		**(20 928 127)**	**(10 342 100)**
Net increase / (decrease) in cash and cash equivalents		**6 441 200**	**357 613**
Cash and cash equivalents at the beginning of the year		8 317 171	7 959 558
Cash and cash equivalents at the end of the year	3	**14 758 371**	**8 317 171**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - water revenue	16 393 800	(815 652)	**15 578 148**	13 902 626	**(1 675 522)**	48.1
Rental income	880 600	(34 400)	**846 200**	1 274 595	**428 395**	48.2
Agency services	100 300	-	**100 300**	83 646	**(16 654)**	48.3
Licences and permits	252 600	(119 900)	**132 700**	176 204	**43 504**	48.3
Other revenue	187 300	63 500	**250 800**	618 541	**367 741**	48.4
Interest received	723 200	186 000	**909 200**	1 346 300	**437 100**	48.5
Total revenue from exchange transactions	**18 537 800**	**(720 452)**	**17 817 348**	**17 401 912**	**(415 436)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 874 500	-	**2 874 500**	2 794 213	**(80 287)**	
Transfer revenue						
Government grants and subsides	27 875 300	1 249 395	**29 124 695**	39 494 478	**10 369 783**	48.6
Fines, penalties and forfeits	3 305 300	(5 700)	**3 299 600**	28 432 776	**25 133 176**	48.7
Total revenue from non-exchange transactions	**34 055 100**	**1 243 695**	**35 298 795**	**70 721 467**	**35 422 672**	
Total revenue	**52 592 900**	**523 243**	**53 116 143**	**88 123 379**	**35 007 236**	
Expenditure						
Employee related costs	(13 718 100)	1 453	**(13 716 647)**	(12 861 255)	**855 392**	48.8
Remuneration of councillors	(2 515 900)	-	**(2 515 900)**	(2 412 029)	**103 871**	48.35
Depreciation and amortisation	(10 060 100)	1 140 530	**(8 919 570)**	(7 746 012)	**1 173 558**	48.9
Impairment loss / Reversal of impairments	-	-	**-**	(26 713)	**(26 713)**	48.10
Finance costs	-	-	**-**	(225 211)	**(225 211)**	48.11
Operating lease rentals	(13 600)	-	**(13 600)**	(76 980)	**(63 380)**	48.21 & .34
Debt impairment	(200 800)	-	**(200 800)**	(19 976 306)	**(19 775 506)**	48.12
Collection costs	(14 600)	-	**(14 600)**	(187 844)	**(173 244)**	48.13
Repairs and maintenance	(2 021 800)	(124 900)	**(2 146 700)**	(1 638 813)	**507 887**	48.14
Bulk purchases	(6 522 800)	(763 026)	**(7 285 826)**	(6 573 271)	**712 555**	4815
Contracted services	(72 500)	-	**(72 500)**	(45 871)	**26 629**	48.16
Grants and subsidies paid	(2 445 500)	5 600	**(2 439 900)**	(1 245 778)	**1 194 122**	48.17
General Expenditure	(13 134 800)	(1 330 132)	**(14 464 932)**	(17 875 975)	**(3 411 043)**	48.18
Total expenditure	**(50 720 500)**	**(1 070 475)**	**(51 790 975)**	**(70 892 058)**	**(19 101 083)**	
Operating surplus	**1 872 400**	**(547 232)**	**1 325 168**	**17 231 321**	**15 906 153**	
Loss on disposal of assets and liabilities	-	-	**-**	(9 727)	**(9 727)**	48.19
Surplus / (Deficit)	**1 872 400**	**(547 232)**	**1 325 168**	**17 221 594**	**15 896 426**	

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	**1 872 400**	**(547 232)**	**1 325 168**	**17 221 594**	**15 896 426**	

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	1 203 000	-	**1 203 000**	5 312 811	**4 109 811**	48.20
Operating lease asset	-	-	**-**	6 676	**6 676**	48.21
Receivables from exchange transactions	1 592 000	-	**1 592 000**	1 432 862	**(159 138)**	48.22
Receivables from non-exchange transactions	2 763 000	-	**2 763 000**	5 323 318	**2 560 318**	48.23
Long-term receivables from exchange transactions	4 000	-	**4 000**	281	**(3 719)**	48.24
Vat receivables	-	-	**-**	2 333 392	**2 333 392**	48.25
Cash and cash equivalents	14 543 000	-	**14 543 000**	14 758 371	**215 371**	
	20 105 000	**-**	**20 105 000**	**29 167 711**	**9 062 711**	
Non-Current Assets						
Investment property	4 564 000	-	**4 564 000**	4 511 190	**(52 810)**	
Property, plant and equipment	145 105 000	-	**145 105 000**	161 434 891	**16 329 891**	48.26
Intangible assets	534 000	-	**534 000**	669 219	**135 219**	48.27
Heritage assets	43 000	-	**43 000**	43 354	**354**	
Operating lease asset	11 000	-	**11 000**	2 697	**(8 303)**	
	150 257 000	**-**	**150 257 000**	**166 661 351**	**16 404 351**	
Total Assets	**170 362 000**	**-**	**170 362 000**	**195 829 062**	**25 467 062**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	7 723 000	-	**7 723 000**	5 951 625	**(1 771 375)**	48.28
Consumer deposits	351 000	-	**351 000**	406 254	**55 254**	48.29
Employee benefit obligation	-	-	**-**	92 000	**92 000**	48.30
Unspent conditional grants and receipts	1 886 000	-	**1 886 000**	6 357 897	**4 471 897**	48.31
Provisions	371 000	-	**371 000**	417 533	**46 533**	48.33
	10 331 000	**-**	**10 331 000**	**13 225 309**	**2 894 309**	
Non-Current Liabilities						
Employee benefit obligation	4 589 000	-	**4 589 000**	3 785 000	**(804 000)**	48.32
Provisions	3 326 000	-	**3 326 000**	4 347 842	**1 021 842**	48.33
	7 915 000	**-**	**7 915 000**	**8 132 842**	**217 842**	
Total Liabilities	**18 246 000**	**-**	**18 246 000**	**21 358 151**	**3 112 151**	
Net Assets	**152 116 000**	**-**	**152 116 000**	**174 470 911**	**22 354 911**	

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						
Accumulated surplus	152 116 000	-	**152 116 000**	174 470 911	**22 354 911**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 Provisions.

Useful lives of property, plant and equipment, investment property and intangible assets

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

Effective interest rate

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

Allowance for impairment

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

Defined benefit plan and other long-term employee benefits

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	20-30 years

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

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

1.3 Investment property (continued)

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment are initially recognised at cost.

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

Where an asset is acquired 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 is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

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

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

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	7 - 100 years
Furniture and fixtures	1 - 20 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Motor vehicles	1 - 6 years
Community assets	15 - 100 years
Housing schemes	1 - 10 years
Refuse site	30 years
Infrastructure	
• Electricity supply	45 - 60 years
• Roads	7 - 100 years
• Sanitation and refuse	5 - 80 years
• Water supply	5 - 80 years
• Storm water	5 - 50 years

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

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

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

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

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

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

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

1.5 Site restoration and dismantling cost

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

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

1.6 Intangible assets

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

Accounting Policies

1.6 Intangible assets (continued)

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

Item	**Useful life**
Computer software	3 - 5 years

Intangible assets are derecognised:

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

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

1.7 Heritage assets

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

1.7 Heritage assets (continued)

Recognition

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

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 13 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.8 Financial instruments

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

Classification

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

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

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

Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.8 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

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

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.9 Leases

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 VAT

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

1.12 Impairment of cash-generating assets

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

Identification

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

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.14 Statutory receivables

Statutory receivables are receivables that:

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

Accounting Policies

1.14 Statutory receivables (continued)

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

The municipality recognises statutory receivables as follows:

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

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

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

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

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

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

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

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

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

The municipality derecognises a statutory receivable when:

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

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Multi-employer plans

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

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

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

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

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.15 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Accounting Policies

1.15 Employee benefits (continued)

Long-term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the muncipality 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 the employee's rendering their services and is based on management's best estimate of the possible outflow of economic benefits.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating expenditure.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

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

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

1.16 Provisions and contingencies (continued)

Levies

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

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

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

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

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

1.17 Borrowing costs

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

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

1.18 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Interest

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

1.19 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

Measurement

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

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

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

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

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

Transfers

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Collection charges and penalties

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

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

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

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

1.20 Accumulated surplus

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

Capital Replacement Reserve
The Capital Replaceemnt Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is ring-fenced and included within accumulated surplus.

Donations and Public Contributions
The Donations and Public Contributions Reserve is a reserve to finance only certian approved future expenditure and is fully invested in ring-fenced financial instruments. The Donations and Public Contributions Reserve is ring-fenced and included within accumulated surplus.

Housing Development Fund:
Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into effect on 1 April 1998, required that the municipality maintain a separate housing operation account. This legislated separate operating account is known as the housing development fund and is ring fenced within the accumulated surplus.

The housing development fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a housing development fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the housing development fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the housing development fund. Monies standing to the credit of the housing development fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the housing development fund:

- the housing development fund is cash-backed, and invested in accordance with the investment policy of the municipality;
- the proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements;
- any contributions to or withdrawals from the fund are shown as transfers within accumulated surplus in the statement of changes in net assets; and

1.20 Accumulated surplus (continued)

- interest earned on the investment of the fund is disclosed as interest received in the statement of financial performance.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 39.

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

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

1.26 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

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

1.27 Budget information

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

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

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

Comparative information is not required.

1.28 Related parties

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

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

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

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

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense. All other instances, expense borrowing costs. All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

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

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

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

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

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

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

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

GRAP 105: Transfers of Functions Between Entities Under Common Control

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GRAP 107: Mergers

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 20: Related Parties

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

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

- related party transactions; and
- remuneration of management.

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

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

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

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

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

IGRAP 11: Consolidation – Special purpose entities

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

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

GRAP 7 (as revised 2010): Investments in Associates

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

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

GRAP 108: Statutory Receivables

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

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

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

The impact of this standard is currently being assessed.

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

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

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

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

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

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

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The impact of this standard is currently being assessed.

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

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

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 050	2 050
Bank balances	6 595 766	543 890
Current investment deposits	8 160 555	7 771 231
	14 758 371	**8 317 171**

For the purpose of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand.

Call deposits are investments with a maturity period of less than three months and earn interest at rates varying from 4-6 % per annum.

Deposits of R 2 261 681 R (2014: R2 261 681) are ring fenced and attributable to the Capital Replacement Reserve. (Note .15)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Laingsburg - Current Account - 25040140874	6 744 322	576 646	494 014	6 595 766	543 889	531 148
ABSA Laingsburg - Call Account - 5064314329	3 395 626	3 248 935	3 119 151	3 395 626	3 248 935	3 119 151
Standard Bank - Money Market - 288704800	4 764 928	4 522 297	4 302 249	4 764 929	4 522 297	4 302 249
Total	**14 904 876**	**8 347 878**	**7 915 414**	**14 756 321**	**8 315 121**	**7 952 548**

4. Receivables from exchange transactions

Gross balances		
Electricity	993 089	785 508
Water	1 045 678	829 049
Sewerage	1 069 112	1 044 004
Refuse	681 681	596 855
Housing rental	365 298	281 252
	4 154 858	**3 536 668**
Less: Allowance for impairment		
Electricity	(318 117)	(190 443)
Water	(815 762)	(599 292)
Sewerage	(841 063)	(780 070)
Refuse	(498 587)	(427 279)
Housing rental	(248 469)	(176 879)
	(2 721 998)	**(2 173 963)**
Net balance		
Electricity	674 972	595 065
Water	229 917	229 757
Sewerage	228 050	263 934
Refuse	183 094	169 576
Housing rental	116 828	104 373
	1 432 861	**1 362 705**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	582 216	483 046
31 - 60 days	41 994	20 072
61 - 90 days	18 111	27 443
91 - 120 days	24 443	38 509
>120 days	326 325	216 439
Less: Allowance for impairment	(318 117)	(190 443)
	674 972	**595 066**

Water		
Current (0 -30 days)	97 570	103 750
31 - 60 days	37 011	25 704
61 - 90 days	34 573	26 417
91 - 120 days	32 959	23 381
>120 days	843 566	649 798
Less: Allowance for impairment	(815 762)	(599 292)
	229 917	**229 758**

Sewerage		
Current (0 -30 days)	96 470	77 188
31 - 60 days	36 087	35 165
61 - 90 days	34 186	35 750
91 - 120 days	33 308	34 052
>120 days	869 062	861 849
Less: Allowance for impairment	(841 063)	(780 070)
	228 050	**263 934**

Refuse		
Current (0 -30 days)	88 582	91 815
31 - 60 days	27 693	17 319
61 - 90 days	26 910	20 409
91 - 120 days	25 242	19 979
>120 days	513 254	447 333
Less: Allowance for impairment	(498 587)	(427 279)
	183 094	**169 576**

Housing rental		
Current (0 -30 days)	48 570	45 769
31 - 60 days	13 158	12 445
61 - 90 days	11 895	16 775
91 - 120 days	22 938	12 576
>120 days	268 736	193 687
Less: Allowance for impairment	(248 469)	(176 879)
	116 828	**104 373**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Summary of receivables by customer classification

	2015	2014
Consumers		
Current (0 -30 days)	350 699	359 283
31 - 60 days	105 467	80 956
61 - 90 days	99 049	99 937
91 - 120 days	106 040	87 806
>120 days	2 419 733	1 953 806
Less: Allowance for impairment	(2 356 444)	(1 856 481)
	724 544	**725 307**
Businesses		
Current (0 -30 days)	442 888	386 708
31 - 60 days	5 789	18 714
61 - 90 days	12 812	19 203
91 - 120 days	14 508	8 119
>120 days	54 848	203 683
Less: Allowance for impairment	(42 498)	(174 070)
	488 347	**462 357**
Industry		
Current (0 -30 days)	1 662	18 198
31 - 60 days	-	2 103
	1 662	**20 301**
Municipal		
Current (0 -30 days)	1 200	-
>120	144	144
Less: Allowance for impairment	(144)	(144)
	1 200	**-**
Government		
Current (0 -30 days)	46 737	24 924
31 - 60 days	28 348	8 860
61 - 90 days	12 202	4 111
91 - 120 days	16 468	30 549
> 120 days	304 707	185 718
Less: Allowances for impairment	(282 925)	(121 524)
	125 537	**132 638**
Institutions		
Current (0 -30 days)	60 639	89
31 - 60 days	11 794	89
61 - 90 days	89	89
91 - 120 days	89	89
>120 days	7 455	4 387
Less: Allowance for impairments	(6 277)	(4 209)
	73 789	**534**
Churches		
Current (0 -30 days)	8 771	8 997
31 - 60 days	1 318	1 977

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
4. Receivables from exchange transactions (continued)		
61 - 90 days	1 318	1 321
91 - 120 days	1 318	1 321
>120 days	28 477	12 697
Less: Allowance for impairments	(25 842)	(10 030)
	15 360	**16 283**
Municipal Officials		
Current (0 -30 days)	386	280
31 - 60 days	109	280
61 - 90 days	421	280
91 - 120 days	421	280
>120 days	4 885	8 159
Less: Allowance for impairments	(4 238)	(7 504)
	1 984	**1 775**
Councillors		
Current (0 -30 days)	-	3 097
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	1 124	-
>120 days	2 517	-
Less: Allowance for impairments	(3 641)	-
	-	**3 097**
Vacant Land		
Current (0 -30 days)	426	412
Less: Allowance for impairments	-	-
	426	**412**

Reconciliation of allowance for impairment

Balance at beginning of the year	(2 173 962)	(1 764 150)
Contributions to allowance	(548 035)	(409 812)
	(2 721 997)	**(2 173 962)**

Impairment of fines

Impairment of fines is based on a percentage of the amounts that were recovered in the prior financial year in relation to the fines that were issued.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

At 30 June 2015: R 541 843 (2014: R 497 320) were past due but not impaired.

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

1 month past due	136 340	93 390
2 months past due	106 426	108 855
3 months past due	299 076	294 535

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions impaired

As of 30 June 2015, receivables from exchange transactions of R548 035 (2014: R 409 812) were impaired and provided for.

The amount of the allowance was R2 721 997 at 30 June 2015 2014: R 2 173 962).

The ageing of these receivables is as follows:

3 to 6 months	120 097	63 040
Over 6 months	2 601 900	2 110 922

5. Receivables from non-exchange transactions

Fines	35 759 747	13 419 520
Government grants and subsidies	-	507 762
Assessment rates	2 743 242	2 621 830
Sundry deposits	45 385	45 385
Sundry receivables	170 577	258 396
Consumer debtors	115	-
Less: Allowance for impairment	(33 395 748)	(13 879 387)
	5 323 318	**2 973 506**

Assessment rates: Gross balance		
Current	88 089	6 922
31 - 60 days	29 088	19 638
61 - 90 days	34 035	18 150
91 - 120 days	25 812	17 709
> 120 days	2 566 218	2 559 411
	2 743 242	**2 621 830**

Assessment rates: Allowance for impairment		
Current	(9 210)	(353)
31 - 60 days	(4 672)	(3 776)
61 - 90 days	(4 417)	(3 460)
91 - 120 days	(4 052)	(3 366)
> 120 days	(2 525 585)	(2 520 143)
	(2 547 936)	**(2 531 098)**

Assessment rates: Net balance		
Current	78 879	6 568
31 - 60 days	24 416	15 862
61 - 90 days	29 618	14 691
91 - 120 days	21 760	14 343
> 120 days	40 633	39 268
	195 306	**90 732**

Fines: Gross balance		
Total fines debtors	35 759 747	13 419 520

Fines: Allowance for impairment		
Total Allowance for impairment on fines	(30 847 811)	(11 348 289)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Receivables from non-exchange transactions (continued)

Fines: Net balance

Total net fine debtors	4 911 935	2 071 231

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired: Property rates

At 30 June 2015, receivables from non-exchange transactions of R 13 039 (2014: R 8 930) were past due but not considered to be impaired.

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

1 month past due	3 276	3 255
2 month past due	8 053	2 145
3 month past due	1 710	3 530
	13 039	**8 930**

Receivables from non-exchange transactions impaired: Property rates

The amount of the allowance for impairment was R 2 547 936 as of 30 June 2015 (2014: R 2 531 098).

The ageing of these receivables are as follows:

0 to 3 months	22 351	7 589
3 to 6 months	31 716	9 875
Over 6 months	2 493 869	2 513 634
	2 547 936	**2 531 098**

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

Opening balance	(13 879 386)	(2 002 544)
Impairment allowance - Assessment rates	(16 838)	(528 554)
Impairment allowance - Fines	(19 499 522)	(11 348 288)
	(33 395 746)	**(13 879 386)**

6. VAT receivable

VAT receivable	2 333 395	353 425

The municipality is registered for VAT on the payments basis.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Operating lease asset

Opening balance	2 697	9 373
Operating lease receipts effected	6 676	2 501
	9 373	**11 874**

Operating lease as lessor
Minimum lease payments receivable

within one year	87 681	83 506
in second to fifth year inclusive	29 698	117 379
	117 379	**200 885**

The operating lease on the Soutkloof farm was extended on 1 November 2011 for another 5 years. No restrictions have been imposed by the municipality in terms of the operating lease agreements.

The rent escalates with 5% per annum on 1 November.

The rent is receivable in advance each year on 1 November for the following 12 months.

8. Inventories

Building materials	124 308	328 501
Electric cable	223 399	243 700
Consumable stock	454 411	548 785
Pre-paid electricity meters	66 402	71 489
Pre-paid water meters	316 142	371 371
Water	13 723	19 703
RDP houses	4 114 426	4 114 426
	5 312 811	**5 697 975**

Inventory pledged as security

No inventory was pledged as security.

9. Current portion of long-term receivables from exchange transactions

Housing - Self build

Housing - Self build	11 872	123 045
Less: Allowance for impairment	(11 591)	(118 825)
Current portion transferred to current liabilities	(281)	(4 220)
	-	**-**

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. Current portion of long-term receivables from exchange transactions (continued)

Housing - Self build: Gross balances

	2015	2014
Current	276	1 273
31 - 60 days	79	978
61 - 90 days	79	884
91 - 120 days	219	911
> 120 days	11 219	119 000
	11 872	**123 046**

Housing - Self build: Allowance for impairment

	2015	2014
Current	(135)	(376)
31 - 60 days	(79)	(244)
61 - 90 days	(79)	(265)
91 - 120 days	(79)	(320)
> 120 days	(11 219)	(117 620)
	(11 591)	**(118 825)**

Housing - Self build: Net balances

	2015	2014
Current	140	896
31 - 60 days	-	734
61 - 90 days	-	619
91 - 120 days	141	591
> 120 days	-	1 381
	281	**4 221**

Reconciliation of allowance for impairment of long-term receivables from exchange transactions

	2015	2014
Opening balance	(118 825)	(108 844)
Impairment - current year	-	(9 981)
Written off during year	107 234	-
	(11 591)	**(118 825)**

10. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	9 403 401	(4 892 211)	4 511 190	9 379 080	(4 938 667)	4 440 413

Reconciliation of investment property - 2015

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	4 440 413	210 821	(17 959)	(122 085)	4 511 190

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Land and buildings	4 563 880	(123 467)	4 440 413

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Investment property (continued)

Details of investment property

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

- Land	4 033 901	3 823 080
- Buildings	5 369 500	5 556 000
- Accumulated depreciation on buildings	(4 892 211)	(4 938 667)

Other disclosures

Rental revenue from investment property	964 214	734 594
Direct operating expenses - incurred to generate rental revenue	(197 505)	(174 577)
	766 709	**560 017**

All of the municipality's investment properties are held under freehold interest.

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

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	37 843 716	-	37 843 716	37 702 716	-	37 702 716
Buildings	9 513 275	(6 878 499)	2 634 776	9 326 775	(6 468 945)	2 857 830
Furniture and equipment	3 777 825	(2 756 339)	1 021 486	3 496 717	(2 537 402)	959 315
Motor vehicles	3 754 924	(2 835 708)	919 216	3 754 924	(2 397 021)	1 357 903
Infrastructure	174 239 090	(95 193 978)	79 045 112	174 115 770	(89 584 923)	84 530 847
Community	19 793 014	(12 592 838)	7 200 176	19 474 569	(12 064 320)	7 410 249
Refuse site	5 184 068	(962 342)	4 221 726	3 997 082	(757 213)	3 239 869
Assets under construction	27 809 808	-	27 809 808	8 630 661	-	8 630 661
Housing schemes	2 955 500	(2 216 625)	738 875	2 955 500	(2 068 850)	886 650
Total	**284 871 220**	**(123 436 329)**	**161 434 891**	**263 454 714**	**(115 878 674)**	**147 576 040**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	37 702 716	141 000	-	-	-	-	-	37 843 716
Buildings	2 857 830	186 500	-	-	(168 541)	(241 013)	-	2 634 776
Furniture and equipment	959 315	349 234	(5 635)	-	-	(280 113)	(1 315)	1 021 486
Motor vehicles	1 357 903	-	-	-	-	(438 687)	-	919 216
Infrastructure	84 530 847	68 090	-	55 230	-	(5 583 658)	(25 398)	79 045 111
Community	7 410 250	-	-	318 450	-	(528 524)	-	7 200 176
Refuse site	3 239 870	-	-	-	1 186 986	(205 130)	-	4 221 726
Assets under construction	8 630 661	19 497 597	-	(318 450)	-	-	-	27 809 808
Housing schemes	886 650	-	-	-	-	(147 775)	-	738 875
	147 576 042	**20 242 421**	**(5 635)**	**55 230**	**1 018 445**	**(7 424 900)**	**(26 713)**	**161 434 890**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	37 688 016	-	-	-	14 700	-	-	37 702 716
Buildings	3 138 143	-	-	-	-	(280 313)	-	2 857 830
Furniture and equipment	1 021 851	225 486	-	-	-	(288 022)	-	959 315
Motor vehicles	1 803 146	-	-	-	-	(445 243)	-	1 357 903
Infrastructure	78 030 374	-	(43 561)	12 276 416	-	(5 586 675)	(145 707)	84 530 847
Community	7 941 929	-	-	-	-	(531 679)	-	7 410 250
Refuse site	3 897 465	-	-	-	(452 465)	(205 130)	-	3 239 870
Assets under construction	11 310 848	9 997 832	(16 900)	(12 276 416)	(384 703)	-	-	8 630 661
Housing schemes	1 034 425	-	-	-	-	(147 775)	-	886 650
	145 866 197	**10 223 318**	**(60 461)**	**-**	**(822 468)**	**(7 484 837)**	**(145 707)**	**147 576 042**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Property, plant and equipment (continued)

Pledged as security

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

Details on other movements

Assets received as donation	-	14 700
Change in environmental rehabilitation provision asset	1 090 000	(452 465)
Water meters transferred to inventory (Note 11)	-	(384 703)
	1 090 000	**(822 468)**

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)		
Buildings	472 330	20 800
Furniture and Equipment	1 505 281	1 514 523
Motor vehicles	30 334	30 334
Infrastructure	6 220 528	1 656 326
Community	146 082	146 082
	8 374 555	**3 368 065**

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.

12. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 420 085	(750 865)	669 220	895 195	(551 838)	343 357

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	343 357	524 889	(199 027)	669 219

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	534 296	(190 939)	343 357

Pledged as security

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

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

Register available for inspection

13. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Public statues	43 354	-	43 354	43 354	-	43 354

Reconciliation of heritage assets 2015

	Opening balance	Total
Public statues	43 354	43 354

Reconciliation of heritage assets 2014

	Opening balance	Total
Public statues	43 354	43 354

13. Heritage assets (continued)

Pledged as security

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

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

14. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these 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 ZAQEN Actuaries (Pty) Ltd. 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 plan is a post employment medical benefit plan.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.
These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.
It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipalityare reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

14. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 877 000)	(3 901 000)
Non-current liabilities	(3 785 000)	(3 820 000)
Current liabilities	(92 000)	(81 000)
	(3 877 000)	**(3 901 000)**

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

Opening balance	3 901 000	5 212 000
Net expense recognised in the statement of financial performance	(24 000)	(1 311 000)
	3 877 000	**3 901 000**

Net expense of the defined benefit obligation recognised in the statement of financial performance

Current service cost	329 000	189 000
Interest cost	360 000	510 000
Actuarial (gains) losses	(661 357)	(1 959 328)
Benefits paid	(51 643)	(50 672)
	(24 000)	**(1 311 000)**

Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	63	63
Discount rates used	Yield curve	8,94 %
Expected increase in salaries	8,60 %	8,60 %
Health care cost inflation rate	Difference between nominal and yield curves	8,05 %
Expected increase in salaries	8,6	8,60 %
Consumer price inflation	CPI + 1%	7,05 %
Net effective discount rate	Yield curve	0,82 %

Changes in economic variables – In this year's valuation we used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed significantly. This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 8,000.

Changes in membership and other smaller assumptions – There were various changes in the membership between the two valuations. The net effect of these and other smaller changes in assumptions was a decrease in the liability of around R 630,000.

Figures in Rand	2015	2014

14. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	(106 000)	(102 000)
Effect on defined benefit obligation	(549 000)	(577 000)

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

	2015	2014	2013	2012	2011
Defined benefit obligation	3 877 000	3 901 000	5 212 000	4 402 000	4 023 000

15. Reserves

Capital Replacement Reserve
This reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Donations and Public Contributions Reserve
This reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Capital replacement reserve	2 255 048	2 261 681
Donations and public contributions reserve	32 994 672	32 994 672
	35 249 720	**35 256 353**

16. Housing development fund

Loans extinguished by Government on 1 April 1998	1 680 451	1 680 451

The housing development fund is represented by the following assets and liabilities

Revaluation of assets	1 680 451	1 680 451

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

17. Payables from exchange transactions

Trade payables	3 210 677	1 783 275
Payments received in advanced	320 311	26 938
Salary related amounts accrued	758 935	203 582
Accrued leave pay	849 567	621 096
Unpaid wages	451	-
Deposits received	68 185	61 931
Receivables in credit	415 661	300 624
Thirteenth cheque	327 839	284 570
	5 951 626	**3 282 016**

18. Consumer deposits

Electricity	174 450	167 167
Water	231 805	228 338
	406 255	**395 505**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Department of Sport and Recreation: Kick-abouts	297 761	-
Human settlements development Grant	856 626	-
Provincial: Financial Management Support Grant	182 792	207 536
Provincial: Municipal Finance Improvement Program	-	796 437
Integrated national electrification programme (Municipal Grant)	463 859	-
Provincial: Department Transport	-	190 588
Flood damage	3 786 730	-
Matjiesfontein UISP	-	574 848
Department Environmental Affairs and Tourism	82 106	82 107
Management Support Grant	-	500 000
Department of Water Affairs (DWA)	575 883	575 883
Local Government: Local Municipalities	112 140	112 140
Unspent conditional grants and receipts		
	6 357 897	**3 039 539**

Movement during the year

Balance at the beginning of the year	3 039 538	3 228 083
Additions during the year	42 946 913	28 977 082
Income recognition during the year	(39 628 554)	(29 259 698)
Amounts transferred to receivables from non-exchange transactions	-	94 072
	6 357 897	**3 039 539**

See note 26 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand

20. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation - landfill sites	2 762 621	96 986	-	1 090 000	223 772	4 173 379
Insurance Workman's Compensation Act	194 631	96 450	-	-	-	291 081
Long service awards	299 410	33 792	(32 288)	-	-	300 914
	3 256 662	**227 228**	**(32 288)**	**1 090 000**	**223 772**	**4 765 374**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation - Landfill sites	3 021 697	-	-	(452 465)	193 389	2 762 621
Performance bonuses	116 342	30 382	(146 724)	-	-	-
Insurance Workman's Compensation Act	121 180	73 451	-	-	-	194 631
Long service awards	251 805	77 266	(29 661)	-	-	299 410
	3 511 024	**181 099**	**(176 385)**	**(452 465)**	**193 389**	**3 256 662**

Non-current liabilities	4 347 842	3 051 584
Current liabilities	417 533	205 078
	4 765 375	**3 256 662**

Environmental rehabilitation provision - Landfill sites

At 30 June 2015 the municipality will incur estimated rehabilitation costs of R4 173 379 (2014: R2 762 621) to restore the landfill site at the end of its useful life, estimated to be 18 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discount rate of the provision was 3.7% (2014: 8.1%).

The financial implications of rehabilitating the landfill site was determined by the independent valuator, Ekolaw Consulting.

Figures in Rand	2015	2014

20. Provisions (continued)

Performance bonuses

Performance bonuses are paid based on the individual performance as determined by the assessment of key performance indicators, per the performance management system of the municipality. No additional provision was raised during the year as the performance management system of the municipality does not make provision for performance bonuses any longer. These are now included in the annual package of the respective officials.

Insurance Workman's Compensation Act

The provision for WCA insurance is made in terms of the Workman's Compensation Act. This amount is payable upon and based on assessment by the Workman's Compensation Comissioner.

The provision is based on the returns submitted to the Compensation Comissioner.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

21. Service charges

Sale of electricity	9 471 183	9 019 627
Sale of water	2 361 213	1 934 029
Sewerage and sanitation charges	1 902 352	1 744 725
Refuse removal	1 729 072	1 643 170
Revenue foregone	(1 614 023)	(1 276 094)
Cemetery and encroachment fees	52 829	44 170
	13 902 626	**13 109 627**

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.

Water Losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R 1 216 975 (51.54%) for the 2014/2015 financial period (2014: R992 521 (52.78%)). An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

During the 2013/2014 financial year a main water supply pipe was damaged in the flooding of the Buffels-, Wilgerhout- and Baviaans Rivers on 8 January 2014, contributing to the water losses for the year.

Electricity losses

Laingsburg experienced an average electricity loss of R 849 610 (8.39%) for the 2014/2015 financial period (2014: R648 189 (9.75%)). The loss can be ascribed to the fact that streets lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Interest received

Current investment deposits	389 323	334 847
Current account	466 539	222 042
Interest charged on receivables from exchange transactions	244 891	236 131
Interest charged on receivables from non-exchange transactions	245 547	172 744
	1 346 300	**965 764**

23. Rental of facilities and equipment

Premises		
Operating lease rental revenue Soutkloof	81 005	81 005
Rental revenue from buildings	961 714	949 335
Rental revenue from land	2 500	2 600
	1 045 219	**1 032 940**
Facilities and equipment		
Rental revenue from cutlery	624	2 244
Rental revenue from machinery and equipment	107 474	-
Rental revenue from houses	30 535	28 430
Rental revenue from hawkers	12 965	16 981
Rental revenue sundry	77 778	39 937
	229 376	**87 592**
	1 274 595	**1 120 532**

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Sundry rental revenue consists of the following:
- Rental received from the IEC for the rental of the voting offices;
- Rental received from Allpay for the rental of the Matjiesfontein hall for the purposes of paying out social pension;
- Rental received from Provincial Western Cape for the rental of the Thusong Centre.

The operating lease of the Soutkloof farm is between the municipality and the Van Der Vyver Trust. The lease agreement is for the period from 1 November 2011 to 31 October 2016. The operating lease rental revenue on the Soutkloof farm is straightlined over the period of the lease. For lease commitments disclosure refer to note 7.

24. Other income

Building plan and rezoning application fees	6 200	30 807
Donations	128 124	126 017
Fire brigade availability	-	30 732
Pest Control	611	708
Sales - Sand and stone	19 457	17 693
Sundry income	98 541	35 668
Valuation certification	6 267	4 832
Other sales	2 367	2 925
Sundry income	5 153	-
Investment property donated to the municipality	351 821	-
	618 541	**249 382**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. Property rates

Rates revenue

Laingsburg	2 455 081	2 117 817
Agriculture	4 826 700	4 458 465
Less: Revenue forgone	(4 487 568)	(3 961 692)
	2 794 213	**2 614 590**

Valuations

Laingsburg	267 657 500	264 392 700
Agriculture	621 373 400	612 769 600
	889 030 900	**877 162 300**

26. Government grants and subsidies

Equitable share	10 908 000	10 224 000
Municipal Infrastructure Grant (MIG)	8 523 000	9 152 000
Financial Management Grant (FMG)	1 700 000	1 500 000
Municipal Systems Improvement Grant (MSIG)	934 000	890 000
Expanded Public Works Program: Operating	1 013 000	1 000 000
Department of Sport & Recreation ("Kick-abouts")	854 437	1 022 877
Human Settlements Development Grant	8 066 833	-
Community Workers Development	69 952	77 706
Provincial Library Services	907 000	763 000
Provincial: Financial Management Support Grant	374 744	192 464
Provincial: Municipal Finance Improvement Program	896 437	62 811
Maintenance of Proclaimed Roads	9 768	17 280
Integrated national electrification programme (Municipal Grant)	2 536 141	-
Provincial: Department of Transport	190 588	79 562
Flood Damage Grant	1 396 270	-
Matjiesfontein UISP	574 848	3 010 831
Provincial: Sub-Seta	39 459	24 606
Management Support Grant	500 000	-
Shared services: Legal services	-	250 000
Shared services: Internal audit	-	150 000
Organisational Development Grant	-	500 000
Nelson Mandela Memorial Service	-	100 000
Thusong submission	-	218 000
Dept Environmental Affairs and Tourism	-	24 560
	39 494 477	**29 259 697**

Equitable Share

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

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing, towards the consumer account. The subsidy is determined annually by Council. All consumers also receive 6 kl water and the indigent households receive 50 kWh electricity free every month.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Current-year receipts	8 523 000	9 152 000
Conditions met - transferred to revenue: capital expenditure	(8 523 000)	(9 152 000)
	-	-

The Municipal Infrastructure Grant (MIG) is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Financial Management Grant (FMG)

Current-year receipts	1 700 000	1 500 000
Conditions met - transferred to revenue: operating expenditure	(1 700 000)	(1 500 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue: operating expenditure	(884 938)	(839 228)
Conditions met - transferred to revenue : capital expenditure	(49 062)	(50 772)
	-	-

The Municipal Systems Improvement Grant (MSIG) is allocated to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

Expanded Public Works Program

Current-year receipts	1 013 000	1 000 000
Conditions met - transferred to revenue: operating expenditure	(1 006 991)	(1 000 000)
Conditions met - transferred to revenue : capital expenditure	(6 009)	-
	-	-

The Expanded Public Works Program (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Department of Sport & Recreation (Kick-abouts")

Current-year receipts	1 152 198	888 800
Conditions met - transferred to revenue: operating expenditure	(854 437)	(1 022 877)
Expenditure transferred to receivables from non-exchange transaction	-	134 077
	297 761	**-**

Conditions still to be met remain liabilities (see note19).

The "kick - about" is part of the youth development against violence through sport programme with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social skills.

The project is for the construction of a kick-about facility as well as to provide basic football equipment to children in poor rural areas.

Human Settlements Development Grant

Current-year receipts	8 923 458	-
Conditions met - transferred to revenue: operating expenditure	(8 066 833)	-
	856 625	**-**

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

The creation of sustainable human settlements that enables an improved quality of household life.

The facilitation and provision of basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

Community Workers Development

Balance unspent at beginning of year	-	1 106
Current-year receipts	69 952	76 600
Conditions met - transferred to revenue: operating expenditure	(69 952)	(77 706)
	-	**-**

The grant is received to provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.

Provincial Library Services

Current-year receipts	907 000	763 000
Conditions met - transferred to revenue: operating expenditure	(871 680)	(662 620)
Conditions met - transferred to revenue : capital expenditure	(35 320)	(100 380)
	-	**-**

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Provincial: Financial Management Support Grant

Balance unspent at beginning of year	207 536	-
Current-year receipts	350 000	400 000
Conditions met - transferred to revenue: operating expenditure	(374 744)	(192 464)
	182 792	**207 536**

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

The grant is received to provide financial assistance to Municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Municipal Finance Improvement Program

Balance unspent at beginning of year	796 437	-
Current-year receipts	100 000	859 248
Conditions met - transferred to revenue: operating expenditure	(896 437)	(62 811)
	-	**796 437**

Conditions still to be met - remain liabilities (see note19

This grant is for implementation of Financial Management systems that can assist in producing legislated reports, multi-year budgets, in-year reports, SDBIP, annual reports and automation of financial management practices.

Maintenance of proclaimed roads

Current-year receipts	9 768	17 280
Conditions met - transferred to revenue: operating expenditure	(9 768)	(17 280)
	-	**-**

This grant was received for maintenance of Provincial roads.

Integrated national electrification programme (Municipal Grant)

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue: capital expenditure	(2 536 141)	-
	463 859	**-**

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

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Provincial: Department of Transport

Balance unspent at beginning of year	190 588	270 150
Conditions met - transferred to revenue: operating expenditure	(190 588)	-
Conditions met - transferred to revenue : capital expenditure	-	(79 562)
	-	**190 588**

The grant was received for construction of a long distance taxi zone area.

Flood Damage Grant

Current-year receipts	5 183 000	-
Conditions met - transferred to revenue: operating expenditure	(1 396 269)	-
	3 786 731	**-**

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

The grant was received to prepare flood damage that ocurred in January 2014.

Matjiesfontein UISP

Balance unspent at beginning of year	574 848	1 262 137
Current-year receipts	-	2 323 542
Conditions met - transferred to revenue: operating expenditure	(574 848)	-
Other	-	(3 010 831)
	-	**574 848**

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

This grant was received for development of houses as set out in terms of the Turnkey Contracting Strategy as set out in the National Housing Code, within the boundaries of the municipality.

Provincial: Sub-Seta

Current-year receipts	39 459	24 606
Conditions met - transferred to revenue: operating expenditure	(39 459)	(24 606)
	-	**-**

This grant was received for long term monitoring and construction of water infrastructure.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Management Support Grant

Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue: operating expenditure	(328 599)	-
Conditions met - transferred to revenue: capital expenditure	(171 401)	-
	-	**500 000**

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

The grant is received to provide financial assistance to Municipalities to improve overall governance systems and structures.

Shared services: Legal services

Balance unspent at beginning of year	-	250 000
Conditions met - transferred to revenue: operating expenditure	-	(250 000)
	-	**-**

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

The grant is received to establish a cooperative partnership between the Central Karoo Legal Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for legal services to the municipalities within the Central Karoo District.

Shared services: Internal audit

Balance unspent at beginning of year	-	150 000
Conditions met - transferred to revenue: operating expenditure	-	(150 000)
	-	**-**

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

Funds received to establish a cooperative partnership between the Central Karoo Internal Audit and Risk Management Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for internal audit, risk management and compliance monitoring to the municipalities within the Central Karoo District.

Organisational Development Grant

Balance unspent at beginning of year	-	500 000
Conditions met - transferred to revenue: operating expenditure	-	(500 000)
	-	**-**

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

The grant is received to identify the organisational needs of the municipality and to improve the organisational structure of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Nelson Mandela Memorial Service Grant

	2015	2014
Current-year receipts	-	100 000
Conditions met - transferred to revenue: operating expenditure	-	(100 000)
	-	**-**

Expenditure related to funeral related activities in respect of the memorial service in honour of former President Nelson Mandela, excluding commemorative advertising and clothing.

Thusong submission

	2015	2014
Current-year receipts	-	218 000
Conditions met - transferred to revenue: operating expenditure	-	(218 000)
	-	**-**

Allocation received from the Western Cape Government for operating expenditure related to the Thusong Centre.

Department Environmental Affairs & Tourism

	2015	2014
Balance unspent at beginning of year	82 106	106 667
Conditions met - transferred to revenue: operating expenditure	-	(24 561)
	82 106	**82 106**

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

This grant was received to develop a spatial development plan.

Department Water Affairs (DWA)

	2015	2014
Balance unspent at beginning of year	575 883	575 883

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

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up of a water master plan. The water master plan needs to be drafted and submitted and the water meters need to be installed.

Local Government: Local Municipalities

	2015	2014
Balance unspent at beginning of year	112 140	112 140

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

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Analysis of operating expenditure amounts transferred to revenue

Included in general expenses as grant expenditure	3 547 905	2 392 650
Included in cleaning expenses	2 000 000	1 000 000
Included in community development and training	84 325	77 706
Included in spatial planning	35 104	24 561
Included in other general expenses	1 583 853	579 945
Included in employee related costs	420 122	416 125
Included in contracted services	67 254	62 811
Included in general expenses as Nelson Mandela Memorial Service expenses	-	100 000
Included in general expenses as consulting and professional fees	1 100 000	900 000
Included in general expenses as training expenses	28 754	24 606
Included in repairs and maintenance	56 142	40 873
Total transferred to revenue: operating expenses	**8 923 459**	**5 619 277**

27. Employee related costs

Employee related costs - salaries and wages	9 104 860	8 265 941
Performance bonuses	-	30 382
Employee related costs - contributions	1 454 210	1 356 144
Unemployment Insurance Fund (UIF)	79 051	73 766
Workmans Compensation Act (WCA)	96 450	73 451
Skills Development Levy (SDL)	104 883	96 548
Leave pay	239 114	111 977
Defined benefit plan expense - current service cost	(24 000)	(1 311 000)
Travel, motor car, accommodation, subsistence and other allowances	695 049	583 425
Overtime payments	482 027	226 951
Long-service awards	32 288	77 266
Thirteenth cheque	574 808	542 760
Housing benefits and allowances	22 515	21 309
	12 861 255	**10 148 920**

Remuneration of Williams PA - Municipal Manager

Annual Remuneration	1 198 071	1 121 895
Performance Bonuses	-	146 725
Contributions to UIF, Medical and Pension Funds	7 969	1 784
	1 206 040	**1 270 404**

Remuneration of Groenewald A - Chief Finance Officer

Annual Remuneration	467 184	416 862
Acting Allowance	109 081	129 635
Contributions to UIF, Medical and Pension Funds	101 995	91 856
Travel, motor car, accommodation, subsistence and other allowances	141 927	139 128
Service bonus	37 987	-
Honorarium	3 000	-
	861 174	**777 481**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. Remuneration of councillors

	2015	2014
Remuneration	2 296 533	2 201 421
Allowances	115 496	91 656
	2 412 029	**2 293 077**

The Mayor may utilise official Council transportation when engaged in official duties.

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

2015	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Theron W du P - Executive Mayor	476 320	164 709	28 680	13 962	683 671
Van As BJ - Deputy Executive Mayor	211 539	70 513	24 558	13 968	320 578
Horn H - Speaker	384 617	128 205	26 990	25 386	565 198
Bobbejee M - Councillor	144 231	48 077	3 600	9 520	205 428
Botes PJ - Councillor	144 231	48 077	24 468	9 520	226 296
Botha J - Councillor	144 232	48 077	3 600	9 520	205 429
Gouws M - Councillor	144 232	48 077	3 600	9 520	205 429
	1 649 402	**555 735**	**115 496**	**91 396**	**2 412 029**

2014	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Theron W du P - Executive Mayor	559 306	78 849	24 608	23 621	686 384
Van As BJ - Deputy Executive Mayor	250 998	33 910	15 220	14 513	314 641
Horn H - Speaker	449 563	61 655	24 608	19 591	555 417
Bobbejee M - Councillor	167 252	23 121	3 000	6 012	199 385
Botes PJ - Councillor	172 900	23 121	18 220	11 661	225 902
Botha J - Councillor	167 252	23 121	3 000	6 012	199 385
Gouws M - Councillor	167 252	23 121	3 000	6 012	199 385
	1 934 523	**266 898**	**91 656**	**87 422**	**2 380 499**

29. Debt impairment

	2015	2014
Bad debts written off	33 193	13 905
Sundry receivables impaired	(14 048)	14 048
Contributions to allowance for debt impairment	19 957 161	12 296 634
	19 976 306	**12 324 587**

30. Depreciation and amortisation

	2015	2014
Property, plant and equipment	7 424 900	7 484 838
Investment property	122 085	123 467
Intangible assets	199 027	190 938
	7 746 012	**7 799 243**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Impairment of assets

Impairments		
Property, plant and equipment	26 713	145 707

On Wednesday 8 January 2014 the Buffels, Wilgerhout and Baviaans Rivers in the Laingsburg area flooded.

The flooding resulted in damage to some of the municipality's infrastructure assets (boreholes, stormwater pipes and water supply pipes).

Most of the damaged assets were repaired and are consequently not impaired. All assets not repaired were impaired at 30 June 2014. The recoverable amount of these assets were based on its fair value less cost to sell.

32. Finance costs

Payables from exchange transactions	140	12 950
SARS: interest on late payment of VAT	1 299	-
Finance costs - landfill site rehabilitation provision	223 772	193 389
	225 211	**206 339**

33. Bulk purchases

Electricity	6 573 271	6 648 043

Electricity
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

Water
There was no bulk purchases for water during the year. This is as a result of the municipality being supplied with water from the river as well as from a municipal farm with a natural water resources.

34. Contracted services

Municipal Finance Improvement Program expense	(8 793)	65 361
Town planning	54 664	32 483
	45 871	**97 844**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

35. Grants and subsidies paid

Other subsidies		
Laingsburg High School	12 300	500
Acacia Primary School	1 400	3 000
Area committee	-	1 500
AIDS program and Cancer awareness	17 771	2 492
SMME development	14 660	-
Gardening	-	5 600
Municipal sport	25 316	18 811
Youth Week	20 297	12 060
Equitable share households	773 071	771 499
Tourism grant	190 070	242 191
Donald Duck Pre-Primary	16 588	16 131
Soup kitchen	150 196	-
LaDaag	10 620	5 116
Area committee	-	11 815
Other grants and subsidies paid	6 760	6 868
Christmas for children	6 729	1 235
	1 245 778	**1 098 818**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

36. General expenses

Administration costs	513 148	4 780
Advertising	54 727	4 785
Auditors remuneration	1 801 443	1 701 526
Bank charges	257 246	191 740
Bargaining council	3 422	3 569
Chemicals	3 963	887
Cleaning	1 197 580	1 141 840
Commission for collection of traffic fines	3 034 097	2 301 847
Commission paid	114 328	114 287
Community development and training	69 952	80 861
Computer expenses	-	258 217
Consulting and professional fees	1 163 440	1 960 255
Consumables	437 265	319 633
Crime prevention	422 042	-
Delegation costs	24 161	8 015
Electricity	396 871	298 357
Expense: SARS (VAT)	918 001	-
Flood damage	946 663	449 606
Fuel and oil	524 323	617 223
Insurance	115 550	134 235
Inventory losses	-	13 332
Levy: District Municipality (Health Services)	16 711	13 186
Magazines, books and periodicals	776	1 267
Management fees - Water catchment area	89 820	34 076
Marketing	371 328	291 360
Nelson Mandela Memorial Service expenses	-	100 339
Office and general expenses	816 085	-
Office expenses	31 203	-
Pauper burials	7 237	3 215
Pest control	8 612	4 033
Postage	4 342	41 427
Printing and stationary	246 121	210 926
Public entertainment	114 451	96 508
Quality control	225 406	122 757
Rental: other	-	1 285
Security Services	624 159	637 318
Software expenses	166 101	457 228
Spatial planning	-	24 561
Subscriptions and membership fees	135 202	490 372
Telephone and fax	719 806	469 529
Tools and equipment	255 484	72 640
Training	740 109	469 527
Transport and freight	9 768	-
Travel - local	1 154 268	815 592
Uniforms and protective clothing	38 859	78 565
Valuation costs	35 904	274 726
Vehicle licences	66 001	41 977
	17 875 975	**14 357 409**

37. Financial instruments

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	14 758 371	14 758 371
Receivables from exchange transactions	1 432 861	1 432 861
Receivables from non-exchange transactions	5 323 318	5 323 318
Current portion of long term receivables from exchange transactions	281	281
	21 514 831	**21 514 831**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	5 951 626	3 282 014
Consumer deposits	406 255	395 505
	6 357 881	**3 677 519**

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	8 317 171	8 317 171
Receivables from exchange transactions	1 362 705	1 362 705
Receivables from non-exchange transactions	2 973 506	2 973 506
Current portion of long term receivables from exchange transactions	4 220	4 220
	12 657 602	**12 657 602**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 282 016	3 282 016
Consumer deposits	395 505	395 505
	3 677 521	**3 677 521**

Financial instruments in the statement of financial performance

2015

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 346 300	1 346 300
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(225 211)	(225 211)
Impairment loss	(26 713)	(26 713)
	1 094 376	**1 094 376**

Figures in Rand	2015	2014

. Financial instruments (continued)

2014

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 045 049	1 045 049
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(10 745)	(10 745)
Impairment loss	(217 502)	(217 502)
	816 802	**816 802**

38. Cash generated from operations

Surplus	17 221 594	8 068 029
Adjustments for:		
Depreciation and amortisation	7 746 012	7 799 243
Loss on sale of assets and liabilities	9 727	60 461
Inventory losses	-	13 332
Impairment loss	26 713	145 707
Debt impairment	19 976 305	12 324 587
Movements in operating lease asset and accruals	2 501	(1 475)
Movements in retirement benefit assets and liabilities	(24 000)	(1 311 000)
Movements in provisions	1 508 712	(254 362)
Change in rehabilitation asset	(1 090 000)	452 465
Assets received as donations	128 124	(14 700)
Donations: Investment property	(210 821)	-
Changes in working capital:		
Inventories	440 394	(3 134 165)
Trade receivables from exchange transactions	(618 190)	(443 474)
Receivables from non-exchange transactions	(21 766 491)	(13 405 041)
Payables from exchange transactions	2 669 609	(489 571)
VAT	(1 979 970)	1 033 584
Unspent conditional grants and receipts	3 318 358	(188 544)
Consumer deposits	10 750	44 637
	27 369 327	**10 699 713**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

39. Commitments

Capital commitments

Already contracted for but not provided for		
• Property, plant and equipment	30 432 002	48 754 902
Total capital commitments		
Already contracted for but not provided for	30 432 002	48 754 902

Total commitments

Total commitments		
Authorised capital expenditure	30 432 002	48 754 902

This committed expenditure relates to infrastructure workings and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated, etc.

Open purchase orders

Items ordered before year-end, but delivered after year-end	716	7 298

40. Related parties

For names of Councillors as well as disclosures of remuneration to Councillors:	Refer to note 28
For disclosures of remuneration to management:	Refer to note 27

Related party transactions

The municipality provides municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in the "service charges" and "property rates" on the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) on the statement of financial position.

41. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

41. Risk management (continued)

Liquidity risk

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

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

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	5 951 626	-	-	-
Consumer deposits	406 205	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 282 014	-	-	-
Consumer deposits	395 505	-	-	-

Credit risk

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

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

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

Financial instrument	2015	2014
Receivables from non-exchange transactions	5 323 318	2 973 506
Receivables from exchange transactions	1 432 861	1 362 705
Current portion of long-term receivables from exchange transactions	281	4 220
Cash and cash equivalents	14 758 371	8 317 171

42. Going concern

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

43. Events after the reporting date

The accounting officer is not aware of any matters or events arising between the end of the reporting period and the date of these financial statements, which will significantly affect the financial position and results of the municipality's operations.

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44. Unauthorised expenditure

Unauthorised expenditure	23 675 097	22 476 171

No disciplinary steps have been followed to date as the Municipality was of the opinion that the unauthorised expenditure was incurred due to overspending of votes or main divisions within votes.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

44. Unauthorised expenditure (continued)

All unauthorised expenditure was written-off by Council.

45. Fruitless and wasteful expenditure

Interest on late payments of suppliers	2 101	12 928
Penalties paid to SARS (VAT)	39 481	-
Interest paid to SARS (VAT)	15 085	-
Overpayment of cell phone allowance to councillors	8 242	-
	64 909	**12 928**

Interest on late payments of suppliers was written-off by Council.

Penalties and interest paid to SARS relates to the VAT review performed by SARS during the 2013/2014 financial year.

46. Irregular expenditure

Opening balance	17 671 663	510 277
Add: Irregular Expenditure - current year	31 025 463	20 558 155
Less: Amounts written off	(31 025 463)	(3 396 769)
	17 671 663	**17 671 663**

Analysis of expenditure awaiting write-off per age classification

Current year	-	17 161 386
Prior years	17 671 663	390 590
	17 671 663	**17 551 976**

Details of irregular expenditure written-off - current year	
Deviations from Regulation 12 and Supply Chain Policies	(31 025 463)

These irrecoverable amounts were written off during the financial year by council.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	625 000	362 500
Current year subscription / fee	500 000	462 500
Amount paid - current year	(450 000)	(200 000)
	675 000	**625 000**

Audit fees

Current year subscription / fee	1 801 443	1 701 526
Amount paid - current year	(1 801 443)	(1 701 526)
	-	**-**

Figures in Rand	2015	2014

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

PAYE and UIF

	2015	2014
Opening balance	55 151	178 526
Current year subscription / fee	2 042 618	2 194 840
Amount paid - current year	(1 499 863)	(2 318 215)
	597 906	**55 151**

Pension and medical aid deductions

	2015	2014
Opening balance	115 304	115 304
Current year subscription / fee	2 366 399	2 237 626
Amount paid - current year	(2 366 399)	(2 237 626)
	115 304	**115 304**

48. Budget differences

Material differences between budget and actual amounts

48.1 Water revenue: Less water was sold to consumers. This can largely be attributed to the high rainfall experienced within the municipal area during the summer months.

48.2 Rental of facilities and equipment: The difference is mainly attributable to the rental revenue from buildings exceeding the budgeted revenue.

48.3 Licences, permits and agency fees: for the adjustment budget it was noted that there is a decrease in licences and permits. The decrease was, however, lower than expected and therefore the actual is higher than the budgeted amount. The agency fees for renewal of vehicle licences was lower than expected and budgeted for.

48.4 Other income: Less donations were received during the financial year than budgeted.

48.5 Interest received - external investments: Balances of the external investment deposit accounts were more than budgeted for throughout the financial year.

48.6 Government grants and subsidies: Capital: An additional Municipal Infrastructure Grant (MIG) allocation was received during the year. This was not included in the budget.

48.7 The municipality applied IGRAP 1 on the recognition of revenue. This resulted in a material increase in revenue from fines.

48.8 The municipality budgeted for positions that have not been filled during the financial year.

48.9 Depreciation and asset impairment: Actual depreciation was below budgeted depreciation. This was due to impairment losses.

48.10 Impairment: The municipality did not budget for impairment losses.

48.11 Finance cost: The municipality did not budget for sufficient interest expense. Included in actual finance costs are the unwinding charge of the landfill site rehabilitation provision as well as interest on late payment of suppliers.

48.12 Debt impairment: Balances receivable from consumers exceeded the budgeted amount. In addition to this the municipality applied IGRAP 1 on the recognition of revenue. This resulted in a material increase in receivables from fines and consequently an increase in the impairment of those receivables.

48.13 Collection cost: Collection cost was more, than the budgeted amount as the municipality had more fine revenue as budgeted for.

48.14 Repairs and maintenance: less repairs and maintenance than budgeted for due to flood damage grant received.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

48. Budget differences (continued)

48.15 Bulk purchases: More bulk purchases was needed as the supply of electricity was higher than expected.

48.16 Contracted services: Actual expenditure on consulting and professional fees were below the budgeted amount. This was due to less hours billed by consultants than budgeted for.

48.17 Grants and subsidies paid: More temporary workers were appointed during the financial year. This resulted in less people qualifying for financial assistance than budgeted for.

48.18 General expenditure: Other expenses includes flood damage. These expenses were not budgeted for.

48.19 Loss on disposal of assets: More assets were written off than budgeted for. The loss relates mainly to a number of water meters that was replaced early in the financial year.

48.20 Inventories: Inventories include RDP houses to be distributed to beneficiaries. This was not included in the budgeted inventories.

48.21 Operating lease asset: Straight-lining calculation was not performed for budgetary purposes.

48.22 Receivables from exchange: These items exceed the budgeted amounts due to an increase in rates as well as an increase in the number of consumers.

48.23 Receivables from non-exchange: These items exceed the budgeted amounts due to an increase in rates as well as an increase in the number of consumers.

48.24 Long-term receivables from exchange transactions: this item was included in "receivables from non-exchange" for budget purposes.

48.25 VAT receivable: This item was not budgeted for.

48.26 Property plant equipment: The municipality purchased more assets than they budgeted for.

48.27 Intangible assets: The municipality purchased new software for its internal audit department.

48.28 Payables from exchange transactions and Unspent conditional grants: These items were included in one line item in the budget amounts. In addition, more than budgeted capital expenditure resulted in a decrease in unspent conditional grants.

48.29 Consumer deposits: More customers had to pay more consumer deposits.

48.30 Current employee benefit obligation: these items were included as one item in the budget amounts. In addition to this the actual is less than budgeted for mainly due to the significant decrease in the employee benefit obligation.

48.31 Unspent conditional grants and receipts: Grants was received close to year end, and not all amounts could be spend.

48.32 Employee benefit obligation: The actual is less than budgeted for mainly due to the significant decrease in the employee benefit obligation.

48.33 Provisions: There was an increase in provisions as the some employee will be receiving their long service bonuses shortly.

48.34 Operating lease rental: Departemental rental of Library cost was not budgeted for.

48.35 Remuneration of councillors: the expected increase in salaries were higher than the actual received from SALGA after the budget has been submitted.

Changes from the approved budget to the final budget

Material changes in revenue items

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

48. Budget differences (continued)

Revenue from water sales were increased due to an anticipated increase in the amount of water sold in the municipal area as well as an increase in the rate for water sales.

Revenue from licences and permits were increased due to an anticipated increase in the number of licences and permits being issued as well as an increase in rates.

Other income was reduced due to the municipality expecting less donations in the financial year.

Revenue from property rates were increased due to the anticipated increase in the rates charged to property owners.

Material changes in expense items

Contracted expenses were increase due to the anticipated increase in professional and consulting fees regarding the change in organisational structure of the municipality.

Grants and subsidies paid was increased due to an increase in the number of indigent households as well as an increase in the subsidies given to indigent households during the financial year.

Loss on disposal of assets were increased due to an anticipated increase in the assets that will be written off during the financial year.

49. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 261 681	32 994 672	1 680 451	36 936 804
Property, plant and equipment purchases	(6 633)	-	-	(6 633)
	2 255 048	**32 994 672**	**1 680 451**	**36 930 171**

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 258 915	32 994 672	1 847 861	37 101 448
Transfer to capital replacement reserve	99 202	-	-	99 202
Property, plant and equipment purchases	(96 436)	-	-	(96 436)
Expenditure incurred	-	-	(180 471)	(180 471)
Rental income	-	-	13 061	13 061
	2 261 681	**32 994 672**	**1 680 451**	**36 936 804**

50. Auditors' remuneration

	2015	2014
Audit fees	1 801 443	1 701 526