

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

**1.2 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

**1.3 COMPARATIVE INFORMATION**

When the presentation or classification items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. When material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.4 MATERIALITY**

Material omissions or misstatement of items are material if they could, individually or collectively, influence the decision or assessments of user made on the basis of the financial statement. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

**1.5 PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amount are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actuals amounts. Budget information is presented on the accrual basis and is based on the same period as the actual amount, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amount.

The comparable information includes the following:

- The approved and final budget amounts.
- Actual amounts and final budget amounts.

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanation for material differences between the final budget amount and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts.

**1.6 LEASES**

***Municipality as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEPTS.**

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

#### **1.8 PROVISIONS, CONTINGENT LIABILITY AND ASSETS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

A contingent asset is disclosed where an inflow of economic benefits or service potential is probable. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

## **1.9 EMPLOYEE BENEFITS**

### ***Short-term employee benefits***

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. 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 expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### **Defined contribution plans**

Council employee's contribution to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subjected to the Pension Fund Act, 1956, with pension being on the pensionable remuneration.

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

The municipality's contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

### **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a contribution fund.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund assets as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

## **1.10 PROPERTY, PLANT AND EQUIPMENT**

### ***Initial Recognition***

Where an item of property, plant and equipment is acquired in exchange for a nonmonetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### ***Subsequent Measurement – Cost Model***

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

### ***Depreciation***

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

Item	Average useful life
<b>Land</b>	
• Land	Infinite
<b>Building</b>	
• Dwelling	25-30
<b>Non Residential</b>	25-30
• Dwelling	
<b>Infrastructure</b>	
• Cemeteries	15-30
• Electricity	15-30
• Road	15-55
• Solid Waste Disposal	10-55
<b>Heritage Assets</b>	



**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

• Heritage Asset	Infinite
<b>Other Assets</b>	
• Furniture and office equipment	5-15
• Computer equipment	5-10
• Machinery and Equipment	5-15
• Motor Vehicle	7
• Specialised Vehicles	10-20
<b>Leased asset</b>	
• Finance leased asset	3

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

***De-recognition***

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is the Statement of Financial Performance.

**1.11 INTANGIBLE ASSETS**

***Initial Recognition***

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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 asset or liability, regardless of whether the Municipality intends to do so; or

Arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Where an intangible asset 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

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

***Subsequent Measurement – Cost Model***

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

***Amortisation and Impairment***

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><i>Intangible Assets</i></b>	<b><i>Years</i></b>
Computer Software	5

***De-recognition***

Intangible assets are derecognized when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

**1.12 INVESTMENT PROPERTY**

***Initial Recognition***

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation or both, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. At initial recognition, the municipality the investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property at no cost or for a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at the date of completion.

Investment property is recognized as an asset when, and only 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

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

- The cost or fair value of the investment property can be measured reliably. Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and /or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or service, or the sale of an asset in the ordinary course of operations. Property with a currently use, is also classified as investment property.
- At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property ,plant and equipment up to the date of change in use.

Property held for sale in the ordinary course of operations or in the process of construction or development for such sale, in which case property held exclusively with a view to subsequent disposal in the near future or for development for resale is classified as inventory.

### **1.13 INVENTORIES**

#### ***Initial Recognition***

Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by an entity and held for resale, or land and other property held for sale. Inventories also consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for goods which are valued at the tariffs charged.

Investment property is recognized as an asset when and only when:

- a) It is probable that the future economic benefits or service potential that are associated with the item will flow to the Municipality, and
- b) The cost of the inventories can be measured reliably.

#### **Measurement at Recognition**

Inventories that qualify for recognition as assets shall initially be measured at cost.

Where inventories are acquired at through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

#### **Measurement after Recognition**

Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value. Cost of inventories comprises all



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

#### **1.14 HERITAGE ASSETS**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. The Municipality classifies assets as Heritage Assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified a

Heritage Assets, furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance.

##### ***Initial recognition***

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

***Subsequent measurement***

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

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at cost.

***De-recognition of heritage assets***

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

**1.15 IMPAIRMENT OF NON-FINANCIAL ASSETS**

**Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:

**(a) External sources of information**

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, Economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the assets are considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognized in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A Previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Financial Performance.

**Non-cash-generating assets**

Non-cash-generating assets are assets other than cash –generating asset. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal report that indicates that the service performance of an asset is or will be, significantly worse than expected. An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

**Depreciation replacement cost approach** - the present value of the remaining service potential of an 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.

**Restoration cost approach** - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Service unit approach** - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.16 FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments.

##### ***Initial Recognition***

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instruments at fair value plus, in the case of a financial asset or financial liability not at fair value, transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### ***Subsequent Measurement***

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### **1.17 RECEIVABLES**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, Probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

impairment exists for and individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred).

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.18 PAYABLES AND ANNUITY LOANS**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.19 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including, petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts.

The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are exposed as incurred. Amounts owing in respect of the bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### **De-recognition of Financial Instruments**

##### **Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

- The rights to receive cash flows from the asset have expired; or
- The Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) The Municipality has transferred substantially all the risks and rewards of the asset, or
  - b) The Municipality has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset. Continuing involvement that takes the form of guarantee over the transferred asset is measured the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could require to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.20 REVENUE**

#### **Revenue from Non-Exchange Transactions**

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donations is conditional. The liability is



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

transferred to revenue as and when the conditions attached to the grant are met. Grants without conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expense of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, Irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipality Finance Management (Act No.56 of 2006) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from property rates is measured on accrual basis.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of non-exchange transactions, a 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 present 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 will be recognised as revenue.

#### **Revenue from exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods, sold the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions are 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 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

\*At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service.

It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality. In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalent is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the most clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods and services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair values of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### **Fines**

Fines constitute both fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with IGRAP 1.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

**1.21 RELATED PARTIES**

The municipality resolved to adopt the disclosure requirements as per GRAP 20- "Related Party Disclosures"

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.22 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.23 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipality Finance Management Act, (Act No. 56 of 2003), the Municipal System Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.24 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance.

**1.25 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives of different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time. Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar asset available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time. Management referred to the following when making assumptions regarding useful life and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.



---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Revenue Recognition***

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.).

Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.26 TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.27 CAPITAL COMMITMENTS**

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

Commitments are disclosed for:

---

**UBUHLEBEZWE MUNICIPALITY  
ACCOUNTING POLICIES  
FOR THE PERIOD ENDING 30 JUNE 2015**

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

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

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

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

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

#### **1.28 EVENTS AFTER REPORTING DATE**

Events after the 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 (no adjusting events after the reporting date).
- If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### **1.29 CHANGE IN ACCOUNTING POLICIES, ESTIMATES AND CORRECTION OF ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in the policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period which retrospective restatement is practicable.

Change in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

UBUHEZWE MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2015

1.

Property, plant and equipment																								
Reconciliation of Carrying Value																								
	Buildings		Infrastructure Assets		Community Assets		Work In Progress		Specialised Vehicles		Furniture & Equipment		Computer Equipment		Plant & Equipment		Vehicles		Leases		Other Assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2014	21,262,313	55,664,889	76,415,246	28,758,072	4,014,637	1,828,766	1,455,986	1,600,150	3,399,712	477,323	308,156	195,195,752												
Cost/Revaluation	82,719,971	179,481,228	116,454,123	28,758,072	5,053,803	3,538,678	2,315,103	3,251,525	5,525,079	1,400,412	430,856	378,468,733												
Accumulated depreciation and impairment losses	-30,956,958	-123,816,339	-40,038,775	-	-1,039,166	-1,679,912	-855,117	-1,651,375	-2,125,367	-1,013,089	-122,703	383,303,001												
Fair Value of Cost not previously recorded / Incorrectly accounted for	590,000	2,575,350	-7,505,587	-2,367,588	-	-	-	-	-	-	-	-												
Accumulated depreciation not previously accounted for and / or incorrectly accounted for	-240,332	-1,363,814	11,244,893	-	-	-	-	-	-	-	-	-												
Other adjustment - Fully depreciated assets	-	-	-	-	-	-	-	-	-	-	-	-												
Restated Carrying Value as at 1 July 2014	21,612,080	56,876,855	80,154,654	26,405,474	4,014,637	1,930,253	1,552,976	1,882,831	3,214,181	477,323	308,156	196,429,939												
Cost	32,009,871	182,097,218	108,940,517	26,405,474	5,053,803	3,730,007	2,697,272	3,281,246	5,525,079	1,390,412	430,859	372,916,778												
Accumulated depreciation and impairment losses	-11,197,291	-125,180,463	-28,785,862	-	-1,039,166	-1,803,754	-1,144,296	-1,400,405	-2,110,888	-1,013,089	-122,703	-174,006,839												
Acquisitions	513,520	11,874,576	-	49,685,644	1,318,316	784,562	186,155	603,620	941,365	-	-	66,002,809												
Capital Work in Progress brought into use	-	24,466,693	-	-	-	-	-	-	-	-	-	0												
Depreciation	-903,355	-7,242,995	-5,344,011	-489,321	-489,321	-460,367	-351,165	-348,132	-813,067	-290,790	-110,424	-16,414,528												
Carrying value of disposals	-	-	-	-	-16,206	-1,450	-6,241	-8,143	-	-	-	-												
Cost/Revaluation	-	-	-	-294,342	-294,342	-20,526	-25,643	-147,700	-	-	-	537,917												
Accumulated depreciation and impairment losses	-	-	-	777,814	777,814	19,075	89,508	133,559	-	-	-	506,877												
Carrying value of write off	-172,268	-	-	-	-	-	-45,223	-	-	-	-	-45,223												
Cost/Revaluation	-5,130,054	-	-	-	-	-	-29,558	-	-	-	-	-70,559												
Accumulated depreciation and impairment losses	2,034,728	-	-	-	-	-	35,336	-	-	-	-	34,336												
as at 30 June 2015	18,067,568	85,975,124	74,810,623	51,624,425	4,027,424	2,252,988	1,334,302	1,929,198	3,370,231	136,533	294,782	244,073,413												
Cost	28,193,137	738,398,487	206,548,537	51,624,425	6,018,076	4,698,044	2,726,243	3,790,186	6,145,651	1,430,412	537,909	432,471,465												
Accumulated depreciation and impairment losses	-10,125,569	-133,423,358	-38,137,914	-	-1,750,653	-2,245,056	-1,391,941	-1,810,969	-2,775,020	-1,303,879	-233,127	-187,098,052												

No assets of the municipality have been ceded. An annual review of useful lives of assets and an impairment test were performed at year end. Included in the assets stated above is a carrying amount of R 488 482.25 relating to assets that could not be verified and are currently under investigation.

The municipality has movable assets with the cost of R 1 349 220.70, which have been fully depreciated and are still in use.



Reconciliation of Carrying Value	Buildings		Assets		Community Assets		Work in Progress		Vehicles		Equipment		Equipment		Vehicles		Leases		Other Assets		Total	
	R		R		R		R		R		R		R		R		R		R		R	
as at 1 July 2013	22,652,114		46,882,363		71,345,406		20,150,229		2,720,761		1,709,423		1,648,433		3,417,480		763,636		116,000		172,102,384	
Cost/Revaluation	31,986,673		155,879,778		107,315,533		20,150,229		3,213,149		3,080,015		2,437,962		6,667,389		1,490,412		144,000		342,766,033	
Accumulated depreciation and impairment losses	-9,844,359		-118,996,910		-35,971,125		-		-491,388		-1,350,592		-691,469		-1,449,909		-726,776		-28,000		-170,664,649	
Four Value of Cost not previously recorded	123,180		10,730		82,255		-		1,717,954		-122,502		-		-		-		-		1,280,057	
Accumulated depreciation not previously accounted for	74,400		67,633		5,068,16		-		-168,656		-36,627		82,365		-170,485		-277,636		547		-378,607	
Other adjustment - Fully depreciated assets	-		-		-		-		-		-		-		-		-		-		-	
Revised Carrying Value as at 1 July 2013	22,243,694		46,950,726		71,423,563		20,150,229		3,738,299		1,540,261		1,728,853		3,194,794		765,636		116,592		171,002,836	
Cost	32,113,653		165,899,004		107,401,786		20,150,229		4,400,543		2,966,513		2,337,962		7,490,517		1,490,412		144,000		344,066,090	
Accumulated depreciation and impairment losses	-9,869,959		-118,979,277		-35,978,223		-		-661,544		-1,417,220		-699,104		-1,477,595		-726,776		-27,408		-171,063,256	
Acquisitions	100,218		7,178,616		5,508,544		18,632,845		653,260		684,358		245,435		857,690		-		286,859		34,850,007	
Capital Work in Progress Brought into use	-		6,484,709		3,551,794		-10,015,003		-		-		-		-		-		-		-	
Depreciation	-1,086,999		-4,687,363		-4,060,561		-		-377,623		-345,181		-312,835		-652,772		-286,313		95,750		32,891,672	
Carrying value of disposals	-		-		-		-		-		-18,898		-186,878		-467		-		-		-162,243	
Cost/Revaluation	-		-		-		-		-32,700		-212,842		-500		-		-		-		-246,045	
Accumulated depreciation and impairment losses	-		-		-		-		-		17,896		65,964		33		-		-		83,802	
Carrying value of write off	-		-		-		-		-		-58,806		-36,751		276		-		-		-36,751	
Cost/Revaluation	-		-		-		-		-		174,490		55,451		2,367		-		-		55,451	
Accumulated depreciation and impairment losses	-		-		-		-		-		64,685		18,701		2,583		-		-		18,701	
as at 30 June 2014	21,262,513		55,664,680		76,413,369		28,788,072		4,014,636		1,828,766		1,472,830		3,890,712		477,323		308,156		195,212,596	
Cost	32,219,871		179,481,728		116,454,223		28,788,072		5,053,403		3,508,678		2,515,108		5,525,079		1,490,412		430,859		378,486,754	
Accumulated depreciation and impairment losses	-10,957,358		-123,816,349		-39,040,854		-		-1,038,766		-1,679,912		-842,274		-2,125,367		-1,013,089		-122,703		-183,286,158	

No assets of the municipality have been ended. An annual review of useful lives of assets and an impairment test were performed at year end.

**UBUHLEBEZWE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

2015

	R	R
<b>2 Investment properties carried at cost</b>		
Cost - at 30 June 2014	17 922 139	17 922 139
Fair Value of Cost not previously recorded	300 000	
Restated opening balance as at 30 June 2014	18 222 139	17 922 139
Accumulated Depreciation	(336 452)	(134 581)
Accumulated depreciation not previously accounted for and / or incorrectly accounted for.	(260 000)	
Restated Accumulated Depreciation - opening balance as at 30 June 2014.	(596 452) -	(134 581)
Acquisitions	-	-
Transfers	(4600 000)	
	13 025 687 -	17 787 558
Depreciation	(212 049)	(201 871)
as at 30 June 2015	<b>12 813 638</b>	<b>17 585 687</b>
Cost	13 622 139	17 922 139
Accumulated Depreciation	(808,501)	(336,452)
<i>Investment property consist of Land and other Municipal Buildings held for rentals.</i>		
<b>2 Investment property pledged as security</b>		
No investment property is pledged as security	-	-