

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

INDEX

NO	CONTENTS	PAGE
1	GENERAL INFORMATION AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS	1
2	MEMBERS OF THE COUNCIL	3
3	AUDIT REPORT	4
4	REPORT OF THE CHIEF FINANCIAL OFFICER	5 - 11
5	STATEMENT OF FINANCIAL POSITION	12
6	STATEMENT OF FINANCIAL PERFORMANCE	13
7	STATEMENT OF CHANGES IN NET ASSETS	14
8	CASH FLOW STATEMENT	15
9	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	16
10	ACCOUNTING POLICIES	17 - 39
11	NOTES TO THE FINANCIAL STATEMENTS	40 - 81
	APPENDICES	
12	A - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	82 - 85
13	B - SEGMENTAL ANALYSIS OF CAPITAL ASSETS	86
14	C - SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED	87
15	D(1) - RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED	88 - 89
16	D(2) - RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED	90

**CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

INDEX

17 E - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF
2003

92

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

MAYOR

Cllr Hanna Makoba

SPEAKER

Cllr Hanna Makoba

OTHER MEMBERS OF THE MAYORAL COMMITTEE

Cllr. D.J. Coetzee	1	Cllr. H. Makoba
Cllr. F.E Sigonyela	2	Cllr. E. Ruiters
Cllr. A.F. Pannies	3	Cllr. T.J.C. Eksteen
Cllr. A.D. Gradwell	4	Cllr. A. Booysen
Cllr. J.D. Swemmer	5	Cllr. T. Nonnies
Cllr. M.B. Meishik	6	Cllr. S.J. Jankovich
Cllr. A.R Knott-Craig	7	Cllr. I.J. van Zyl

ADDRESS OF THE CAMDEBOO LOCAL MUNICIPALITY

12 - 14 Caledon Street	P.O Box 71
Graaff - Reinet	Graaff - Reinet
6280	6280

GRADING OF THE LOCAL AUTHORITY

Grade 3

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

First National Bank

MUNICIPAL MANAGER

Mr Noel Pietersen

**CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

GENERAL INFORMATION

049 807 5900

pieterssenmn@camdeboo.gov.za

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

CHIEF FINANCIAL OFFICER

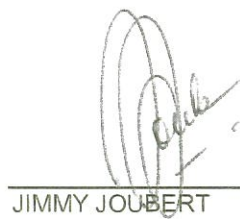
Mr Jimmy Joubert
049 807 5736
083 284 9807
joubertj@camdeboo.gov.za

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 12 to 91, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.



NOEL PIETERSEN
MUNICIPAL MANAGER
31 August 2015



JIMMY JOUBERT
CHIEF FINANCIAL OFFICER
31 August 2015

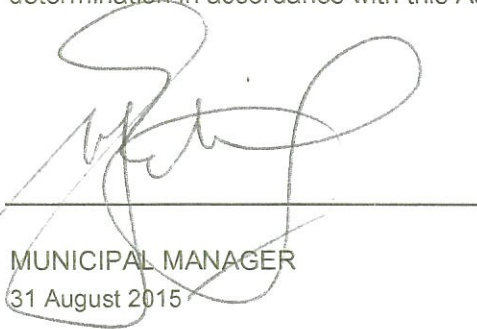
CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

MEMBERS OF THE COUNCIL

COUNCILLORS	WARD	PROPORTIONAL COUNCILLORS
Cllr. D.J. Coetzee	1	Cllr. H. Makoba
Cllr. F.E Sigonyela	2	Cllr. E. Ruiters
Cllr. A.F. Pannies	3	Cllr. T.J.C. Eksteen
Cllr. A.D. Gradwell	4	Cllr. A. Booysen
Cllr. J.D. Swemmer	5	Cllr. T. Nonnies
Cllr. M.B. Meishik	6	Cllr. S.J. Jankovich
Cllr. A.R Knott-Craig	7	Cllr. I.J. van Zyl

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.



MUNICIPAL MANAGER
31 August 2015

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

MEMBERS OF THE COUNCIL

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

AUDIT REPORT

The 2014/15 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as an Annexure when received after the completion of the statutory audit.

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Camdeboo Municipality at 30 June 2015.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates an decrease in Net Assets. This was as a result of the an decrease in Current Assets, decrease in Non-Current Assets and a increase in Current and Non-Current liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in total Liabilities is due to timing of creditors payments.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2015	2014
(Deficit) / Surplus before Appropriations	(40,148,074)	(16,052,012)
Surplus at the end of the Year	633,915,825	674,055,491
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	31.12%	27.14%
Remuneration of Councillors	1.63%	1.72%
Depreciation and Amortisation	16.22%	19.17%
Impairment Losses	7.81%	4.13%
Repairs and Maintenance	4.97%	4.96%
Bulk Purchases	19.06%	21.42%
Contracted Services	1.20%	0.84%
Grants and Subsidies Paid	0.01%	0.01%
General Expenses	17.98%	20.53%
Current Ratio:		
Trade Creditors Days	49	10
Debtors from Exchange Transactions Days	66	95

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "B", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "C".

The services offered by Camdeboo Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

3. OPERATING RESULTS (Continued)

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income:					
Opening surplus	-	690,107,113	(100.00)	-	-
Operating income for the year	209,937,610	187,929,480	11.71	208,430,629	0.72
Appropriations for the year	(19,342)	(5,298,399)	(99.63)	-	100.00
	209,918,268	872,738,194	(75.95)	208,430,629	0.71
Expenditure:					
Operating expenditure for the year	250,085,684	203,981,493	22.60	207,258,437	20.66
Closing surplus	-	-	-	-	-
	250,085,684	203,981,493	22.60	207,258,437	20.66

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Services charged.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	79,889,327	67,847,802	17.75	81,674,150	(2.19)
Expenditure	95,176,930	80,696,772	17.94	101,743,000	(6.45)
Surplus / (Deficit)	(15,287,603)	(12,848,970)	18.98	(20,068,850)	(23.82)
Surplus / (Deficit) as % of total income	(19.14)%	(18.94)%		(24.57)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	4,270	3,993	6.93	4,000	6.75
Expenditure	6,575	1,175,852	(99.44)	100,000	(93.43)
Surplus / (Deficit)	(2,305)	1,179,845	(100.20)	(96,000)	(97.60)
Surplus / (Deficit) as % of total income	(53.98)%	29546.76%		(2400.00)%	

3. OPERATING RESULTS (Continued)

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	32,355,373	40,451,427	(20.01)	35,582,000	(9.07)
Expenditure	51,252,976	25,560,555	100.52	37,661,000	36.09
Surplus / (Deficit)	(18,897,603)	14,890,872	(226.91)	(2,079,000)	808.98
Surplus / (Deficit) as % of total income	(58.41)%	36.81%		(5.84)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R47,654,228 (2014: R43,697,064). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	81,999,730	65,679,022	24.85	80,213,000	2.23
Expenditure	71,954,298	64,405,470	11.72	73,056,000	(1.51)
Surplus	10,045,432	1,273,552	688.77	7,157,000	40.36
Surplus as % of total income	12.25%	1.94%		8.92%	

3.5 Water Services:

Water is purified by Camdeboo for their own use.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	15,688,909	14,099,772	11.27	36,944,000	(57.53)
Expenditure	31,694,905	23,177,061	36.75	27,879,000	13.69
Surplus / (Deficit)	(16,005,996)	(9,077,289)	76.33	9,065,000	(276.57)
Surplus / (Deficit) as % of total income	(102.02)%	(64.38)%		24.54%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R 37 258 034 (2013: R 27 030 790). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices ""A, B and D (2)"" to the Annual Financial Statements.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	1,172,192	18,112,353
Revenue variances	1,506,981	(777,173)
Expenditure variances:		
Employee Related Costs	(15,885,886)	3,056,324
Remuneration of Councillors	(551,287)	(500,936)
Depreciation and Amortisation	(14,922,224)	(35,104,653)
Impairment Losses	(16,731,329)	(5,958,204)
Repairs and Maintenance	4,076,492	5,326,339
Bulk Purchases	(2,189,573)	(1,600,161)
Contracted Services	(1,560,953)	36,847
Grants and Subsidies Paid	10,000	21,000
General Expenses	4,927,513	1,482,596
Loss on disposal of Property, Plant and Equipment	-	(146,345)
Actual (deficit) / surplus before appropriations	(40,148,074)	(16,052,012)

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	1,172,192	18,112,353
Executive and Council	1,747,600	4,032,991
Finance and Administration	(1,992,727)	4,589,524
Planning and Development	(133,912)	(214,367)
Health	(228,396)	66,903
Community and Social Services	532,874	21,748
Housing	93,695	(1,176,130)
Public Safety	(158,453)	(87,899)
Sport and Recreation	1,422,981	(142,641)
Waste Management	(16,818,603)	4,384,354
Roads and Transport	1,705,306	(18,342,619)
Water	(25,070,996)	(4,440,148)
Electricity	2,888,432	2,013,306
Other	1,885,974	(600,503)
Actual (deficit) / surplus before appropriations	(32,954,033)	8,216,873

Details of the operating results per segmental classification of expenditure are included in Appendix "C", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in the Budget Statement.

5. RECONCILIATION OF BUDGET TO ACTUAL (Continued)

5.2 Capital Budget:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Variance actual 2014/15/2013/14 R	Budgeted 2014/15 R	Variance actual/ budgeted R
Executive and Council	5,770,653	-	5,770,653	6,000,000	(229,347)
Finance and Administration	798,700	6,034,883	(5,236,183)	340,000	458,700
Planning and Development	-	1,042,638	(1,042,638)	-	-
Sport and Recreation	1,567,364	5,260,428	(3,693,064)	1,953,654	(386,290)
Waste Management	14,805,758	287,578	14,518,180	20,553,125	(5,747,367)
Roads and Transport	1,055,004	3,792,065	(2,737,061)	1,000,000	55,004
Water	7,579,177	2,226,007	5,353,170	13,050,000	(5,470,823)
Electricity	1,975,159	12,421	1,962,738	800,000	1,175,159
	33,551,815	18,656,020	14,895,795	43,696,779	(10,144,964)

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R633,915,825 (30 June 2014: R674,055,491) and is made up as follows:

Capital Replacement Reserve	5,000,000
Self-insurance Reserve	5,509,731
Accumulated Surplus due to the results of Operations	623,405,825
	<u>633,915,556</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Self-insurance Reserve is a reserve to fund future insurance losses that will not be recouped from external insurers.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

7. EMPLOYEE BENEFIT LIABILITIES

The outstanding amount of the Long Term Retirement Benefit Liabilities as at 30 June 2015 was R33,041,000 (30 June 2014: R22,610,077).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

8. NON-CURRENT PROVISIONS

Non-Current Provisions amounted to R6,587,000 as at 30 June 2015 (30 June 2014: R4,225,265) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites (incl. current portion)	6,744,201
	<u>6,744,201</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted to R38,030,657 as at 30 June 2015 (30 June 2014: R30,314,004) and is made up as follows:

Consumer Deposits	Note 11	2,133,554
Cash and Cash Equivalents	Note 6	219,770
Current Portion of Long-term Liabilities	Note 17, 18	1,400,000
Provisions	Note 12	2,051,456
Payables from Exchange Transactions	Note 13	24,815,517
Payables from Non-exchange Transactions	Note 14	2,615,859
Unspent Conditional Grants and Receipts	Note 15	4,637,301
Current Portion of Provision for Rehabilitation of Land-fill Site	Note 16	157,200
		<u>38,030,657</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R654,050,090 as at 30 June 2015 (30 June 2014: R665,300,335).

Refer to Note 7 and Appendices "A, B and D" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R17,159 as at 30 June 2015 (30 June 2014: R31,669).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "A" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R187,994 as at 30 June 2015 (30 June 2014: R199,756).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "A" for more detail.

13. HERITAGE ASSETS

The net value of Heritage Assets were R2,370,000 as at 30 June 2015 (30 June 2014: R2,370,000).

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.

Refer to Note 10 and Appendix "A" for more detail.

CAMDEBOO MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

CHIEF FINANCIAL OFFICER


Mr Jimmy Joubert
049 807 5736
083 284 9807
joubertj@camdeboo.gov.za

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 12 to 91, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.



NOEL PIETERSEN
MUNICIPAL MANAGER
31 August 2015



JIMMY JOUBERT
CHIEF FINANCIAL OFFICER
31 August 2015

CAMDEBOO MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

		Actual	
	Note	2015 R	Restated 2014 R
ASSETS			
Current Assets		54,949,239	63,303,076
Inventories	2	4,879,022	3,802,215
Receivables from Exchange Transactions	3	18,723,804	24,766,214
Receivables from Non-exchange Transactions	4	7,770,489	3,013,184
Non-current assets held for sale	5	1,920,922	2,060,922
Cash and Cash Equivalents	6	21,599,298	29,660,541
Vat Receivable	16	55,704	-
Non-Current Assets		656,625,243	667,901,760
Property, Plant and Equipment	7	654,050,090	665,300,335
Intangible Assets	8	17,159	31,669
Investment Property	9	187,994	199,756
Heritage Assets	10	2,370,000	2,370,000
Total Assets		<u>711,574,482</u>	<u>731,204,836</u>
LIABILITIES			
Current Liabilities		38,030,657	30,314,004
Consumer Deposits	11	2,133,554	1,881,244
Cash and Cash Equivalents	6	219,770	1,842,499
Current Portion of Long-term Liabilities	18	1,400,000	1,338,006
Provisions	12	2,051,456	1,781,778
Payables from Exchange Transactions	13	24,815,517	6,788,836
Payables from Non-exchange Transactions	14	2,615,859	739,314
Unspent Conditional Grants and Receipts	15	4,637,301	9,461,624
VAT Payable	16	-	4,931,384
Provision for Rehabilitation of Land-fill Sites	19	157,200	1,549,319
Non-Current Liabilities		39,628,000	26,835,342
Employee Benefit Liabilities	18	33,041,000	22,610,077
Provision for Rehabilitation of Land-fill Sites	19	6,587,000	4,225,265
Total Liabilities		<u>77,658,657</u>	<u>57,149,346</u>
Net Assets		<u>633,915,825</u>	<u>674,055,491</u>
NET ASSETS		<u>633,915,825</u>	<u>674,055,491</u>

Accumulated Surplus	20	633,915,825	674,055,491
Total Net Assets		633,915,825	674,055,491

CAMDEBOO MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015 R	Restated 2014 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	21	20,103,133	17,102,745
Fines		315,094	438,392
Licences and Permits		1,869,371	2,068,243
Government Grants and Subsidies Received	22	73,400,268	58,352,217
Donations Received		1,370,187	5,535,480
Revenue from Exchange Transactions			
Service Charges	23	103,042,400	95,195,694
Rental of Facilities and Equipment	24	580,601	619,081
Interest Earned - External Investments	25	2,299,305	2,578,140
Interest Earned - Outstanding Debtors	25	4,658,806	3,928,358
Other Revenue	26	1,779,270	1,524,631
Fair value adjustment on property		-	586,500
Gains on Disposal of Property, Plant and Equipment		519,175	-
Total Revenue		<u>209,937,610</u>	<u>187,929,480</u>
EXPENDITURE			
Employee Related Costs	27	77,838,620	55,362,332
Remuneration of Councillors	28	4,085,624	3,504,936
Depreciation and Amortisation	29	40,552,032	39,104,653
Impairment Losses	30	19,525,918	8,433,204
Repairs and Maintenance		12,437,341	10,126,540
Bulk Purchases	31	47,654,228	43,697,064
Contracted Services	32	3,001,847	1,712,391
Grants and Subsidies Paid	33	23,000	18,000
General Expenses	34	44,967,074	41,876,028
Loss on Disposal of Property, Plant and Equipment		-	146,345
Total Expenditure		<u>250,085,684</u>	<u>203,981,493</u>
SURPLUS / (DEFICIT) FOR THE YEAR		<u>(40,148,074)</u>	<u>(16,052,012)</u>

Refer to Statement of Comparison of Budget and Actual amounts for explanation of budget variances

CAMDEBOO MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Accumulated Surplus / (Deficit) Account			Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Self Insurance Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R	R
2014					
Balance at 30 June 2013	5,000,000	5,700,369	670,509,199	681,209,568	681,209,568
Prior year error (Note 35)			4,622,637	4,622,637	4,622,637
Change in Accounting Estimates (Note 35)			4,274,908	4,274,908	4,274,908
Restated Balance	5,000,000	5,700,369	679,406,744	690,107,113	690,107,113
Surplus for the year		8,530	(10,562,586)	(10,554,056)	(10,554,056)
Error/Changes			(5,497,566)	(5,497,566)	(5,497,566)
Insurance claims processed		(199,167)	199,167	-	-
Balance at 30 June 2014	5,000,000	5,509,732	663,545,759	674,055,491	674,055,491
2015					
Surplus for the year		-	(40,148,074)	(40,148,074)	(40,148,074)
Insurance claims processed		27,752	(27,752)	-	-
Balance at 30 June 2015	5,000,000	5,537,484	623,378,343	633,915,827	633,915,827

CAMDEBOO MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 R	Actual 2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Ratepayers and other		204,006,335	188,308,974
Payments to suppliers and employees		(190,390,387)	(170,235,458)
Cash generated from operations	37	13,615,948	18,073,517
Interest received	25	6,958,111	6,506,498
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>20,574,059</u>	<u>24,580,015</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(28,239,984)	(37,258,034)
Purchase of Intangible Assets	8	-	(1,995)
Proceeds on Disposal of Property, Plant and Equipment		975,100	30,099
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(27,264,884)</u>	<u>(37,229,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	11	252,310	253,924
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>252,310</u>	<u>253,924</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	6	<u>(6,438,514)</u>	<u>(12,395,991)</u>
Cash and Cash Equivalents at Beginning of Period		27,818,042	40,214,033
Cash and Cash Equivalents at End of Period		21,379,528	27,818,042

CAMDEBOO MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Variance %	Reason
	R	R	R	R	R	R	R	R	%	
FINANCIAL PERFORMANCE										
Revenue from Non-exchange Transactions										
Property Rates	19,127,930	-	19,127,930	19,127,930	20,103,133	975,203	105.10	105.10	5.10%	Slowdown in debtor payment rate
Fines	211,623	-	211,623	211,623	315,094	103,471	148.89	148.89	48.89%	Challenges with judicial process. Contestations
Licences and Permits	2,168,250	-	2,168,250	2,168,250	1,869,371	(298,879)	86.22	86.22	-13.78%	Less licenses issued by the public
Government Grants and Subsidies Received	70,123,569	260,000	70,383,569	70,383,569	73,400,268	3,016,699	104.29	104.67	4.29%	Additional MIG and INEP grants received
Public Contributions and Donations	1,370,187	-	1,370,187	-	1,370,187	-	0.00	100.00	-	
Revenue from Exchange Transactions										
Service Charges	108,868,617	19,098	108,887,715	108,887,715	103,042,400	(5,845,315)	94.63	94.65	-5.37%	Slowdown in debtor payment rate
Rental of Facilities and Equipment	741,388	3,860	745,248	745,248	580,601	(164,647)	77.91	78.31	-22.09%	Less rentals by the public. Difficult item to predict and Competition from other facilities.
Interest Earned - External Investments	2,004,558	-	2,004,558	2,004,558	2,299,305	294,747	114.70	114.70	14.70%	Better operation and decisions by Investment committee
Interest Earned - Outstanding Debtors	3,915,569	-	3,915,569	3,915,569	4,658,806	743,237	118.98	118.98	18.98%	
Other Income	986,167	-	986,167	986,167	1,779,270	793,103	180.42	180.42	80.42%	Increased proceeds from insurance claims
Fair value adjustment on property	-	-	-	-	-	-	0.00	0.00	-	
Total Revenue	209,517,858	282,958	209,800,816	208,430,629	209,418,435	987,806	100.47	99.95		
Expenditure										
Employee Related Costs	63,518,077	(1,565,343)	61,952,734	61,952,734	77,838,620	15,885,886	125.64	122.55	25.64%	Vacancies not filled
Remuneration of Councillors	3,500,202	34,135	3,534,337	3,534,337	4,085,624	551,287	115.60	116.73	15.60%	
Depreciation and Amortisation	25,629,808	-	25,629,808	25,629,808	40,552,032	14,922,224	158.22	158.22	58.22%	Uncertainty with regards to budget of non cash items
Impairment Losses	3,126,250	(331,661)	2,794,589	2,794,589	19,525,918	16,731,329	698.70	624.58	598.70%	Increase to doubtful debts, handovers and indigents
Repairs and Maintenance	10,894,485	5,619,348	16,513,833	16,513,833	12,437,341	(4,076,492)	75.31	114.16	-24.69%	Delays in certain projects resulted in an underspend
Bulk Purchases	45,464,655	-	45,464,655	45,464,655	47,654,228	2,189,573	104.82	104.82	4.82%	
Contracted Services	1,468,593	(27,699)	1,440,894	1,440,894	3,001,847	1,560,953	208.33	204.40	108.33%	Security cost increased. New service points
Grants and Subsidies Paid	33,000	-	33,000	33,000	23,000	(10,000)	69.70	69.70	100.00%	No applications were received for such Bursaries
General Expenses	48,562,557	1,332,030	49,894,587	49,894,587	44,967,074	(4,927,513)	90.12	92.60	-9.88%	Accounting elimination of IGG expenditure
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	100.00%	No disposal generating revenue (scrappings)
Total Expenditure	202,197,627	5,060,810	207,258,437	207,258,437	250,085,684	42,827,247	120.66	123.68		
Surplus/(Deficit)	7,320,231	(4,777,852)	2,542,379	1,172,192	(40,667,249)	(41,839,441)	-	-		
Surplus/(Deficit) after Capital Transfers and	7,320,231	(4,777,852)	2,542,379	1,172,192	(40,667,249)	(41,839,441)	-	-		
Surplus/(Deficit) for the Year	7,320,231	(4,777,852)	2,542,379	1,172,192	(40,667,249)	(41,839,441)	-	-		
	1,370,187				(519,175)					

Note: Budget adjustments during the Adjustment Budget period were effected in accordance with the spending as at January 2014. Savings were reallocated to votes that were overspending or close to being overspent. Capital projects were reallocated from Capital Budget to the Operating Budget due to the nature of work performed.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the 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 is concerned (see Basis of Preparation above). In particular, 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

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.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to 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.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Non-Cash generating Assets* and GRAP 26: *Impairment of Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 *Defined Benefit Plan Liabilities*

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 *Provisions and contingent liabilities*

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.

It is assumed that the general public have not requested a specific final shape or enduse for the landfill sites.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. 2. 8 Provisions and contingent liabilities (Continued)

The estimate does not take into account post closure monitoring or maintenance costs as this is an item for the Municipality's OPEX budget.

It is assumed that there are no special influences that may affect the cap design.

It is assumed that existing ground water monitoring boreholes are in working order.

It is noted that no building infrastructure is required as part of the closure.

A construction period of 3.5, 4 and 6 months for the Nieu-Bethesda, Aberdeen and Graaff-Reinet sites respectively has been assumed. These construction periods are educated assumptions and are based on previous and current projects of a similar size.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for atleast the next 12 months.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued February 2011
- GRAP 20 Related Party Disclosures - issued June 2011
- GRAP 32 Service Concession Arrangement: Grantor
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

All listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 - Service Concession Arrangement: Grantor

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector entity.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

GRAP 108 - Statutory Receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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 Entity.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

- 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 from the fund are shown as transfers in the Statement of Changes in Net Assets.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. 2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalue buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalue amounts, are credited or charged to the Statement of Financial Performance.

2. 3 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

2. 3. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

2. 3. 2 Capitalisation Reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit. The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit. When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

2. 3. 3 Insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur which are not covered by the insurance contracts in place with the external service providers. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets. Reinsurance premiums paid to external reinsurers are regarded as an expense, and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance, and is transferred to the insurance reserve via the Statement of Changes in Net Assets as a contribution.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

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 year.

The cost of an item of property, plant and equipment 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.

Property, plant and equipment 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 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 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.

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.

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 property, plant and equipment 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.

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.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment 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 property plant and equipment, excluding land, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	30 - 100
Roads and Paving	50		
Electricity	20 - 30	Other	
Water	15 - 20	Specialist Vehicles	10
Sewerage	15 - 20	Other Vehicles	5
Landfill Sites	30	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	20 - 50	Bins and Containers	5
Security	5	Specialised Plant and Equipmer	10 - 15
		Other Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment 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 property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset 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. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3
Website	5

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. Heritage Assets

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

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

The Municipality has elected to make use of the transitional provisions as set out in Directive 3, which states that entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets. Disclosure of the assets for which no cost or value is available as at the balance sheet date is disclosed in the notes to the financial statements.

The following judgements were made In the assessment of whether assets should be classified as heritage assets:

Management consulted widely to ensure completeness of the list of heritage assets. Through this process, Management considered the cultural, environmental, historical, natural, scientific, technological or artistic significance of list of assets collated and the preservation of such assets for future generations for classification as heritage assets. In Management's view the following items did not meet the definition of heritage assets: four mayoral chains, the Robert Sobukwe grave site, the canon in front of the grave site and several paintings and photos.

- Despite the fact that the Graaff- Reinet Town Hall and the Robert Sobukwe are classified as Historical Buildings as evidenced by the heritage site plaque affixed to the front door, Management has classified these buildings as Property, Plant and Equipment because the Municipality uses a significant portion of these buildings for administrative purposes.

- The Fonteinbos Nature Reserve has been classified as Property, Plant and Equipment because it forms part of commonage land.

- All Heritage Assets have been recognised and measured at cost bar the collection of rare books and manuscripts. The Municipality initial accounting for heritage assets is incomplete because the value for the collection of rare books and manuscripts is not known. Management anticipates that the full measurement will be achieved by the end of the next financial year, 30 June 2015 within in the measurement period.

5. 1 Initial Recognition

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

When assets that might be regarded as heritage assets but which, on initial recognition, do not meet the recognition criteria of a heritage asset because they cannot be reliably measured, the Municipality discloses relevant and useful information about such assets in the notes to the financial statements.

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.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

The table below reflects the classes of heritage assets:

Heritage Sites
Victoria hall cutlery and crockery
Collections of rare books or manuscripts
Monuments, memorials & statues
Buildings of cultural significance
Museums
Other Assets

Transitional Provisions

The Municipality has elected to make use of the transitional provisions as set out in Directive 3, which states that entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets.

5. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the 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 are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

5. 3 Derecognition 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 derecognition 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.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

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

Investment property is recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement

6. 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.

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

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset".

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2. Impairment of Non-Cash generating assets

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

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

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 would 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.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalue asset is treated as a revaluation decrease.

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalue asset is treated as a revaluation increase.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8. 1 Initial Recognition

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost 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 for impairment or uncollectibility.

9. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Bank Balances and Cash	Financial Instruments at Amortised Cost
Long-term Receivables	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost
Investments in Fixed Deposits	Financial Instruments at Amortised Cost

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

9. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

▪ Long-term Liabilities	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Other Creditors	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Trade Creditors	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Accruals	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Consumer Deposits	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Payment received in advance	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Retention	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Staff Leave Accrued	Other financial liabilities (Financial liabilities measured at amortised cost)

Financial liabilities that are measured at fair value are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

9. 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

9. 4 Impairment of Financial Assets

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Receivable from Exchange and Non-exchange transactions are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

9. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

10. INVENTORIES

10. 1 Initial Recognition

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

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the (weighted average) method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

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

11. REVENUE RECOGNITION

11. 1 Revenue from Exchange Transactions

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

11. 1. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. 1. 2 *Pre-paid Electricity*

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. 1. 3 Finance income

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

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 1. 4 Tariff Charges

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

11. 1. 5 Income from Agency Services

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

11. 1. 6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 1. 7 Rentals

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

11. 2 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions 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.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 2. 1 Rates and Taxes

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

11. 2. 2 Fines

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised on the accrual basis, together with management's best estimate of the probable inflows from the amounts not yet collected.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. 2. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

11. 2. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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

11. 2. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

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 resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation

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

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

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

Environmental rehabilitation provisions

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

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

The municipality treats its provision for leave pay as an accrual.

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

13. 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

13. 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expense, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

14. 1 The Municipality as Lessee

Finance leases

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

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

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

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

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

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. 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 rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. 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.

18. 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected 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 policy. 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. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred 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 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. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

22. RELATED PARTIES

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. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

25. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where 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. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

25. 3 Budget Information

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

The annual budget figures for the year ending 2014/15 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

CAMDEBOO MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

28. CAPITAL COMMITMENTS

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. GENERAL INFORMATION

Camdeboo Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction to the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2015	2014
Consumable Stores	4,728,200	3,680,807
Water	150,822	121,408
Total Inventories	4,879,022	3,802,215

The amount of inventories recognised as expenses for the year amounted to R4 131 387 (2014: R2 326 375)

The cost of water production for the year amounted to R5,59 per kl (2014: R4,11 per kl).

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Service Debtors:	53,535,626	44,144,711
Electricity	11,904,958	11,044,955
Refuse	5,389,905	4,158,691
Sewerage	12,341,396	9,127,599
Water	23,899,367	19,813,467
Other Receivables	5,078,577	5,643,208
Housing	2,259,874	2,414,343
Meter Readings not Billed	2,047,615	2,245,767
Other Debtors	771,088	983,098
Add: Credit debtors balances	1,087,275	-
Less: Provision for Impairment	(40,977,674)	(25,021,705)
Total Receivables from Exchange Transactions	18,723,804	24,766,214

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Other Debtors consists of attorney handovers, attorney payments and a guarantee.

Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

At 30 June 2015, the municipality is owed R9 201 400 (30 June 2014: R14 841 103) by National and Provincial Government.

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

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

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

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	18,507,458	4,179,103	3,582,089	33,432,828	59,701,479
Less: Provision for Impairment	12,703,079	2,868,437	2,458,660	22,947,497	40,977,674
Net Balances	5,804,379	1,310,667	1,123,428	10,485,330	18,723,805

As at 30 June 2014 Receivables of R12,919,426 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	4,179,103	3,582,089	33,432,828	41,194,021
Less: Provision for Impairment	2,868,437	2,458,660	22,947,497	28,274,595
Net Balances	1,310,667	1,123,428	10,485,330	12,919,426

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.1 Ageing of Receivables from Exchange Transactions (continued)

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	15,158,292	3,513,151	3,011,272	28,105,206	49,787,920
Less: Provision for Impairment	7,756,729	1,751,519	1,501,302	14,012,155	25,021,705
Net Balances	7,401,563	1,761,631	1,509,970	14,093,051	24,766,215

As at 30 June Receivables of R17,364,652 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	3,513,151	3,011,272	28,105,206	34,629,628
Less: Provision for Impairment	1,751,519	1,501,302	14,012,155	17,264,976
Net Balances	1,761,631	1,509,970	14,093,051	17,364,652

3.2 Reconciliation of the Provision for Impairment

	2015 R	2014 R
Balance at beginning of year	25,021,705	20,978,684
Impairment Losses recognised	19,167,663	4,043,021
Amounts written off as uncollectable	3,211,694	-
Balance at end of year	40,977,674	25,021,705

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

3.3 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	12,703,079	7,756,729
<u>Past Due:</u>		
31 - 60 Days	2,868,437	1,751,519
61 - 90 Days	2,458,660	1,501,302
+ 90 Days	22,947,497	14,012,155
Total	40,977,674	25,021,705

3.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Assessment Rates Debtors	12,792,568	(8,243,737)	4,548,831
Payments made in Advance	603,217	-	603,217
Accruals	-	-	-
Sundry Deposits	100,000	-	100,000
Sundry Debtors	2,184,032	(218,680)	1,965,352
Add: Credit debtors balances	553,089	-	553,089
Total Receivables from Non-exchange Transactions	16,232,906	(8,462,417)	7,770,489

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	11,484,940	(10,468,267)	1,016,673
Payments made in Advance	603,217	-	603,217
Sundry Deposits	100,000	-	100,000
Sundry Debtors	1,608,474	(315,180)	1,293,294
Total Receivables from Non-exchange Transactions	13,796,631	(10,783,447)	3,013,184

Sundry Deposits are in respect of cash deposits made to local fuel stations for the supply of fuel.

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

None of the Receivables have been pledged as security for the municipality's financial liabilities.

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

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

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,171,551	558,945	531,353	10,530,719	12,792,568
Less: Provision for Impairment	-754,966	-360,193	-342,412	-6,786,165	(8,243,737)
Net Balances	416,585	198,752	188,941	3,744,554	4,548,831
Payments made in Advance:					
Gross Balances	603,217	-	-	-	603,217
Less: Provision for Impairment	-	-	-	-	-
Net Balances	603,217	-	-	-	603,217
Sundry Deposits:					
Gross Balances	100,000	-	-	-	100,000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	100,000	-	-	-	100,000
Sundry Debtors:					
Gross Balances	2,184,032	-	-	-	2,184,032
Less: Provision for Impairment	(218,680)	-	-	-	(218,680)
Net Balances	1,965,352	-	-	-	1,965,352

As at 30 June 2014 Receivables of R4,132,247 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	558,945	531,353	10,530,720	11,621,017
Less: Provision for Impairment	(360,193)	(342,412)	(6,786,165)	(7,488,771)
Net Balances	198,752	188,941	3,744,554	4,132,247

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

4.1 Ageing of Receivables from Non-exchange Transactions (Continued)

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,084,554	517,439	491,896	9,391,051	11,484,940
Less: Provision for Impairment	(958,690)	(457,389)	(434,811)	(8,617,377)	(10,468,266)
Net Balances	125,864	60,050	57,085	773,674	1,016,674
Payments made in Advance:					
Gross Balances	603,217	-	-	-	603,217
Less: Provision for Impairment	-	-	-	-	-
Net Balances	603,217	-	-	-	603,217
Sundry Deposits:					
Gross Balances	100,000	-	-	-	100,000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	100,000	-	-	-	100,000
Sundry Debtors:					
Gross Balances	1,608,474	-	-	-	1,608,474
Less: Provision for Impairment	(315,180)	-	-	-	(315,180)
Net Balances	1,293,294	-	-	-	1,293,294

As at 30 June 2014 Receivables of R890,810 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	517,439	491,896	9,391,051	10,400,386
Less: Provision for Impairment	(457,389)	(434,811)	(8,617,377)	(9,509,576)
Net Balances	60,050	57,085	773,674	890,810

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	10,468,267	7,790,400
Impairment Losses recognised	(2,224,530)	2,677,867
Balance at end of year	8,243,737	10,468,267

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

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

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	1,920,922	2,060,922
Total Non-current Assets Held-for-Sale	<u>1,920,922</u>	<u>2,060,922</u>

Property Held-for-Sale

The municipality intends to dispose of some of its undeveloped Land. The sale of the land is busy being concluded and will be completed within the next twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale.

6. CASH AND CASH EQUIVALENTS

Current Investments	21,597,298	29,658,401
Bank Accounts	(219,770)	(1,842,499)
Cash on hand	2,000	2,140
Total Bank, Cash and Cash Equivalents	<u>21,379,528</u>	<u>27,818,042</u>

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

6.1 Current Investment Deposits

Call Deposits	21,597,298	29,658,401
Total Current Investment Deposits	<u>21,597,298</u>	<u>29,658,401</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,60 % to 6,77 % (2014: 4,00% to 5,30%) per annum.

Deposits attributable to Unspent Conditional Grants	4,637,301	9,461,624
Deposits attributable to Capital Replacement Reserve.	5,000,000	5,000,000
Deposits attributable to Payables from Exchange Transactions	4,155,017	3,358,778
Deposits attributable to Current Provisions	3,608,656	8,456,635
Deposits attributable to Consumer Deposits	2,133,554	1,881,244
Deposits attributable to Payables from Non-Exchange Transactions	3,168,948	4,035,858
Total Deposits attributable to Commitments of the Municipality	<u>22,703,476</u>	<u>32,194,138</u>

6.2 Bank Accounts

Cash in Bank	(219,770)	(1,842,499)
Current Investments	21,597,298	29,658,401
Total Bank Accounts	<u>21,377,528</u>	<u>(1,842,499)</u>

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Vole Number 629929709200

Cash book balance at beginning of year	(1,842,499)	6,285,155
Cash book balance at end of year	<u>(219,770)</u>	<u>(1,842,499)</u>
Bank statement balance at beginning of year	2,238,225	-
Bank statement balance at end of year	<u>2,238,225</u>	<u>2,238,225</u>

First National Bank - Account Number 52300007898

Bank statement balance at beginning of year	-	6,285,155
Bank statement balance at end of year	<u>-</u>	<u>-</u>

ABSA -Aberdeen - Account Number 4053048940

Bank statement balance at beginning of year	23,587	24,987
Bank statement balance at end of year	<u>23,587</u>	<u>23,587</u>

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6. CASH AND CASH EQUIVALENTS (Continued)

6.2 Bank Accounts (Continued)

Current Investments

ABSA - Account Number 9257114251

Bank statement balance at beginning of year	39,337	966,805
Bank statement balance at end of year	<u>39,337</u>	<u>39,337</u>

ABSA - Account Number 9071870653

Bank statement balance at beginning of year	459,609	438,619
Bank statement balance at end of year	<u>459,609</u>	<u>459,609</u>

ABSA - Account Number 9293816776

Bank statement balance at beginning of year	5,000,000	5,000,000
Bank statement balance at end of year	<u>24,215</u>	<u>24,215</u>

ABSA - Account Number 9293160909

Bank statement balance at beginning of year	5,058,247	5,000,000
Bank statement balance at end of year	<u>5,058,247</u>	<u>5,058,247</u>

Nedbank - Account Number 7881105836

Bank statement balance at beginning of year	-	13,000,000
Bank statement balance at end of year	<u>-</u>	<u>-</u>

FNB - Account Number 62374218503

Bank statement balance at beginning of year	3,851,154	560,717
Bank statement balance at end of year	<u>3,851,154</u>	<u>3,851,154</u>

FNB - Account Number 74374220066

Bank statement balance at beginning of year	146,513	9,300,895
Bank statement balance at end of year	<u>146,513</u>	<u>146,513</u>

FNB - Account Number 74463211025

Bank statement balance at beginning of year	-	8,000,000
Bank statement balance at end of year	<u>-</u>	<u>-</u>

Investec - Account Number 50004131452

Bank statement balance at beginning of year	-	21,214,107
Bank statement balance at end of year	<u>-</u>	<u>-</u>

Investec - Account Number 50006008687

Bank statement balance at beginning of year	52,586	1,445,593
Bank statement balance at end of year	<u>52,586</u>	<u>52,586</u>

Nedbank - Account Number 1766000029

Bank statement balance at beginning of year	20,026,740	20,000,000
Bank statement balance at end of year	<u>20,026,740</u>	<u>20,026,740</u>

Total current investments

Bank statement balance at beginning of year	34,634,185	84,926,736
Bank statement balance at end of year	<u>29,658,401</u>	<u>29,658,401</u>

6.3 Cash on hand

Cash Floats and Advances	2,000	2,140
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2,000</u>	<u>2,140</u>

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

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

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2014	97,546,780	4,838,773	534,907,920	5,020,774	22,986,088	665,300,335
Cost	97,546,780	21,452,629	1,243,294,791	18,517,265	41,326,397	1,422,137,862
- Completed Assets	97,546,780	21,452,629	1,239,588,571	18,517,265	41,326,397	1,418,431,642
- Under Construction	-	-	3,706,220	-	-	3,706,220
Accumulated Depreciation:	-	(16,613,856)	(708,386,871)	(13,496,491)	(18,340,309)	(756,837,527)
- Cost	-	(16,613,856)	(708,386,871)	(13,496,491)	(18,340,309)	(756,837,527)
Acquisitions	-	-	14,500,373	-	5,950,945	20,451,318
Capital under Construction - Additions:	-	-	10,610,860	-	-	10,610,860
Depreciation:	-	(342,115)	(35,827,604)	(366,947)	(3,992,824)	(40,529,491)
- Based on Cost	-	(342,115)	(35,827,604)	(366,947)	(3,992,824)	(40,529,491)
Carrying value of Disposals:	-	-	-	-	(330,925)	(330,925)
- Cost	-	-	-	-	(1,357,546)	(1,357,546)
- Accumulated Depreciation	-	-	-	-	1,026,620	1,026,620
Capital under Construction - Completed	-	-	(1,452,008)	-	-	(1,452,008)
Carrying values at 30 June 2015	97,546,780	4,496,658	522,739,541	4,653,827	24,613,284	654,050,090
Cost	97,546,780	21,452,629	1,266,954,016	18,517,265	45,919,797	1,450,390,487
- Completed Assets	97,546,780	21,452,629	1,256,343,156	18,517,265	45,919,797	1,439,779,627
- Under Construction	-	-	10,610,860	-	-	10,610,860
Accumulated Depreciation:	-	(16,955,971)	(744,214,475)	(13,863,438)	(21,306,513)	-796,340,397
- Cost	-	-16,955,971.07	-744,214,475	-13,863,438	-21,306,513	-796,340,397

30 June 2014

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2013	98,993,280	5,180,888	533,097,287	5,387,721	25,906,030	668,565,206
Cost	98,993,280	21,452,629	1,206,715,900	18,517,265	40,649,249	1,386,328,323
- Completed Assets	98,993,280	21,452,629	1,204,328,821	18,517,265	40,649,249	1,390,078,518
- Under Construction	-	-	2,387,079	-	-	(482,204)
Accumulated Depreciation:	-	(16,271,741)	(673,618,613)	(13,129,544)	(14,743,219)	(717,763,117)
- Cost	-	(16,271,741)	(673,618,613)	(13,129,544)	(14,743,219)	(717,763,117)
Acquisitions	-	-	36,952,012	-	677,148	37,629,160
Capital under Construction - Additions:	-	-	3,706,220	-	-	3,706,220
Depreciation:	-	(342,115)	(34,768,258)	(366,947)	(3,845,337)	(39,322,657)
- Based on Cost	-	(342,115)	(34,768,258)	(366,947)	(3,845,337)	(39,782,023)
Carrying value of Disposals:	-	-	-	-	248,247	248,247
- Cost	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	248,247	248,247
- Based on Cost	-	-	-	-	-	-
Fair value adjustment to land	586,500	-	-	-	-	586,500
Assets transferred to current assets	(2,033,000)	-	-	-	-	(2,033,000)
Capital under Construction - Completed	-	-	(4,079,341)	-	-	(4,079,341)
Carrying values at 30 June 2014	97,546,780	4,838,773	534,907,920	5,020,774	22,986,088	665,300,335
Cost	97,546,780	21,452,629	1,243,294,791	18,517,265	41,326,397	1,422,137,862
- Completed Assets	97,546,780	21,452,629	1,239,588,571	18,517,265	41,326,397	1,418,431,642
- Under Construction	-	-	3,706,220	-	-	3,706,220
Accumulated Depreciation:	-	(16,613,856)	(708,386,871)	(13,496,491)	(18,340,309)	(756,837,527)
- Cost	-	(16,613,856)	(708,386,871)	(13,496,491)	(18,340,309)	(756,837,527)

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The prior year Property, Plant and Equipment balances have been restated. Refer to Note 36 on "Correction of error, changes in accounting policies and reclassifications" for details of the restatement.

The municipality did not pledge any of its assets as security. No restrictions apply to any of the Property, Plant and Equipment of the municipality.

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

8. INTANGIBLE ASSETS	2015 R	2014 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>17,159</u>	<u>31,669</u>
The movement in Intangible Assets is reconciled as follows:	Computer Software	Total
Carrying values at 01 July 2013	39,484	39,484
Cost	44,899	44,899
Accumulated Amortisation	-5,415	-5,415
Acquisitions:	1,995	1,995
- Purchased	1,995	1,995
Amortisation:	-9,811	-9,811
- Based on Cost	-9,811	-9,811
Carrying values at 30 June 2014	31,668	31,668
Cost	46,894	46,894
Accumulated Amortisation	-15,226	-15,226
Acquisitions:	-	-
- Purchased	-	-
Amortisation:	-14,510	-14,510
- Based on Cost	-14,510	-14,510
Carrying values at 30 June 2015	17,159	17,158
Cost	46,894	46,894
Accumulated Amortisation	-29,736	-29,736

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

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "A" for more detail on Intangible Assets.

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

9. INVESTMENT PROPERTY	2015 R	2014 R
At Cost less Accumulated Depreciation	<u>187,994</u>	<u>199,756</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	199,754	211,514
Cost	458,500	458,500
Accumulated Depreciation	-258,746	-246,986
Acquisitions during the Year	-	-
Depreciation during the Year	-11,760	-11,760
Carrying values at 30 June	187,994	199,754
Cost	458,500	458,500
Accumulated Depreciation	-270,506	-258,746

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R 2014
R

9. INVESTMENT PROPERTY (Continued)

Revenue disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	157,538	40,892
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

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

There are no contractual obligations on Investment Property.

Refer to Appendix "A" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

10. HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	2,370,000	2,370,000
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The movement in Heritage Assets is reconciled as follows:

	Buildings of cultural significance	Museum
Carrying values at 30 June 2014	1,311,800	1,058,200
Cost	1,311,800	1,058,200
Accumulated impairment	-	-
Carrying values at 30 June 2015	1,311,800	1,058,200
Cost	1,311,800	1,058,200
Accumulated impairment	-	-
-1,058,200	1,311,800	1,058,200

The Municipality has elected to make use of the transitional provisions as set out in Directive 3, which states that entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets.

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

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "A" for more detail on Heritage Assets.

10.1 Significant Heritage Assets not measured

The Municipality has not measured the following classes of heritage assets:

Class of Heritage Asset	Description	Reason for no measurement
Victoria hall cutlery and crockery	Crockery and cutlery with the Victoria Hall emblem. These items have been loaned to the Museum.	The skill and expertise to value this collection is rare. An experienced antiquarian or one of the renowned auction houses may have sufficient skill, knowledge and expertise to perform this valuation. The Municipality was not able to estimate a value at 30 June 2015.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
10. HERITAGE ASSETS (Continued)		
10.1 Significant Heritage Assets not measured (continued)		
Class of Heritage Asset	Description	Reason for no measurement
Collections of rare books or manuscripts	The Africana collection is a collection of valuable books, pamphlets, maps, pictorial works and other items on sub-Saharan Africa, with specific focus on Southern African history.	The collection is vast and is housed in various establishments both local and internationally. The skill and expertise to value this collection is rare. An experienced antiquarian, specialised libraries or one of the renowned auction houses may have sufficient skill, knowledge and expertise to perform this valuation. The Municipality was not able to estimate a value at 30 June 2015.
Monuments, memorials & statues	include the movement of the Jewish Pedlars, War Memorial, Huguenot Monument, Union Monument, Krugerdorp Monument, San & Khoi Genocide Memorial and the Old Powder Magazine.	The skill and expertise to value sites of historical and cultural significance is rare. At the time of issuing the financial statements, the Municipality has not identified the skills set and related experience to value these assets. The Municipality was not able to estimate a value at 30 June 2015.

10.2 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

10.3 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

10.4 Heritage Assets pledged as security

None of the assets have been pledged as security in the current and prior year.

10.5 Restrictions on title and disposal of Heritage Assets

There is no restriction on title or disposal of Heritage Assets. The requirements of the National Heritage Resources Act (No. 25 of 1999) and related legislation will transfer to the donee or buyer.

	2015 R	2014 R
11. CONSUMER DEPOSITS		
Electricity and Water	2,133,554	1,881,244
Total Consumer Deposits	<u><u>2,133,554</u></u>	<u><u>1,881,244</u></u>

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.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values. The amortised cost of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
12. PROVISIONS		
Bonuses	2,051,456	1,781,778
Salaries and wages wage curve provision	-	-
Total Provisions	2,051,456	1,781,778

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. Listed below are the criteria against which senior managers are evaluated:

- KPA 1 - Organisational Transformation and Institutional Development
- KPA 2 - Service Delivery and Infrastructure Planning
- KPA 3 - Local Economic Development
- KPA 4 - Financial Viability
- KPA 5 - Good Governance and Public Participation
- KPA 6 - Spatial Development Rationale

Salaries and wages provision accrues to all eligible employees in terms of the wage curve agreement. This agreement has been challenged in the Labour Appeals Court and has now been taken to the Constitutional Court. The provision raised in the prior year has been reversed in the current year due to there being uncertainty relating to there being a past event.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	102,299	629,615
Contributions to provision	210,052	-527,317
Expenditure incurred	-210,052	-
Balance at end of year	102,299	102,299

Staff Bonuses:

Balance at beginning of year	1,679,479	1,490,171
Contributions to provision	269,678	189,308
Expenditure incurred	-	-
Balance at end of year	1,949,157	1,679,479

13. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	14,415,760	2,684,696
Accruals	78,231	653,950
Retentions	37,932	37,932
Other Creditors	5,406,948	115,714
Staff Leave Accrued	3,789,371	3,296,544
Credit debtors balances	- 1,087,275	-
Total Payables	24,815,517	6,788,836

Payables from Exchange Transactions have been reclassified between Payables from Exchange and Non-Exchange Transactions to correctly classify the nature of the balances Refer to Note 35.1 on "Comparative Information" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

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

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

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Sundry Deposits	-	-
Other Creditors	2,062,770	739,314
Credit debtors balances	553,089	-
Total Payables	2,615,859	739,314

Payables from Exchange Transactions have been reclassified between Payables from Exchange and Non-Exchange Transactions to correctly classify the nature of the balances Refer to Note 35.2 on "Comparative Information" for details of the restatement.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

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

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

Other debtors consists of amounts received in advance as well as funding received for the Satellite Aquaculture Project.

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

<i>Conditional Grants from Government</i>	4,637,301	9,461,624
Local Government Grants	4,637,301	9,461,624
Total Unspent Conditional Grants	4,637,301	9,461,624

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

See Note 21 for the reconciliation of Grants from Government and other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "E" for more detail on Conditional Grants.

16. VAT RECEIVABLE/(PAYABLE)

VAT Receivable	55,704	-
VAT Payable	-	-4,931,384

Camdeboo Municipality is registered for VAT on the payment basis.

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

17. LONG-TERM LIABILITIES

17.1 Operating lease liabilities

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

17.2 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

18. EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	28,759,000	19,306,378
Provision for Long Service Awards	4,282,000	3,303,699
	33,041,000	22,610,077

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
18. EMPLOYEE BENEFIT LIABILITIES (Continued)		
18.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	20,059,198	20,266,000
Contributions to Provision		576,198
Increase due to Discounting	10,459,802	-
Contribution (Benefits paid)	-852,000	-783,000
Balance at end of Year	29,667,000	20,059,198
Transfer to Current Provisions	-908,000	-752,820
Total Post-retirement Health Care Benefits Liability	28,759,000	19,306,378
Current Portion of Non-Current Provisions:		
Balance at beginning of year	752,820	783,000
Transfer from non-current	908,000	752,820
Contribution (Benefits paid)	-752,820	-783,000
Balance at end of year	908,000	752,820

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 Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	170	147
Continuation Members (Retirees, widowers and orphans)	26	26
Total Members	196	173

The liability in respect of past service has been estimated as follows:

In-service Members	16,970,000	9,394,235
Continuation Members	12,897,000	10,664,963
Total Liability	29,667,000	20,059,198

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2015 is estimated to be R655 171, whereas the cost for the ensuing year is estimated to be R1 198 000 (30 June 2014: R531 000 and R655 171 respectively).

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R			
18. EMPLOYEE BENEFIT LIABILITIES (Continued)					
18.1 Post-retirement Health Care Benefits Liability (Continued)					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9%	9%			
Health Care Cost Inflation Rate	7%	8%			
Net Effective Discount Rate	1%	1%			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	20,059,198	20,266,000			
Current service costs	655,171	531,000			
Interest cost	1,745,910	1,737,000			
Benefits paid	-852,000	-783,000			
Actuarial losses / (gains)	8,058,721	-1,691,802			
Present Value of Fund Obligation at the end of the Year	29,667,000	20,059,198			
Total Recognised Benefit Liability	29,667,000	20,059,198			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	29,667,000	20,059,198			
Unfunded Accrued Liability	29,667,000	20,059,198			
Total Benefit Liability	29,667,000	20,059,198			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	655,171	531,000			
Interest cost	1,745,910	1,737,000			
Actuarial losses / (gains)	8,058,721	-1,691,802			
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	10,459,802	576,198			
The history of experienced adjustments is as follows:					
	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	29,667,000	20,059,198	20,266,000	18,285,863	17,370,090
Deficit	29,667,000	20,059,198	20,266,000	18,285,863	17,370,090
Experienced adjustments on Plan Liabilities	9,750,523	-1,788,000	-1,526,436	-1,398,000	322,000
In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.					
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost					795,000
Effect on the defined benefit obligation					5,066,000
Decrease:					
Effect on the aggregate of the current service cost and the interest cost					-625,000
Effect on the defined benefit obligation					-4,090,000

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R																																													
18. EMPLOYEE BENEFIT LIABILITIES (Continued)																																															
<i>18.2 Provision for Long Service Awards</i>																																															
Balance at beginning of year	3,888,885	3,868,000																																													
Contributions to provision	1,469,115	677,885																																													
Contribution (Benefits paid)	-584,000	-657,000																																													
	4,774,000	3,888,885																																													
Transfer to current provisions	-492,000	-585,186																																													
Balance at end of year	4,282,000	3,303,699																																													
Current Portion of Provision for Long Service Awards:																																															
Balance at beginning of year	585,186	657,000																																													
Transfer from non-current	492,000	585,186																																													
Contribution (Benefits paid)	-585,186	-657,000																																													
Balance at end of year	492,000	585,186																																													
<p>A Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>At 30 June 2014, 328 (2014: 317) employees were eligible for Long-service Awards.</p> <p>The Current-service Cost for the year ending 30 June 2014 is estimated to be R419,000, whereas the cost for the ensuing year is estimated to be R390,164 (30 June 2013: R345,601 and R419,000 respectively).</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Discount Rate</td> <td style="text-align: right; width: 15%;">8%</td> <td style="text-align: right; width: 15%;">8%</td> </tr> <tr> <td>Cost Inflation Rate</td> <td style="text-align: right;">7%</td> <td style="text-align: right;">7%</td> </tr> <tr> <td>Net Effective Discount Rate</td> <td style="text-align: right;">1%</td> <td style="text-align: right;">1%</td> </tr> <tr> <td>Expected Retirement Age - Females</td> <td style="text-align: right;">63</td> <td style="text-align: right;">63</td> </tr> <tr> <td>Expected Retirement Age - Males</td> <td style="text-align: right;">63</td> <td style="text-align: right;">63</td> </tr> </table> <p>Movements in the present value of the Defined Benefit Obligation were as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Balance at the beginning of the year</td> <td style="text-align: right; width: 15%;">3,888,885</td> <td style="text-align: right; width: 15%;">3,868,000</td> </tr> <tr> <td>Current service costs</td> <td style="text-align: right;">390,164</td> <td style="text-align: right;">419,000</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">285,864</td> <td style="text-align: right;">333,000</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">-562,990</td> <td style="text-align: right;">-657,000</td> </tr> <tr> <td>Actuarial losses / (gains)</td> <td style="text-align: right;">772,077</td> <td style="text-align: right;">-74,115</td> </tr> <tr> <td>Present Value of Fund Obligation at the end of the Year</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">4,774,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">3,888,885</td> </tr> <tr> <td>Total Recognised Benefit Liability</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">4,774,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">3,888,885</td> </tr> </table> <p>The amounts recognised in the Statement of Financial Position are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Present value of fund obligations</td> <td style="text-align: right; width: 15%;">4,774,000</td> <td style="text-align: right; width: 15%;">3,888,885</td> </tr> <tr> <td>Unfunded Accrued Liability</td> <td style="text-align: right;">4,774,000</td> <td style="text-align: right;">3,888,885</td> </tr> <tr> <td>Total Benefit Liability</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">4,774,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">3,888,885</td> </tr> </table>			Discount Rate	8%	8%	Cost Inflation Rate	7%	7%	Net Effective Discount Rate	1%	1%	Expected Retirement Age - Females	63	63	Expected Retirement Age - Males	63	63	Balance at the beginning of the year	3,888,885	3,868,000	Current service costs	390,164	419,000	Interest cost	285,864	333,000	Benefits paid	-562,990	-657,000	Actuarial losses / (gains)	772,077	-74,115	Present Value of Fund Obligation at the end of the Year	4,774,000	3,888,885	Total Recognised Benefit Liability	4,774,000	3,888,885	Present value of fund obligations	4,774,000	3,888,885	Unfunded Accrued Liability	4,774,000	3,888,885	Total Benefit Liability	4,774,000	3,888,885
Discount Rate	8%	8%																																													
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CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
18. EMPLOYEE BENEFIT LIABILITIES (Continued)		
<i>18.2 Provision for Long Service Awards (continued)</i>		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	390,164	419,000
Interest cost	285,864	333,000
Actuarial losses / (gains)	772,077	-74,115
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	1,448,105	677,885

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	4,774,000	3,888,885	3,868,000	2,819,152	2,649,111
Deficit	4,774,000	3,888,885	3,868,000	2,819,152	2,649,111
Experienced adjustments on Plan Liabilities	846,192	68,797	-	118,317	96,249

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:	
Effect on the aggregate of the current service cost and the interest cost	82,000
Effect on the defined benefit obligation	335,000
Decrease:	
Effect on the aggregate of the current service cost and the interest cost	-73,000
Effect on the defined benefit obligation	-303,000

The municipality expects to make a contribution of R657 000 (2014: R214 345) to the defined benefit plans during the next financial year.

19. PROVISIONS FOR REHABILITATION OF LAND-FILL SITES

Provision for Rehabilitation of Land-fill Sites	6,744,201	5,774,584
The movement in Non-current Provisions are reconciled as follows:		
Balance at beginning of year	5,774,584	243,887
Contributions to provision	2,518,935	5,530,697
Increase due to discounting	-	-
Expenditure incurred	-1,549,318	-
Balance at end of year	6,744,200	5,774,584
Transfer to current provisions	-157,200	-1,549,319
Balance at end of year	6,587,000	4,225,265

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R nil (2014: R4,225,265) to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

A contract is in place with a service provider for the rehabilitation of the Land-fill Site. In terms of the contract the service needs to be rendered and completed within 18 weeks after the service provider commences with the work.

The uncertainties and assumptions attached to this provision are listed as follows:

The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R 2014
R

19. PROVISIONS FOR REHABILITATION OF LAND-FILL SITES (Continued)

It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.

It is assumed that the general public have not requested a specific final shape or enduse for the landfill sites.

The estimate does not take into account post closure monitoring or maintenance costs as this is an item for the Municipality's OPEX budget.

It is assumed that there are no special influences that may affect the cap design.

It is assumed that existing ground water monitoring boreholes are in working order.

It is noted that no building infrastructure is required as part of the closure.

A construction period of 3.5, 4 and 6 months for the Nieu-Bethesda, Aberdeen and Graaff-Reinet sites respectively has been assumed. These construction periods are educated assumptions and are based on previous and current projects of a similar size.

20. ACCUMULATED SURPLUS

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

Capital Replacement Reserve (CRR)	5,000,000	5,000,000
Self-insurance Reserve	5,509,731	5,509,731
Accumulated Surplus / (Deficit) due to the results of Operations	623,405,825	663,545,760
Total Accumulated Surplus	633,915,556	674,055,491

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Notes 35 on "Comparative Information" for details of the restatements.

Restatement of Receivables from Non-Exchange transactions

Restatement of Property, Plant and Equipment

Restatement of Depreciation Charges

Restatement of Receivables from Non-Exchange transactions

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

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

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

The Self-insurance Reserve is a reserve to fund future insurance losses that will not be recouped from external insurers.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2015	July 2014	July 2015	July 2014
	R	R	R	R
Residential	1,238,199,200	1,198,225,763	6,225,796	5,647,852
Commercial	455,694,000	406,348,637	5,509,269	4,025,070
Agricultural	2,031,383,000	1,563,852,949	2,537,689	1,889,093
State	462,225,800	432,475,000	5,620,666	4,951,072
Municipal	198,216,700	176,542,700	-	-
Exempted Properties	140,613,400	120,452,100	-	-
Multiple	17,222,300	11,268,600	209,714	116,534
Total Property Rates	4,596,231,400	3,950,522,749	20,103,133	17,102,745

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	40,950,000	39,006,000
Provincial Health Subsidies	815,094	1,056,562
Local Economic Development Office	-	229,275
Department of environmental affairs	2,000,000	
Library Grant	1,557,000	1,557,000
Cacadu District Municipality Grant	375,000	375,000
SETA Training Grant	110,427	125,769
Khoi San	-	30,000
Operational Grants	45,807,521	42,379,606
Conditional Grants	27,592,747	15,972,611
National Government: FINANCE MANAGEMENT GRANT	1,963,741	1,400,600
National Government: MIG	18,125,000	10,814,297
National Government: MSIG	1,011,442	884,881
National Government: INEP	5,305,616	-
National Government: EPWP	1,000,000	1,000,000
National Government: Water Affairs	186,948	1,872,833
Other Government: Fonteinbos	-	-
Other Government: National Lottery Fund	-	-
Total Government Grants and Subsidies	73,400,268	58,352,217

The conditions attached to the grants have been complied with for the year.

Operational Grants:

22.1 National: Equitable Share

Balance unspent at beginning of year		
Current year receipts	40,950,000	39,006,000
Transferred to Revenue	-40,950,000	-39,006,000
	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R239,59 (2014: R184.36), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

22.2 Provincial: Health Subsidies

Current year receipts - included in Public Health vote	815,094	1,056,562
Transferred to Revenue	-815,094	-1,056,562
	<u>-</u>	<u>-</u>

This grant has been used to fund environmental health care services (included in Appendix "D"), which services are in the process of being transferred to Provincial Government.

22.3 Local Government: Local Economic Development Office

Current year receipts	-	229,275
Transferred to Revenue	-	-229,275
	<u>-</u>	<u>-</u>

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
<i>22.4 Provincial Government: Department of environmental affairs</i>		
Current year receipts	2,000,000	-
Transferred to Revenue	-2,000,000	-
	<u>-</u>	<u>-</u>
<i>22.5 Local Government: Library Grant</i>		
Balance unspent at beginning of year	-	-
Current year receipts	1,557,000	1,557,000
Transferred to Revenue	-1,557,000	-1,557,000
Balance unspent at end of year	<u>-</u>	<u>-</u>
<i>22.6 Local Government: Cacadu District Municipality Grant</i>		
Current year receipts	375,000	375,000
Transferred to Revenue	-375,000	-375,000
	<u>-</u>	<u>-</u>
<i>22.7 Local Government: SETA Grant</i>		
Current year receipts	110,427	125,769
Transferred to Revenue	-110,427	-125,769
	<u>-</u>	<u>-</u>
<i>22.8 Khoi San</i>		
Current year receipts	-	30,000
Transferred to Revenue	-	-30,000
	<u>-</u>	<u>-</u>
Conditional Grants:		
<i>22.9 Local Government: Water Affairs Grant</i>		
Balance unspent at beginning of year	952,433	-
Current year receipts	122,505	2,825,266
Conditions met - transferred to Revenue: Operating Expenses	-64,325	-1,872,833
VAT adjustment	-122,505	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>888,108</u>	<u>952,433</u>

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.10 National: FMG Grant		
Balance unspent at beginning of year	-	-349,282
Current year receipts	1,800,000	1,750,000
Conditions met - transferred to Revenue: Operating Expenses	-1,337,056	-952,833
Conditions met - transferred to Revenue: Capital Expenses	-444,089	-292,867
VAT adjustment	-182,714	-155,018
Other adjustment	163,859	-
Balance unspent at end of year	<u>-</u>	<u>-</u>

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

22.11 National: MIG Funds

Balance unspent at beginning of year	-	-7,124,703
Current year receipts	18,125,000	17,939,000
Conditions met - transferred to Revenue: Operating Expenses	-2,464,927	-865,386
Conditions met - transferred to Revenue: Capital Expenses	-7,833,246	-6,726,139
VAT adjustment	-1,324,340	-3,222,772
Recovery of funds for conditions met in prior years	-6,502,487	-
Balance unspent at end of year	<u>-</u>	<u>-</u>

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

22.12 National: MSIG Funds

Balance unspent at beginning of year	-	-5,119
Current year receipts	934,000	890,000
Conditions met - transferred to Revenue: Operating Expenses	-973,244	-834,641
Conditions met - transferred to Revenue: Capital Expenses	-30,526	-25,769
VAT adjustment	-7,672	-24,471
Other adjustment	77,442	-
Balance unspent at end of year	<u>-</u>	<u>-</u>

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

22.13 National: Department of Minerals and Energy

Balance unspent at beginning of year	4,760,000	-
Current year receipts	500,000	4,760,000
Conditions met - transferred to Revenue: Capital Expenses	-4,654,049	-
VAT adjustment	-651,567	-
Other Adjustments	45,616	-
Balance unspent at end of year	<u>-</u>	<u>4,760,000</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

22.14 National Government: EPWP

Current year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Capital Expenses	<u>-1,000,000</u>	<u>-1,000,000</u>
	<u>-</u>	<u>-</u>

Expenses were incurred to promote rural development. No funds have been withheld.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Conditional Grants (Continued):		
22.15 Other Government: Fonteimbos		
Balance unspent at beginning of year	1,749,191	1,749,191
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>1,749,191</u>	<u>1,749,191</u>
No funds have been withheld.		
22.16 Local Government: National Lottery Fund		
Balance unspent at beginning of year	2,000,000	-
Current year receipts	-	2,000,000
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>2,000,000</u>	<u>2,000,000</u>
22.17 Changes in levels of Government Grants		

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2015), government grant funding is expected to increase over the forthcoming three financial years.

23. SERVICE CHARGES

Sale of Electricity	76,005,544	69,221,233
Sale of Water	15,175,273	14,918,750
Refuse Removal	3,691,345	3,435,887
Sewerage and Sanitation Charges	7,130,511	6,537,094
Other Service Charges	1,039,727	1,082,730
Total Service Charges	<u>103,042,400</u>	<u>95,195,694</u>

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.

24. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	68,867	67,054
Rental Revenue from Buildings	74,965	74,965
Rental Revenue from Halls	127,409	160,959
Rental Revenue from Land	76,495	84,023
Rental Revenue from Other Facilities	232,865	232,080
Total Rental of Facilities and Equipment	<u>580,601</u>	<u>619,081</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
25. INTEREST EARNED		
External Investments:		
Bank Account	260,444	191,546
Investments	2,038,861	2,386,594
	<u>2,299,305</u>	<u>2,578,140</u>
Outstanding Debtors:		
Long-term Debtors	-	42
Outstanding Billing Debtors	4,658,806	3,928,316
	<u>4,658,806</u>	<u>3,928,358</u>
Total Interest Earned	<u>6,958,111</u>	<u>6,506,498</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Held-to-Maturity Investments	2,299,305	2,578,140
Loans and Receivables	4,658,806	3,928,358
	<u>6,958,111</u>	<u>6,506,498</u>
26. OTHER REVENUE		
Bulk Contributions	362,724	265,329
Insurance Claims	508,758	648,175
Printing, Stationary and Registration	295	143,240
Sundry Income	204,005	132,311
Tender Documents	29,781	23,862
Work done for private persons	615,046	247,960
Interdepartmental Charges	58,661	63,754
Total Other Revenue	<u>1,779,270</u>	<u>1,524,631</u>
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
27. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	50,607,771	41,693,134
Basic Salaries and Wages	50,607,771	41,693,134
Contribution to Leave Fund	-	-
Service Bonuses	-	-
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	11,462,573	9,926,544
Group Life	286,257	396,376
Medical	2,637,921	2,202,363
Pension	8,085,883	6,942,752
UIF	452,512	385,053
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,324,217	1,192,364
Allowances	1,324,217	1,192,364
Housing Benefits and Allowances	133,932	130,355
Overtime Payments	3,263,452	2,414,199
Performance Bonuses	269,676	-87,255
Defined Benefit Plan Expense:	10,776,999	92,991
Current Service Cost	1,045,335	950,000
Interest Cost	2,031,774	2,070,000
Net Actuarial (gains)/losses recognised	7,699,890	-2,927,009
Total Employee Related Costs	<u>77,838,620</u>	<u>55,362,332</u>

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
27. EMPLOYEE RELATED COSTS (Continued)		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	907,175	529,289
Performance Bonus	64,848	-
Car and Other Allowances	201,084	164,461
Company Contributions to UIF, Medical and Pension Funds	13,350	1,085
Total	<u>1,186,457</u>	<u>694,835</u>
Municipal Manager appointed 1 December 2013		
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	868,077	836,221
Performance Bonus	87,121	-
Car and Other Allowances	141,048	195,824
Company Contributions to UIF, Medical and Pension Funds	11,153	1,861
Total	<u>1,107,399</u>	<u>1,033,906</u>
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	-	382,794
Performance Bonus	-	-
Car and Other Allowances	-	80,000
Company Contributions to UIF, Medical and Pension Funds	-	66,788
Total	<u>-</u>	<u>529,582</u>
Post vacant during the financial year ended 30 June 2015		
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	559,027	379,169
Performance Bonus	58,083	-
Car and Other Allowances	141,084	70,021
Company Contributions to UIF, Medical and Pension Funds	-	21,005
Total	<u>758,194</u>	<u>470,195</u>
28. REMUNERATION OF COUNCILLORS		
Mayor	718,495	542,261
Councillors	2,923,370	2,643,523
Other Allowances (Cellular Phones, Housing, Transport, etc)	443,759	319,152
Total Councillors' Remuneration	<u>4,085,624</u>	<u>3,504,936</u>
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Councillors occupying the positions of the Mayor serve in a full-time capacity and is provided with office accommodation and secretarial support at the expense of the municipality in order to enable adequate performance of their official duties.		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
Security Services were rendered at the houses of the Mayor at the expense of the municipality.		
29. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	40,529,491	39,083,081
Amortisation: Intangible Assets	10,781	9,811
Depreciation: Investment Property	11,760	11,760
Total Depreciation and Amortisation	<u>40,552,032</u>	<u>39,104,653</u>

Depreciation and Amortisation have been restated to account for the change in useful lives of assets in terms of GRAP 17. Refer to Note 35.4 on "Comparative Information" for details of the restatement.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
30. IMPAIRMENT LOSSES		
Impairment Losses Recognised:	13,634,939	8,433,204
Receivables from Exchange Transactions	15,955,969	5,440,157
Receivables from Non-exchange Transactions	-2,321,030	2,993,047
	13,634,939	8,433,204
Total Impairment Losses	13,634,939	8,433,204
31 BULK PURCHASES		
Electricity	47,654,228	43,697,064
Total Bulk Purchases	47,654,228	43,697,064
32. CONTRACTED SERVICES		
Internal Audit	405,823	490,266
Security Services	2,596,024	1,222,125
Total Contracted Services	3,001,847	1,712,391
33. GRANTS AND SUBSIDIES PAID		
Subsidies paid to SPCA	5,000	18,000
Other	18,000	-
Total Grants and Subsidies	23,000	18,000

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
34. GENERAL EXPENSES		
Included in General Expenses are the following:		
Adverts, Printing & Stationary	381,352	358,423
Affiliations & Subscriptions	751,694	464,280
Audit Committee	89,778	83,869
Audit Fees - External	4,173,328	3,672,263
Bank Charges	253,086	492,281
Celebration Of National Days	37,554	41,434
Chemicals	1,549,798	1,572,651
Consumables	118,885	103,502
Copiers And Fax Lease Payments	171,445	187,454
Copiers And Fax Maintenance	909,226	751,293
Entertainment - Public / Visitors	61,285	45,073
Environmental Grant expenditure	624,981	692,952
FMG Operating Expenditure	1,503,329	1,328,612
General Expenses	1,376,847	562,672
Housing grant	-	-
Insurance - General	983,755	770,313
Legal Costs & Litigation	806,864	223,879
Levy - Seta Skills Development	564,956	472,899
Levy - Water Research Fund: Dwaf	160,225	337,987
Linen - Financed From Lain Estate	-	-
Materials, Stores & Requiremnt	287,718	218,636
MSiG operating expenditure	1,050,686	1,765,061
Municipal Service Charges	14,650,103	12,438,070
Office Tea & Requirements	107,247	3,738
Postage	540,700	510,970
Prepaid Commission	469,643	538,077
Professional Fees	170,542	96,658
Provision For Landfill Sites	2,518,935	5,530,697
MiG operating expenditure	915,608	-
Publicity	120,887	120,000
LED grant expenditure	465,629	633,970
Stipends: Ward committee	75,202	431,243
Spu Project	48,063	34,900
Stock losses	100,516	604
Telephones	2,098,662	1,833,052
Testing - Biological Samples	212,754	59,415
Training Courses	222,399	118,464
Travelling And Subsistence	1,008,680	702,882
Valuation Services	463,829	446,183
Work Done For Private Persons	666,494	551,654
Inter-Departmental Transfers	4,208,873	3,679,917
INEP operating expenditure	45,616	-
Total General Expenses	<u>44,967,074</u>	<u>41,876,028</u>

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

Material Losses	10,642,426	11,487,052
Distribution Losses:		
Electricity Losses	2,957,660	3,802,287
Water Losses	7,684,766	7,684,766

The amounts disclosed above for Electricity and Water Losses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R 2014
R

35. COMPARATIVE INFORMATION

The comparative information has changed because of changes in useful lives of assets and errors incurred in the prior year. For the detail of each change, please refer to the note relating to errors (note 36).

The changes has been corrected retrospectively and the comparative figures have been appropriately restated.

Account Heading/Transaction	Reason for Adjustment	Amount
35.1 Accumulated Surplus/Deficit		
The effect of adjustments to PPE	Change in estimate	4,274,908
Double accounting of balances	Error	-2,601,425
Unspent grant raised in error	Error	7,479,105
Reversing entry accounted for twice in prior year	Error	<u>-255,043</u>
		<u>8,897,545</u>
Restatement of Depreciation	Error	677,370
Restatement of General expenditure	Error	-133,513
Restatement of Licences and Permits	Error	-30,832
Restatement of Service Charges	Error	-403,561
Restatement of Property Rates	Error	-68,192
Restatement of provision for landfill sites	Error	<u>-5,530,697</u>
		<u>-5,489,425</u>
Total adjustment to Accumulated Surplus Balance		<u><u>3,408,119</u></u>
35.2 Property, Plant and Equipment		
Double accounting of balances - Cost	Error	-2,875,394
Double accounting of balances - Accumulated depreciation	Error	258,744
Useful lives review	Change in estimate	<u>4,959,364</u>
		<u>2,342,714</u>
35.3 Receivables from Exchange transactions		
Restatement of receivables balances	Error	<u>399,948</u>
35.4 Receivables from Non-exchange Transactions		
Restatement of receivables balances	Error	-357,681
Reversing prior year grant balances incorrectly accounted for	Error	<u>7,479,105</u>
		<u>7,121,424</u>
35.5 Payables from Exchange Transactions		
Restatement of Creditor balances	Error	<u>133,514</u>
35.6 Provision for rehabilitation of Landfill Sites		
Restatement of provision for the prior year		<u>5,530,697</u>

36 CORRECTION OF ERROR, CHANGES IN ACCOUNTING POLICIES and RECLASSIFICATIONS

The municipality processed corrections of errors identified in the current year that relate to the prior year. The comparative information has been adjusted accordingly. Please refer to note 35 for the quantitative effect of such adjustments.

36.1 Restatement of Property, Plant and Equipment

The depreciation method and estimated useful lives of specific assets fully depreciated at year end has been reviewed by management. It was noted that the estimated useful lives have been inappropriate in the prior periods; this has led to a restatement of the net book value of property, plant and equipment in the prior period.

It was noted that management has accounted for some asset classes twice in prior years. These related to Heritage assets, Investment property and Intangible assets.

36.2 Receivables from Exchange Transactions

Corrections were made to debtors balances for errors to their accounts in the 2013/14 financial year.

36.3 Receivables from Non-exchange Transactions

Corrections were made to debtors balances for errors to their accounts in the 2013/14 financial year.

It was also noted that an amount related to unspent grants were incorrectly taken against Receivables. The grants in question has been corrected as at year end 30 June 2014, these grants were not considered to be unspent.

36.4 Provision for Rehabilitation of Landfill Sites

The 2013/14 provision balance was understated in prior year and has been updated for the current year financial statements.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
37. CASH GENERATED BY OPERATIONS		
(Deficit) / Surplus for the Year	-40,148,074	-16,052,012
Adjustment for:		
Investment income	-6,958,111	-6,506,498
Depreciation and Amortisation	40,552,032	39,104,653
Contribution to Impairment Provision	13,634,901	-
Donations of Property, Plant and Equipment	-1,370,189	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	-519,173	146,345
Fines Accrual	-233,200	-
Contribution to Provisions - current	-365,405	-4,819,610
Contribution to Provisions - Non-current	12,792,658	5,151,726
Land transferred from PPE to Non-Current Assets held for Sale	-	2,033,000
Fair value adjustment to land	-	-586,500
Operating surplus before working capital changes	17,385,439	18,471,104
Decrease/(Increase) in inventories	-1,076,807	-649,203
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	-2,060,922
Decrease/(Increase) in Receivables	-10,476,270	3,007,571
Increase/(Decrease) in Creditors	17,594,997	-10,108,934
Increase/(Decrease) in Conditional Grants Liability	-4,824,323	7,712,433
Increase/(Decrease) in VAT Payable	-4,987,088	1,701,468
Cash generated by / (utilised in) Operations	13,615,948	18,073,517

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

Reconciliation of Unauthorised Expenditure:

Opening balance	20,092,174	15,196,121
Unauthorised Expenditure current year	14,313,998	20,092,174
Approved by Council or condoned	-20,092,174	-15,196,121
Unauthorised Expenditure awaiting authorisation	<u>14,313,998</u>	<u>20,092,174</u>

Budgeted votes exceeded:-	Amount	Status
Vote 3 - CORPORATE SERVICES: COMM SERV	R 3,286,616	To be condoned by Council
Vote 6 - TECHNICAL SERVICES: ENGINEERING	R 11,047,382	To be condoned by Council

38.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure was R nil for the year(2014 - R13 814).

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	52,551	38,737
Fruitless and Wasteful Expenditure current year	-	13,814
Fruitless and Wasteful Expenditure awaiting condonement	<u>52,551</u>	<u>52,551</u>

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
38.3 Irregular Expenditure		
Irregular expenditure to the value of R nil (2014 R 1 049 369) has been identified during the current year.		
Reconciliation of Irregular Expenditure:		
Opening balance	1,049,369	1,279,128
Irregular Expenditure current year	-	1,049,369
Written off by Council	-	-1,279,128
Irregular Expenditure awaiting write-off	<u>1,049,369</u>	<u>1,049,369</u>
Internal investigations into the reasons for the irregular expenditure are underway, before the issues are handed over to legal to be dealt with further.		
39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
39.1 Contributions to organised local government - SALGA		
Council Subscriptions	838,218	603,217
Amount Paid - current year	-838,218	-603,217
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
39.2 Audit Fees		
Current year Audit Fee	4,130,783	3,672,263
Amount Paid - current year	-4,130,783	-3,672,263
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
39.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 16. All VAT returns have been submitted by the due date throughout the year.		
39.4 PAYE, Skills Development Levy and UIF		
Current year Payroll deductions	4,915,810	5,979,943
Amount Paid - current year	-4,915,810	-5,979,943
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
39.5 Pension and Medical Aid Deductions		
Current year Payroll deductions and Council Contributions	11,946,255	14,182,760
Amount Paid - current year	-11,946,255	-14,182,760
Balance Unpaid (included in Creditors)	<u>0</u>	<u>-</u>

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R	
39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
39.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2015	Total	Outstanding up to 90 days	Outstanding more than 90 days
Rates and Services			
Councillor S Van Zyl	847	847	
Councillor IJ Van Zyl	952	952	
Councillor AR Knott-Craig	6,699	3,694	3,006
Councillor MB Meishik	2,295	2,295	-
Councillor AD Gradwell	1,953	1,953	
Councillor AF Pannies	1,242	1,242	
Councillor DJ Coetzee	16,366	1,483	14,883
Councillor SJ Jankovich	248	83	165
	7,952	2,939	5,012
Overpaid Allowances			
Councillor A Booysen			
Councillor AR Knott-Craig	27,936		27,936
	1,747		1,747
	<u>68,236</u>	<u>15,488</u>	<u>52,748</u>
30 June 2014			
Rates and Services			
Councillor S Van Zyl	334	334	-
Councillor IJ Van Zyl	195	195	
Councillor AR Knott-Craig	506	506	-
Councillor MB Meishik	5,201	2,063	3,138
Councillor AD Gradwell	5,880	1,323	4,557
Councillor H Makoba	2,034	2,034	-
Councillor JD Swemmer	99	99	-
Councillor EA Ruiters	99	99	-
Councillor AF Pannies	-869	-869	-
Councillor DJ Coetzee	278	278	-
Councillor SJ Jankovich	10,892	302	10,590
Overpaid Allowances			
Councillor A Booysen	30,009	-	30,009
Councillor AR Knott-Craig	8,548	-	8,548
	<u>63,207</u>	<u>6,364</u>	<u>56,843</u>

39.7 Non-Compliance with the Municipal Finance Management Act

Instance of non-compliance with the MFMA relate to Irregular, Fruitless and Wasteful Expenditure.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

39.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Applicable SCM policy guideline	Date	Successful Tenderer	Reason	Amount
39(1)(a)(i)	Year 2014/15	Various occasions (26)	Emergency in terms of Camdeboo Municipality SCM Policy	557,906
39(1)(a)(ii)	Year 2014/15	Various occasions (266)	Sole provider of goods and services/Agents/ Limited suppliers within area.	3,129,921
39(1)(a)(v)	Year 2014/15	Various occasions (7)	Any exceptional case where it is impractical or impossible to follow the official procurement processes. Quotations that were advertised or asked for, but were unable to obtain three	2,831,816

39.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA
Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Cost per Kwh	Value
30 June 2015	Unaccounted Electricity Losses	5,163,234	0.57	2,957,660
30 June 2014	Unaccounted Electricity Losses	7,312,091	0.5200	3,802,287

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported. The losses relate as follows, 95% are technical losses which amounts to R 2 809 777 (2014: R 3 612 173) and 5% are non-technical losses which amounts to R 147 883 (2014: R 190 114)

Water:

		Lost Units	Tariff	Value
30 June 2015	Unaccounted Water Losses	1,742,475	5.59	9,733,729
30 June 2014	Unaccounted Water Losses	1,869,110	4.1100	7,682,044

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The losses relate as follows, 95% are technical losses which amounts to R 9 247 042 (2014: R 7 297 942) and 5% are non-technical losses which amounts to R 486 686 (2014: R 384 102)

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
40. COMMITMENTS FOR EXPENDITURE		
40.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	16,611,318	15,061,614
Infrastructure	11,012,327	11,289,986
Community	4,658,077	349,594
Other	940,914	3,422,034
Total Capital Commitments	16,611,318	15,061,614
This expenditure will be financed from:		
Government Grants	7,803,483	10,697,210
Own Resources	8,807,835	4,364,404
	16,611,318	15,061,614
40.2 Lease Commitments - Amounts payable under Operating Leases		
At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:		
Other Equipment:	-	1,280,985
Up to 1 year	-	1,280,984
2 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	-	1,280,985
The following expenses have been recognised in the Statement of Financial Performance:		
Operating expenditure	573,933	733,789
Total Operating Lease Expenses	573,933	733,789
The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:		
- Office Equipment		
The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:		
(i) The equipment shall remain the property of the lessor.		
(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.		
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.		
(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.		

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
41. FINANCIAL INSTRUMENTS			
41.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>	2015	2014
		R	R
Receivables from Exchange Transactions			
Electricity	Amortised cost	11,904,958	11,044,955
Refuse	Amortised cost	5,389,905	4,158,691
Sewerage	Amortised cost	12,341,396	9,127,599
Water	Amortised cost	23,899,367	19,813,467
Other Receivables	Amortised cost	5,078,577	5,643,208
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	4,548,831	1,016,673
Accruals	Amortised cost	-	-
Sundry Deposits	Amortised cost	100,000	100,000
Sundry Debtors	Amortised cost	1,965,352	1,293,294
Government Subsidy	Amortised cost	-	-
Cash and Cash Equivalents			
Call Deposits	Amortised cost	21,597,298	29,658,401
Bank Balances	Amortised cost	-219,770	-1,842,499
Cash Floats and Advances	Amortised cost	2,000	2,140
SUMMARY OF FINANCIAL ASSETS			
Receivables from Exchange Transactions	Electricity	11,904,958	11,044,955
Receivables from Exchange Transactions	Refuse	5,389,905	4,158,691
Receivables from Exchange Transactions	Sewerage	12,341,396	9,127,599
Receivables from Exchange Transactions	Water	23,899,367	19,813,467
Receivables from Exchange Transactions	Other Debtors	5,078,577	5,643,208
Receivables from Non-exchange Transactions	Assessment Rates Debtors	4,548,831	1,016,673
Receivables from Non-exchange Transactions	Payments made in Advance	603,217	603,217
Receivables from Non-exchange Transactions	Accruals	-	-
Receivables from Non-exchange Transactions	Sundry Deposits	100,000	100,000
Receivables from Non-exchange Transactions	Sundry Debtors	1,965,352	1,293,294
Receivables from Non-exchange Transactions	Government Subsidy	-	-
Cash and Cash Equivalents	Call Deposits	21,597,298	29,658,401
Cash and Cash Equivalents	Bank Balances	-219,770	-1,842,499
Cash and Cash Equivalents	Cash Floats and Advances	2,000	2,140
Total Financial Assets		<u>87,764,220</u>	<u>80,619,145</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>	2014	2013
		R	R
Consumer Deposits	Amortised cost	2,133,554	1,466,482
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	14,415,760	2,684,696
Retentions	Amortised cost	37,932	37,932
Other Creditors	Amortised cost	5,406,948	115,714
Payables from Non-exchange Transactions			
Sundry Deposits	Amortised cost	-	-

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
41. FINANCIAL INSTRUMENTS (Continued)		
41.2 Capital Risk Management		
The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.		
Gearing Ratio		
The gearing ratio at the year-end was as follows:		
	2014 R	2013 R
Debt	77,658,657	57,149,346
Cash and Cash Equivalents	-21,599,298	-29,660,541
Net Debt	56,059,359	27,488,805
Equity	633,915,825	674,055,491
Net debt to equity ratio	9%	4%

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

41.3 Financial Risk Management Objectives

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

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

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R 2014
R

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Significant Risks (Continued)

Credit Risk

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

Liquidity Risk

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

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

41.5 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

41. FINANCIAL INSTRUMENTS (Continued)

41.6.2 Interest Rate Risk Management (Continued)

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's

- Surplus for the year ended 30 June 2015 would have increased / decreased by R nil (30 June 2014: increased / decreased by R nil). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

41.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank, Investec and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
41. FINANCIAL INSTRUMENTS (Continued)			
41.7 Credit Risk Management (Continued)			
The table below shows the balance of the 5 major counterparties at the Reporting date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.			
Counterparty and Location	Credit Limit R	30 June 2015 Carrying Amount R	30 June 2014 Credit Limit R
ALLIANCE INTERNET	-	1,533,916	-
NURSING KOSHUIS	-	1,194,193	-
P.J. LATEGAN	-	-	-
SPANDAU KOSHUIS	-	758,034	-
NATIONAL PUBLIC WORKS	-	619,847	-
	-	592,701	-
			1,215,424
			652,755
			576,918
			560,665
			477,333
			103,210
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:			
Consumer Debtors			18,723,804
Other Debtors			16,232,906
Bank, Cash and Cash Equivalents			21,379,528
Maximum Credit and Interest Risk Exposure			56,336,238
			66,380,887
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:			
	%	%	
Consumer Debtors:			
- Household		13%	11%
- Industrial / Commercial		7%	6%
- National and Provincial Government		42%	36%
Other Debtors:			
- Other not Classified		10%	3%
Total Credit Risk		61%	56%
Bank and Cash Balances			
ABSA Bank Ltd		820,886	5,121,799
Nedbank		-	20,026,740
Standard Bank		10,190,319	-
Investec		2,938	52,586
First National Bank		10,363,385	2,614,777
Cash Equivalents		2,000	2,140
Total Bank and Cash Balances		21,379,528	27,818,042
Credit quality of Financial Assets:			
The credit quality of financial assets 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 Exchange Transactions			
Counterparties without external credit rating:-			
Group 1		5,071,867	7,542,767
Group 2		732,513	1,089,377
		5,804,380	8,632,144
Total Receivables from Exchange Transactions		5,804,380	8,632,144
			1,230,581
Receivables from Non-exchange Transactions			
Group 1		5,585,535	4,670,115
Total Receivables from Non-exchange Transactions		5,585,535	4,670,115

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Credit Risk Management (Continued)

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

Account No.	Account Name	Account Type	Account Sub	Account Description	Account Balance	Account Debit	Account Credit	Account Total	Account Status	Account Date	Account Period	Account Location	Account Category	Account Sub-Category	Account Item	Account Unit	Account Price	Account Qty	Account Amount	Account Tax	Account Total	Account Remark
10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	10000000000000000000	

CAMDEBOO MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

41. FINANCIAL INSTRUMENTS (Continued)

41.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

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

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate %	Total	6 Months	6 - 12	1 - 2	2 - 5	More than
				or less	Months	Years	Years	5 Years
			R	R	R	R	R	R
30 June 2015								
Non-interest Bearing		0.00%	27,431,376	27,431,376	-	-	-	-
- Payables from Exchange transactions			24,815,517	24,815,517	-	-	-	-
- Payables from Non-exchange transactions			2,615,859	2,615,859	-	-	-	-
			27,431,376	27,431,376	-	-	-	-
30 June 2014								
Non-interest Bearing		0.00%	7,528,150	7,528,150	-	-	-	-
- Payables from Exchange transactions			6,788,836	6,788,836	-	-	-	-
- Payables from Non-exchange transactions			739,314	739,314	-	-	-	-
			7,528,150	7,528,150	-	-	-	-