



# **GARIEP MUNICIPALITY**

***ANNUAL FINANCIAL STATEMENTS***

***for the year ended***

***30 June 2016***

**GARIEP MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**INDEX**

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**GARIEP MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2016**

**GENERAL INFORMATION**

**GENERAL INFORMATION**

Gariep Municipality (the municipality) is a local government institution in Burgersdorp, Eastern Province, and is one of four local municipalities under the jurisdiction of the Joe Gqabi District Municipality. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**MAYOR**

NW Ngoqo

**GRADING OF THE LOCAL AUTHORITY**

Grade 2

**EXTERNAL AUDITORS**

Office of the Auditor General (East London)  
PO Box 13252  
East London  
5217

**PRIMARY BANKER**

ABSA Bank

**REGISTERED OFFICE**

1 Jan Greyling Street  
Burgersdorp  
9744

PO Box 13  
Burgersdorp  
9744

Telephone: (051) 653-1777  
Website: <http://www.gariep.gov.za/>

Facsimile: (051) 653-0056

**GARIEP MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**GENERAL INFORMATION (continued)**

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 117, 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.

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**T MAWONGA**  
**MUNICIPAL MANAGER**  
31 August 2016

**GARIEP MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**MEMBERS OF THE COUNCIL**

Cllr. NW Ngoqo  
Cllr. SB Kolase  
Cllr. MK Mnyombolo  
Cllr. TZ Notyeke  
Cllr. N Mabunu  
Cllr. B Kweyiya  
Cllr. AJ Van Heerden  
Cllr. AM van Zyl  
Cllr. NTT Kula  
Cllr. M Nel

**Mayor**  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor

**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, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**T MAWONGA**  
**MUNICIPAL MANAGER**  
31 August 2016

**GARIEP MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**AUDIT REPORT**

The 2015/16 Audit Report will be attached hereto when received, after the completion of the statutory audit.

**GARIEP MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Note	Actual	
		2016 R	2015 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>37,218,446</b>	<b>25,179,672</b>
Inventories	1	19,355	118,401
Receivables from Exchange Transactions	2	14,800,048	11,292,741
Receivables from Non-exchange Transactions	3	9,410,599	12,285,406
VAT Receivable	4	11,906,978	718,314
Cash and Cash Equivalents	5	1,081,467	764,810
<b>Non-Current Assets</b>		<b>334,925,762</b>	<b>334,734,468</b>
Property, Plant and Equipment	6	226,737,573	225,578,061
Intangible Assets	7	172,279	345,031
Investment Property	8	107,284,498	108,017,764
Heritage Assets	13	663,162	663,162
Biological Assets	10	68,250	130,450
<b>Total Assets</b>		<b>372,144,207</b>	<b>359,914,140</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>133,057,043</b>	<b>108,643,685</b>
Consumer Deposits	11	154,736	112,920
Provisions	12	1,143,258	651,895
Payables from Exchange Transactions	13	80,048,891	67,992,479
Payables from Non-exchange Transactions	14	48,796,604	37,348,692
Unspent Conditional Grants and Receipts	15	2,570,578	550,885
Current Portion of Long-term Liabilities	16	342,976	1,986,815
<b>Non-Current Liabilities</b>		<b>21,833,616</b>	<b>22,094,355</b>
Long-term Liabilities	16	568,978	1,325,616
Employee Benefit Liabilities	17	18,511,730	13,515,017
Non-current Provisions	18	2,752,908	7,253,722
<b>Total Liabilities</b>		<b>154,890,659</b>	<b>130,738,040</b>
<b>Total Assets and Liabilities</b>		<b>217,253,548</b>	<b>229,176,100</b>
<b>NET ASSETS</b>		<b>217,253,548</b>	<b>229,176,100</b>
Accumulated Surplus / (Deficit)	19	217,253,548	229,176,100
<b>Total Net Assets</b>		<b>217,253,548</b>	<b>229,176,100</b>

# GARIEP MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016 R	2015 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	20	7,245,532	6,511,217
Property Rates - Penalties imposed and collection charges	26	-	-
Fines	21	91,322	5,433
Income from Agency Services	22	1,350,380	1,807,252
Government Grants and Subsidies Received	23	74,814,805	40,044,689
<b>Revenue from Exchange Transactions</b>			
Service Charges	24	24,098,992	23,201,687
Rental of Facilities and Equipment	25	178,030	122,964
Interest Earned - External Investments	26	198,599	139,650
Interest Earned - Outstanding Debtors	26	4,259,736	7,243,571
Other Revenue	27	900,396	387,582
Gains on Other Operations	38	520,127	112,683
Gains on Disposal of Assets	39	185,268	-
<b>Total Revenue</b>		<b>113,843,186</b>	<b>79,576,729</b>
<b>EXPENDITURE</b>			
Employee Related Costs	28	40,784,633	30,432,436
Remuneration of Councillors	29	3,441,000	2,960,049
Depreciation and Amortisation	30	16,419,205	16,813,154
Impairment Losses	31	9,515,549	8,538,196
Repairs and Maintenance	32	656,087	1,337,617
Finance Costs	33	11,560,167	7,256,227
Bulk Purchases	34	22,032,531	19,673,642
Contracted Services	35	8,097,691	7,039,485
Grants and Subsidies Paid	36	1,659,893	2,424,253
General Expenses	37	10,931,714	12,897,447
Loss on Disposal of Property, Plant and Equipment	39	667,269	-
<b>Total Expenditure</b>		<b>125,765,737</b>	<b>109,372,506</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(11,922,552)</b>	<b>(29,795,776)</b>

Refer to Budget Statement for explanation of budget variances



## GARIEP MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2015</b>		
Balance at 30 June 2014	247,336,563	247,336,563
Correction of Error (Note 41)	11,635,313	11,635,313
<b>Restated Balance</b>	<b>258,971,876</b>	<b>258,971,876</b>
Surplus / (Deficit) for the year	(29,795,776)	(29,795,776)
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
<b>Balance at 30 June 2015</b>	<b>229,176,100</b>	<b>229,176,100</b>
<b>2016</b>		
<b>Restated Opening Balance</b>	<b>229,176,100</b>	<b>229,176,100</b>
Surplus / (Deficit) for the year	(11,922,540)	(11,922,540)
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
<b>Balance at 30 June 2016</b>	<b>217,253,560</b>	<b>217,253,560</b>

Effect of 2015 Corrections of Errors were R-1,549,143

Further details on the movement of the Funds and Reserves and corrections done are set out in Note 19.

**GARIEP MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Actual	
		2016 R	2015 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	20	6,450,659	4,486,685
Government Grant and Subsidies	23	76,834,499	36,965,000
Service Charges	24	13,837,114	12,315,534
Interest Received	26	198,599	139,650
Other Receipts	27	(658,314)	9,680,520
<b>Payments</b>			
Employee Related Costs	28	(35,296,557)	(31,189,524)
Remuneration of Councillors	29	(3,441,000)	(2,960,049)
Interest Paid	33	(11,560,167)	(7,256,227)
Suppliers Paid	35	(14,641,098)	(4,509,402)
Other Payments	37	(5,606,422)	(6,313,362)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>26,117,312</b>	<b>11,358,824</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	6	(24,351,940)	(10,121,990)
Proceeds on Disposal of Property, Plant and Equipment	39	951,762	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(23,400,178)</b>	<b>(10,121,990)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	16	(2,400,477)	(1,821,753)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(2,400,477)</b>	<b>(1,821,753)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>316,657</b>	<b>(584,918)</b>
Cash and Cash Equivalents at Beginning of Period		764,810	1,349,729
Cash and Cash Equivalents at End of Period	5	1,081,467	764,810

**GARIEP MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Expenditure Overspent	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	146,179	-	146,179	-	146,179	19,355	-	(126,824)	13.24
Receivables from Exchange Transactions	8,862,133	-	8,862,133	-	8,862,133	14,800,048	-	5,937,915	167.00
Receivables from Non-exchange Transactions	18,048,316	-	18,048,316	-	18,048,316	9,410,599	-	(8,637,717)	52.14
VAT Receivable	-	-	-	-	-	11,906,978	-	11,906,978	0.00
Cash and Cash Equivalents	(33,000,196)	-	(33,000,196)	-	(33,000,196)	1,081,467	-	34,081,663	0.00
<b>Non-Current Assets</b>									
Property, Plant and Equipment	378,271,196	-	378,271,196	-	378,271,196	226,737,573	-	(151,533,623)	59.94
Intangible Assets	-	-	-	-	-	172,279	-	172,279	0.00
Investment Property	-	-	-	-	-	107,284,498	-	107,284,498	0.00
Heritage Assets	-	-	-	-	-	663,162	-	663,162	0.00
Biological Assets	-	-	-	-	-	68,250	-	68,250	0.00
<b>Total Assets</b>	<b>372,327,628</b>	<b>-</b>	<b>372,327,628</b>	<b>-</b>	<b>372,327,628</b>	<b>372,144,207</b>	<b>-</b>	<b>(183,421)</b>	<b>99.95</b>
<b>Current Liabilities</b>									
Consumer Deposits	533,381	-	533,381	-	533,381	154,736	-	(378,645)	29.01
Provisions	408,795	-	408,795	-	408,795	1,143,258	-	734,462	279.67
Payables from Exchange Transactions	89,155,460	-	89,155,460	-	89,155,460	80,048,891	-	(9,106,569)	89.79
Payables from Non-exchange Transactions	-	-	-	-	-	48,796,604	-	48,796,604	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	2,570,578	-	2,570,578	0.00
VAT Payable	-	-	-	-	-	-	-	-	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	342,976	-	342,976	0.00
<b>Non-Current Liabilities</b>									
Long-term Liabilities	2,397,630	-	2,397,630	-	2,397,630	568,978	-	(1,828,652)	23.73
Retirement Benefit Liabilities	15,703,504	-	15,703,504	-	15,703,504	18,511,730	-	2,808,226	117.88
Non-current Provisions	-	-	-	-	-	2,752,908	-	2,752,908	0.00
<b>Total Liabilities</b>	<b>108,198,772</b>	<b>-</b>	<b>108,198,772</b>	<b>-</b>	<b>108,198,772</b>	<b>154,890,659</b>	<b>-</b>	<b>46,691,887</b>	<b>143.15</b>
<b>Total Assets and Liabilities</b>	<b>264,128,856</b>	<b>-</b>	<b>264,128,856</b>	<b>-</b>	<b>264,128,856</b>	<b>217,253,548</b>	<b>-</b>	<b>(46,875,308)</b>	<b>82.25</b>
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	264,128,856	-	264,128,856	-	264,128,856	217,253,548	-	(46,875,308)	82.25
<b>Total Net Assets</b>	<b>264,128,856</b>	<b>-</b>	<b>264,128,856</b>	<b>-</b>	<b>264,128,856</b>	<b>217,253,548</b>	<b>-</b>	<b>(46,875,308)</b>	<b>82.25</b>

*Financial Position: Explanation of Variances between Approved Budget and Actual*

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	19,833,169	-	19,833,169	-	19,833,169	7,245,532	-	(12,587,638)	36.53
Property Rates - Penalties imposed and collection charges	1,212,629	-	1,212,629	-	1,212,629	-	-	(1,212,629)	0.00
Fines	9,845	-	9,845	-	9,845	91,322	-	81,477	927.59
Licences and Permits	-	-	-	-	-	-	-	-	0.00
Income for Agency Services	6,566,721	-	6,566,721	-	6,566,721	1,350,380	-	(5,216,341)	20.56
Government Grants and Subsidies Received - Operational	16,611,580	-	16,611,580	-	16,611,580	47,614,800	-	31,003,220	286.64
Public Contributions and Donations	-	-	-	-	-	-	-	-	0.00
<b>Revenue from Exchange Transactions</b>									
Service Charges	27,422,101	-	27,422,101	-	27,422,101	24,098,992	-	(3,323,109)	87.88
Rental of Facilities and Equipment	191,018	-	191,018	-	191,018	178,030	-	(12,988)	93.20
Interest Earned - External Investments	207,881	-	207,881	-	207,881	198,599	-	(9,282)	95.53
Interest Earned - Outstanding Debtors	4,115,942	-	4,115,942	-	4,115,942	4,259,736	-	143,794	103.49
Other Income	713,669	-	713,669	-	713,669	900,396	-	186,727	126.16
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	185,268	-	185,268	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	0.00
<b>Total Revenue</b>	<b>76,884,556</b>	<b>-</b>	<b>76,884,556</b>	<b>-</b>	<b>76,884,556</b>	<b>86,643,180</b>	<b>-</b>	<b>9,758,624</b>	<b>112.69</b>
<b>Expenditure</b>									
Employee Related Costs	39,408,521	-	39,408,521	-	39,408,521	40,784,633	1,376,112	1,376,112	103.49
Remuneration of Councillors	3,927,324	-	3,927,324	-	3,927,324	3,441,000	-	(486,325)	87.62
Collection Costs	-	-	-	-	-	-	-	-	0.00
Depreciation and Amortisation	18,087,934	-	18,087,934	-	18,087,934	16,419,205	-	(1,668,729)	90.77
Impairment Losses	3,112,944	-	3,112,944	-	3,112,944	9,515,549	6,402,604	6,402,604	305.68
Repairs and Maintenance	951,623	-	951,623	-	951,623	656,087	-	(295,536)	68.94
Finance Costs	5,076,903	-	5,076,903	-	5,076,903	11,560,167	6,483,264	6,483,264	227.70
Bulk Purchases	16,000,000	-	16,000,000	-	16,000,000	22,032,531	6,032,531	6,032,531	137.70
Contracted Services	6,574,584	-	6,574,584	-	6,574,584	8,097,691	1,523,106	1,523,106	123.17
Grants and Subsidies Paid	19,675,704	-	19,675,704	-	19,675,704	1,659,893	-	(18,015,811)	8.44
General Expenses	9,602,898	-	9,602,898	-	9,602,898	10,931,714	1,328,816	1,328,816	113.84
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	667,269	667,269	667,269	0.00
<b>Total Expenditure</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>125,765,737</b>	<b>23,813,703</b>	<b>3,347,302</b>	<b>102.73</b>
<b>Surplus/(Deficit)</b>									
Transfers Recognised - Capital	(45,533,879)	-	(45,533,879)	-	(45,533,879)	(39,122,557)	(23,813,703)	6,411,322	0.00
	26,596,000	-	26,596,000	-	26,596,000	27,200,005	604,005	604,005	102.27
<b>Surplus/(Deficit for the Year)</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>(11,922,552)</b>	<b>(23,209,697)</b>	<b>7,015,327</b>	<b>-</b>

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

**Property Rates:**

Insufficient budgeting not taking the newly approved rates and new valuation roll into consideration accurately.

**Property Rates - Penalties imposed and collection charges:**

Insufficient budgeting not taking the newly approved rates and new valuation roll into consideration accurately.

**Fines:**

The actual fine recovery was much better than expected during the budgetary period.

**Income for Agency Services:**

Income for Agency Services exceeded budgetary expectations.

**Government Grants and Subsidies Received:**

Government Grants and Subsidies Received exceeded budgetary expectations.

**Service Charges:**

Service Charges was lower than expected due to various reasons such as unavailability of Electricity at certain periods, as well as consumers' budget constraints.

**Rental of Facilities and Equipment:**

Certain buildings were vacant during the year due to insufficient interest in rental.

**Other Income:**

Other Income received exceeded budgetary expectations.

**Gains on Disposal of Property, Plant and Equipment:**

During the budget phase no gains on disposals of assets were expected.

**Remuneration of Councillors:**

The final approved councillors remuneration provided by SALGA was less than expected.

**Depreciation and Amortisation:**

Depreciation and Amortisation decreased due to most projects only being completed near or on year end.

**Impairment Losses:**

Under budgeted for Impairment Losses on Receivables, due to insufficient settlement of debt during the year.

**Repairs and Maintenance:**

In year budgets were similar to the actuals, but upon final review of the assets, it was noted that some items were erroneously included in the repairs account rather than recorded as an addition.

**Finance Costs:**

Due to the late payment terms, interest payable is much higher than expected.

**Bulk Purchases:**

Due to the reduction in service charges, the bulk purchases was also lower due to low demand.

**Contracted Services:**

Expenditure incurred on Professional Contractor fees exceeded budgetary expectations.

**Grants and Subsidies Paid:**

Incorrect Budget, as the municipality also for example included MIG Capital Expenditure within this Operational Expenditure Item.

**General Expenses :**

The general expenses remained similar than those budgeted except for legal fee which is significantly higher than expected due to late payment terms.

**Losses on Other Operations:**

During the budget phase no accounting gains or losses were expected.

**Loss on Disposal of Property, Plant and Equipment:**

During the budget phase no gains on disposals of assets were expected.

**Transfers Recognised - Capital:**

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>									
Executive and Council	1,000,000	(1,000,000)	-	-	-	-	-	-	0.00
Community and Social Services	6,000,000	(6,000,000)	-	-	-	-	-	-	0.00
Roads and Transport	4,630,000	21,000,000	25,630,000	-	25,630,000	24,351,940	-	(1,278,060)	95.01
<b>Total Capital Expenditure</b>	<b>11,630,000</b>	<b>14,000,000</b>	<b>25,630,000</b>	<b>-</b>	<b>25,630,000</b>	<b>24,351,940</b>	<b>-</b>	<b>(1,278,060)</b>	<b>95.01</b>

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Property Rates	5,596,885	-	5,596,885	-	5,596,885	6,450,659	853,774	853,774	115.25
Grants	43,207,550	-	43,207,550	-	43,207,550	76,834,499	33,626,949	33,626,949	177.83
Public Contributions and Donations	-	-	-	-	-	-	-	-	0.00
Service Charges	40,660,107	-	40,660,107	-	40,660,107	13,837,114	-	(26,822,994)	34.03
Interest Received	4,538,675	-	4,538,675	-	4,538,675	198,599	-	(4,340,076)	4.38
Other Receipts	6,023,377	-	6,023,377	-	6,023,377	(658,314)	-	(6,681,691)	0.00
Employee Related Costs	(40,778,717)	-	(40,778,717)	-	(40,778,717)	(35,296,557)	5,482,160	5,482,160	0.00
Remuneration of Councillors	(3,927,324)	-	(3,927,324)	-	(3,927,324)	(3,441,000)	486,325	486,325	0.00
Interest Paid	(264,031)	-	(264,031)	-	(264,031)	(11,560,167)	-	(11,296,136)	0.00
Suppliers Paid	(59,495,592)	-	(59,495,592)	-	(59,495,592)	(14,641,098)	44,854,494	44,854,494	0.00
Other Payments	(17,601,628)	-	(17,601,628)	-	(17,601,628)	(5,606,422)	11,995,205	11,995,205	0.00
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(10,629,550)	-	(10,629,550)	-	(10,629,550)	(24,351,940)	-	(13,722,390)	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	951,762	951,762	951,762	0.00
<b>Cash Flows from/(used in) Financing Activities</b>									
New Loans raised	-	-	-	-	-	-	-	-	0.00
Loans repaid	(329,948)	-	(329,948)	-	(329,948)	(2,400,477)	-	(2,070,529)	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(33,000,196)</b>	-	<b>(33,000,196)</b>	-	<b>(33,000,196)</b>	<b>316,657</b>	<b>98,250,669</b>	<b>33,316,852</b>	<b>0.00</b>

**Cash Flow: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	37,548	-	37,548	-	37,548	118,401	-	80,853	315.33
Receivables from Exchange Transactions	81,349,816	-	81,349,816	-	81,349,816	11,292,741	-	(70,057,075)	13.88
Receivables from Non-exchange Transactions	39,751	-	39,751	-	39,751	12,285,406	-	12,245,655	30,905.90
VAT Receivable	-	-	-	-	-	718,314	-	718,314	0.00
Cash and Cash Equivalents	18,442,200	-	18,442,200	-	18,442,200	764,810	-	(17,677,390)	4.15
<b>Non-Current Assets</b>									
Property, Plant and Equipment	83,176,959	-	83,176,959	-	83,176,959	225,578,061	-	142,401,102	271.20
Intangible Assets	-	-	-	-	-	345,031	-	345,031	0.00
Investment Property	-	-	-	-	-	108,017,764	-	108,017,764	0.00
Heritage Assets	-	-	-	-	-	663,162	-	663,162	0.00
Biological Assets	-	-	-	-	-	130,450	-	130,450	0.00
<b>Total Assets</b>	<b>183,046,274</b>	-	<b>183,046,274</b>	-	<b>183,046,274</b>	<b>359,914,140</b>	-	<b>176,867,866</b>	<b>196.62</b>
<b>Current Liabilities</b>									
Consumer Deposits	6,859,933	-	6,859,933	-	6,859,933	112,920	-	(6,747,013)	1.65
Provisions	125,349,946	-	125,349,946	-	125,349,946	651,895	-	(124,698,051)	0.52
Payables from Exchange Transactions	-	-	-	-	-	67,992,479	-	67,992,479	0.00
Payables from Non-exchange Transactions	56,280,012	-	56,280,012	-	56,280,012	37,348,692	-	(18,931,320)	66.36
Unspent Conditional Grants and Receipts	-	-	-	-	-	550,885	-	550,885	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	1,986,815	-	1,986,815	0.00
<b>Non-Current Liabilities</b>									
Long-term Liabilities	2,785,630	-	2,785,630	-	2,785,630	1,325,616	-	(1,460,014)	47.59
Retirement Benefit Liabilities	314,376	-	314,376	-	314,376	13,515,017	-	13,200,641	4,299.00
Non-current Provisions	-	-	-	-	-	7,253,722	-	7,253,722	0.00
<b>Total Liabilities</b>	<b>191,589,898</b>	-	<b>191,589,898</b>	-	<b>191,589,898</b>	<b>130,738,040</b>	-	<b>(60,851,857)</b>	<b>68.24</b>
<b>Total Assets and Liabilities</b>	<b>(8,543,624)</b>	-	<b>(8,543,624)</b>	-	<b>(8,543,624)</b>	<b>229,176,100</b>	-	<b>237,719,723</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	(8,543,624)	-	(8,543,624)	-	(8,543,624)	229,176,100	-	237,719,723	0.00
<b>Total Net Assets</b>	<b>(8,543,624)</b>	-	<b>(8,543,624)</b>	-	<b>(8,543,624)</b>	<b>229,176,100</b>	-	<b>237,719,723</b>	<b>0.00</b>

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	-	9,368,899	9,368,899	-	9,368,899	6,511,217	-	(2,857,682)	69.50
Property Rates - Penalties imposed and collection charges	10,077,000	(10,077,000)	-	-	-	-	-	-	0.00
Fines	19,896	(11,160)	8,736	-	8,736	5,433	-	(3,303)	62.20
Licences and Permits	-	-	-	-	-	-	-	-	0.00
Income for Agency Services	5,066,621	(3,539,817)	1,526,804	-	1,526,804	1,807,252	-	280,448	118.37
Government Grants and Subsidies Received - Operational	42,030,000	2,521,318	44,551,318	-	44,551,318	29,068,689	-	(15,482,629)	65.25
Public Contributions and Donations	-	-	-	-	-	-	-	-	0.00
<b>Revenue from Exchange Transactions</b>									
Service Charges	37,021,960	(9,492,538)	27,529,422	-	27,529,422	23,201,687	-	(4,327,735)	84.28
Rental of Facilities and Equipment	436,962	(276,621)	160,341	-	160,341	122,964	-	(37,377)	76.69
Interest Earned - External Investments	1,164,886	230,372	1,395,258	-	1,395,258	139,650	-	(1,255,608)	10.01
Interest Earned - Outstanding Debtors	5,824,833	(32,983)	5,791,850	-	5,791,850	7,243,571	-	1,451,721	125.06
Other Income	11,929,367	(11,428,451)	500,916	-	500,916	387,582	-	(113,334)	77.37
<b>Total Revenue</b>	<b>113,571,525</b>	<b>(22,737,981)</b>	<b>90,833,544</b>	<b>-</b>	<b>90,833,544</b>	<b>68,600,729</b>	<b>-</b>	<b>(22,232,815)</b>	<b>75.52</b>
<b>Expenditure</b>									
Employee Related Costs	36,202,366	(4,502,288)	31,700,078	-	31,700,078	30,432,436	-	(1,267,642)	96.00
Remuneration of Councillors	3,105,272	594,728	3,700,000	-	3,700,000	2,960,049	-	(739,951)	80.00
Collection Costs	-	-	-	-	-	-	-	-	0.00
Depreciation and Amortisation	8,644,916	-	8,644,916	-	8,644,916	16,813,154	8,168,238	8,168,238	194.49
Impairment Losses	2,900,541	39,929	2,940,470	-	2,940,470	8,538,196	5,597,726	5,597,726	290.37
Repairs and Maintenance	883,779	(657)	883,122	-	883,122	1,337,617	454,495	454,495	151.46
Finance Costs	2,563,200	552,593	3,115,793	-	3,115,793	7,256,227	4,140,434	4,140,434	232.89
Bulk Purchases	22,577,809	1,725,367	24,303,176	-	24,303,176	19,673,642	-	(4,629,534)	80.95
Contracted Services	12,301,745	(6,459,808)	5,841,937	-	5,841,937	7,039,485	1,197,548	1,197,548	120.50
Grants and Subsidies Paid	19,738,423	(2,189,909)	17,548,514	-	17,548,514	2,424,253	-	(15,124,261)	13.81
General Expenses	13,197,070	963,829	14,160,899	-	14,160,899	12,897,447	-	(1,263,452)	91.08
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	0.00
<b>Total Expenditure</b>	<b>122,115,121</b>	<b>(9,276,216)</b>	<b>112,838,905</b>	<b>-</b>	<b>112,838,905</b>	<b>109,372,506</b>	<b>19,558,441</b>	<b>(3,466,399)</b>	<b>96.93</b>
<b>Surplus/(Deficit)</b>	<b>(8,543,596)</b>	<b>(13,461,765)</b>	<b>(22,005,361)</b>	<b>-</b>	<b>(22,005,361)</b>	<b>(40,771,776)</b>	<b>(19,558,441)</b>	<b>(18,766,415)</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	10,976,000	10,976,000	10,976,000	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>(8,543,596)</b>	<b>(13,461,765)</b>	<b>(22,005,361)</b>	<b>-</b>	<b>(22,005,361)</b>	<b>(29,795,776)</b>	<b>(8,582,441)</b>	<b>(7,790,415)</b>	<b>-</b>

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Property Rates	6,745,515	-	6,745,515	-	6,745,515	4,486,685	-	(2,258,830)	66.51
Grants	41,716,200	-	41,716,200	-	41,716,200	36,965,000	-	(4,751,200)	88.61
Public Contributions and Donations	-	-	-	-	-	-	-	-	0.00
Service Charges	27,101,534	-	27,101,534	-	27,101,534	12,315,534	-	(14,786,000)	45.44
Interest Received	5,825,000	-	5,825,000	-	5,825,000	139,650	-	(5,685,350)	2.40
Other Receipts	31,986,951	-	31,986,951	-	31,986,951	9,680,520	-	(22,306,432)	30.26
Employee Related Costs	(36,202,366)	4,502,289	(31,700,077)	-	(31,700,077)	(31,189,524)	510,554	510,554	0.00
Remuneration of Councillors	(3,105,272)	(594,728)	(3,700,000)	-	(3,700,000)	(2,960,049)	739,951	739,951	0.00
Interest Paid	(241,542)	-	(241,542)	-	(241,542)	(7,256,227)	-	(7,014,685)	0.00
Suppliers Paid	(63,216,144)	(3,907,561)	(67,123,705)	-	(67,123,705)	(4,509,402)	62,614,303	62,614,303	0.00
Other Payments	(8,033,928)	-	(8,033,928)	-	(8,033,928)	(6,313,362)	1,720,566	1,720,566	0.00
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(10,427,200)	-	(10,427,200)	-	(10,427,200)	(10,121,990)	305,210	305,210	0.00
<b>Cash Flows from/(used in) Financing Activities</b>									
Loans repaid	(894,155)	-	(894,155)	-	(894,155)	(1,821,753)	-	(927,598)	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(8,745,407)</b>	<b>-</b>	<b>(8,745,407)</b>	<b>-</b>	<b>(8,745,407)</b>	<b>(584,918)</b>	<b>65,890,584</b>	<b>8,160,489</b>	<b>0.00</b>

# GARIEP MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 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 Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, 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 Standards of General Recognised Accounting Practice (GRAP) and Interpretations (IGRAP) issued and effective:**

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 - The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 - Borrowing Costs (as revised in 2013)
- GRAP 6 - Consolidated and Separate Financial Statements
- GRAP 7 - Investments in Associates
- GRAP 8 - Interests in Joint Ventures
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2015)
- GRAP 17 - Property, Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets
- GRAP 100 - Discontinued Operations (as revised in 2013)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfers of Functions Between Entities Under Common Control
- GRAP 106 - Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers
- IGRAP 1 - Applying the Probability Test on Initial Recognition of Revenue (As revised in 2012)
- IGRAP 2 - Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 - Determining whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6 - Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets Received from Customers
- IGRAP 11 - Consolidations – Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities – Non-monetary Contributions by Venturers
- IGRAP 13 - Operating Leases – Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets – Website Costs

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1.2 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

#### 1.3 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 reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing 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 and estimations that 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:

##### 1.3.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 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*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, 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. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.3.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 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*).



## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1.3.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at 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 impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

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

The total increase in estimation of the impairment of Receivables from Exchange Transactions and Receivables from Non-exchange Transactions are disclosed in Notes 2 and 3 to the Annual Financial Statements.

#### 1.3.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 2.3, 3.2 and 4.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its 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.

#### 1.3.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 3.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe 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 impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

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 Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 1, 6, 7, 8 and 9 to the Annual Financial Statements, if applicable.

#### 1.3.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, 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 relevant Notes to the Annual Financial Statements.

# GARIEP MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1.3.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

### 1.3.8 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 relevant Notes to the Annual Financial Statements.

### 1.4 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.

### 1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

### 1.6 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.7 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 March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 108 Statutory Receivables
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

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 in effect, the municipality may select 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.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

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.

## 2. PROPERTY, PLANT AND EQUIPMENT

### 2.1 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.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, 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 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.

#### **2.2 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 municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

#### **2.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the 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 is depreciated separately.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Community</b>	
	Improvements	5 - 60		Community Facilities	5 - 60
				Recreational Facilities	10 - 60
	<b>Infrastructure</b>			<b>Other</b>	
	Electricity	10 - 50		Computer Equipment	5 - 10
	Railways	30		Emergency Equipment	5 - 10
	Roads and Paving	5 - 80		Furniture and Fittings	5 - 15
	Sewerage / Solid Waste	5 - 80		Motor Vehicles	7 - 10
				Office Equipment	5 - 15
				Plant and Equipment	2 - 15
				Specialist Vehicles	10 - 15
				Other Assets	5 - 15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

#### **2.4 Land**

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

#### **2.5 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.

#### **2.6 Incomplete Construction Work**

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

#### **2.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality 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.

#### **2.8 Derecognition**

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 derecognition 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 proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 3. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

##### **3.1 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 it is 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:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) 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 available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

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.

The cost of an Intangible Asset acquired in exchange for 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, its deemed cost is the carrying amount of the asset(s) given up.

##### **3.2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, Intangible Assets are carried at 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. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, 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. The impairment loss is the difference between the carrying amount and the recoverable service 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.

#### 3.3 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 proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

## 4. INVESTMENT PROPERTY

### 4.1 Initial Recognition

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

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

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

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

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

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

#### 4.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

#### 4.3 Derecognition

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

## 5. HERITAGE ASSETS

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

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

#### 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.

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

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

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

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### **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 municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

#### **5.3 Derecognition**

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

### **6. BIOLOGICAL ASSETS**

The municipality changed its Accounting Policy from GRAP 101 to GRAP 27 with no effect on the financial information previously disclosed.

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

#### **6.1 Initial Recognition**

The cost of an item of Biological 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.

Biological Assets are initially recognised at fair value less cost to sell on its acquisition date. The fair value of an item of Biological Assets is the transaction price or the market price.

Agricultural Produce is initially recognised at fair value less costs to sell at the date of the harvest. The municipality applies the measurement methods as described in Accounting Policy 11 on *Inventories*.

#### **6.2 Subsequent Measurement**

Subsequently all Biological Assets are measured at fair value less cost to sell on the reporting date. The fair value of an item of Biological Assets is the transaction price or the market price.

A gain or loss arising from the initial recognition of an item of Biological Assets at fair value less cost to sell and from a change in fair value at the reporting date shall be recognised in the Statement of Financial Performance.

A gain or loss arising from the initial recognition of an item of Agricultural Harvest at fair value less estimate point of sale cost at the date of the harvest shall be recognised in the Statement of Financial Performance.



## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 7. IMPAIRMENT OF ASSETS

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

##### **7.1 Impairment of Cash Generating Assets**

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

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

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

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

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

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

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

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

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

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

##### **7.2 Impairment of Non-cash Generating Assets**

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

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

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

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

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

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

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

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

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

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

#### 8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* 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 municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality 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 municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

##### 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

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 measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
  
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
  
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value

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, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

#### 8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities 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).

#### **8.3 Initial and Subsequent Measurement**

##### **8.3.1 Financial Assets:**

###### **Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### **Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

##### **8.3.2 Financial Liabilities:**

###### **Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### **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.

Prepayments are carried at cost less any accumulated impairment losses.

#### **8.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, 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.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value excluding transaction costs, 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 recoverable.

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.

#### 8.4.2 Financial Assets at Cost

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

#### 8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires 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.

#### 8.6 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.

# GARIEP MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 9. INVENTORIES

#### 9.1 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.

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.

#### 9.2 Subsequent Measurement

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

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

##### 9.2.2 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

##### 9.2.3 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by 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.

### 10. REVENUE RECOGNITION

#### 10.1 General

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

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### **10.2 Revenue from Exchange Transactions**

##### **10.2.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. 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 it 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 all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

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

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

##### **10.2.2 Prepaid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Pre-Paid Electricity Revenue is included in "Sale of Electricity" withing the "Service Charges" note, Note 24

##### **10.2.3 Rentals Received**

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

##### **10.2.4 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.

##### **10.2.5 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.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 10.2.6 Sale of Goods (including Houses)

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

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 10.3 Revenue from Non-exchange Transactions

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

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

##### 10.3.1 Rates and Taxes

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

##### 10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

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

##### 10.3.3 Public Contributions

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

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

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



## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 10.3.4 Government Grants and Receipts

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

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

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

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

#### 10.3.5 Revenue from Agency Services

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

#### 10.3.6 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.

### 11. PROVISIONS

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

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

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.

#### 11.1 Provision for Environmental Rehabilitation

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

### 12. EMPLOYEE BENEFIT LIABILITIES

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

#### **12.1 Short-term Employee Benefits**

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a 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.

#### **12.2 Post-employment Benefits**

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

##### **12.2.1 Defined Contribution Plans**

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

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

##### **12.2.2 Defined Benefit Plans**

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

##### **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. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

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 annually by independent qualified actuaries.

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

##### **Long-service Allowance**

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

##### **Provincially-administered Defined Benefit Plans**

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

##### **Defined Benefit Pension Plans**

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

### 13. LEASES

#### 13.1 Classification

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

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

#### 13.2 The Municipality as Lessee

##### 13.2.1 Finance Leases

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

Subsequent to initial recognition, the leased assets are accounted for 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 finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

##### 13.2.2 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.

#### 13.3 The Municipality as Lessor

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

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

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### **13.4 Determining whether an Arrangement contains a Lease**

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

#### **14. BORROWING COSTS**

All borrowing costs are treated as an expense in the period in which they are incurred.

#### **15. VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

#### **16. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 17. 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.

#### 18. FRUITLESS AND WASTEFUL EXPENDITURE

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 accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

**Changes in Accounting Estimates** are applied prospectively 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 impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

#### 20. 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.

#### 21. 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 municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

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

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 22. COMMITMENTS

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

Commitments are disclosed for:

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

#### 23. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

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

#### 24. 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 Notes to the Annual Financial Statements.

#### 25. MERGERS

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

The assets and liabilities that qualify for recognition by the combined entity or transfer and derecognition by the combining entities in a merger are normally governed by the terms and conditions of the binding arrangement. Such assets and liabilities must be part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

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

As of the merger date, all the assets acquired and liabilities assumed are recognised and measured at their carrying amounts.

The difference between the carrying amounts of the assets acquired and the liabilities assumed and any adjustments required to the basis of accounting, shall be recognised in accumulated surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

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

Any assets acquired and any liabilities assumed in a merger are subsequently measured in accordance with the applicable Standards of GRAP.

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

## GARIEP MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 26. COMPARATIVE INFORMATION

##### **26.1 Current Year Comparatives**

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

##### **26.2 Prior Year Comparatives**

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

##### **26.3 Budget Information**

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

The approved budget covers the period from 1 July 2015 to 30 June 2016.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>1. INVENTORIES</b>		
Consumable Stores	55,009	67,015
Maintenance Materials	92,069	67,142
Spare Parts	21,844	15,559
<i>Less: Provision for Obsolete Stock</i>	(149,567)	(31,314)
<b>Total Inventories</b>	<b>19,355</b>	<b>118,401</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

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

**2. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
Service Debtors:	38,890,636	27,685,856	11,204,780
Electricity	9,666,222	4,561,614	5,104,608
Refuse	29,224,414	23,124,242	6,100,172
Other Receivables	15,441,054	11,845,786	3,595,267
<b>Total Receivables from Exchange Transactions</b>	<b>54,331,690</b>	<b>39,531,642</b>	<b>14,800,048</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Service Debtors:	30,399,748	21,802,139	8,597,609
Electricity	7,608,833	4,295,448	3,313,384
Refuse	22,790,916	17,506,691	5,284,225
Other Receivables	13,670,064	10,974,932	2,695,132
<b>Total Receivables from Exchange Transactions</b>	<b>44,069,812</b>	<b>32,777,071</b>	<b>11,292,741</b>

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.

Receivables from Exchange Transactions are billed monthly, latest end of month. 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.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2016, the municipality is owed a total of R6,072,302 (30 June 2015: R7,615,022) by National and Provincial Government, a portion of which is also included in Receivables from Non-Exchange Transactions.

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



**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
R

2015  
R

**2.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2016**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	1,584,565	590,789	345,150	7,145,716	9,666,221
Less: Provision for Impairment	357	495	561	4,560,201	4,561,614
<b>Net Balances</b>	<b>1,584,208</b>	<b>590,294</b>	<b>344,590</b>	<b>2,585,515</b>	<b>5,104,607</b>
<b>Refuse:</b>					
Gross Balances	735,253	646,345	629,021	27,213,796	29,224,415
Less: Provision for Impairment	46	48	36	23,124,112	23,124,241
<b>Net Balances</b>	<b>735,208</b>	<b>646,298</b>	<b>628,985</b>	<b>4,089,684</b>	<b>6,100,174</b>
<b>Other Receivables:</b>					
Gross Balances	111,382	87,944	95,313	15,146,414	15,441,053
Less: Provision for Impairment	-	-	-	11,845,786	11,845,786
<b>Net Balances</b>	<b>111,382</b>	<b>87,944</b>	<b>95,313</b>	<b>3,300,628</b>	<b>3,595,267</b>

As at 30 June Receivables of R14,800,048 were past due but not impaired. The total age analysis of the Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	2,431,200	1,325,079	1,069,484	49,505,926	54,331,689
Less: Provision for Impairment	403	543	596	39,530,099	39,531,641
<b>Net Balances</b>	<b>2,430,798</b>	<b>1,324,536</b>	<b>1,068,888</b>	<b>9,975,826</b>	<b>14,800,048</b>

**As at 30 June 2015**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	847,356	476,375	327,133	5,957,969	7,608,833
Less: Provision for Impairment	637	1,087	1,484	4,292,240	4,295,448
<b>Net Balances</b>	<b>846,719</b>	<b>475,288</b>	<b>325,650</b>	<b>1,665,729</b>	<b>3,313,385</b>
<b>Refuse:</b>					
Gross Balances	719,711	648,246	616,688	20,806,271	22,790,916
Less: Provision for Impairment	180	214	262	17,506,034	17,506,690
<b>Net Balances</b>	<b>719,531</b>	<b>648,032</b>	<b>616,426</b>	<b>3,300,237</b>	<b>5,284,226</b>
<b>Other Receivables:</b>					
Gross Balances	105,827	90,114	89,792	13,384,331	13,670,063
Less: Provision for Impairment	4	7	11	10,974,910	10,974,932
<b>Net Balances</b>	<b>105,823</b>	<b>90,106</b>	<b>89,781</b>	<b>2,409,421</b>	<b>2,695,131</b>

As at 30 June Receivables of R11,292,742 were past due but not impaired. The age analysis of the Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	1,672,893	1,214,735	1,033,613	40,148,571	44,069,812
Less: Provision for Impairment	821	1,309	1,756	32,773,184	32,777,070
<b>Net Balances</b>	<b>1,672,072</b>	<b>1,213,426</b>	<b>1,031,857</b>	<b>7,375,387</b>	<b>11,292,742</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R		
<b>2.2 Summary of Receivables from Exchange Transactions by Customer Classification</b>				
	<b>Household</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>	<b>Other</b>
	R	R	R	R
<b>As at 30 June 2016</b>				
<i>Current:</i>				
0 - 30 days	1,667,982	419,139	344,079	-
<i>Past Due:</i>				
31 - 60 Days	1,067,355	130,940	126,783	-
61 - 90 Days	907,108	66,911	95,466	-
+ 90 Days	44,576,171	1,795,012	3,134,743	-
Sub-total	48,218,615	2,412,002	3,701,071	-
Less: Provision for Impairment	35,315,555	1,537,808	2,678,278	-
<b>Total Trade Receivables by Customer Classification</b>	<b>12,903,060</b>	<b>874,195</b>	<b>1,022,793</b>	<b>-</b>
	<b>Household</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>	<b>Other</b>
	R	R	R	R
<b>As at 30 June 2015</b>				
<i>Current:</i>				
0 - 30 days	1,095,357	290,098	287,438	-
<i>Past Due:</i>				
31 - 60 Days	914,888	103,412	196,436	-
61 - 90 Days	836,788	58,554	138,270	-
+ 90 Days	35,476,269	1,630,541	3,041,761	-
Sub-total	38,323,302	2,082,604	3,663,905	-
Less: Provision for Impairment	28,882,377	1,367,813	2,526,881	-
<b>Total Trade Receivables by Customer Classification</b>	<b>9,440,925</b>	<b>714,792</b>	<b>1,137,025</b>	<b>-</b>

	2016 R	2015 R
<b>2.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	32,777,071	25,592,957
Impairment Losses recognised	6,754,571	7,184,114
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>39,531,642</b>	<b>32,777,071</b>

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

The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**2.4 Ageing of impaired Receivables from Exchange Transactions**

<i>Current:</i>		
0 - 30 Days	403	821
<i>Past Due:</i>		
31 - 60 Days	543	1,309
61 - 90 Days	596	1,756
+ 90 Days	39,530,099	32,773,184
<b>Total</b>	<b>39,531,641</b>	<b>32,777,070</b>
	(0.89)	(0.56)

**2.5 Derecognition of Financial Assets**

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

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R	
<b>3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2016</b>			
Assessment Rates Debtors	12,217,745	10,266,169	1,951,577
Sundry Debtors	7,459,022	-	7,459,022
JGDM Services	-	-	-
<b>Total Receivables from Non-exchange Transactions</b>	<b>19,676,767</b>	<b>10,266,169</b>	<b>9,410,599</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	11,422,873	9,785,032	1,637,841
Sundry Debtors	5,557,959	-	5,557,959
JGDM Services	5,089,606	-	5,089,606
<b>Total Receivables from Non-exchange Transactions</b>	<b>22,070,439</b>	<b>9,785,032</b>	<b>12,285,406</b>

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.

**3.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2016**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	456,857	328,807	298,911	11,133,169	12,217,744
Less: Provision for Impairment	35	54	57	10,266,022	10,266,168
<b>Net Balances</b>	<b>456,822</b>	<b>328,753</b>	<b>298,854</b>	<b>867,148</b>	<b>1,951,576</b>

As at 30 June Receivables of R9,410,425 were past due but not impaired. The age analysis of the total Receivables are as follows:

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	7,915,879	328,807	298,911	11,133,169	19,676,766
Less: Provision for Impairment	208	54	57	10,266,022	10,266,341
<b>Net Balances</b>	<b>7,915,671</b>	<b>328,753</b>	<b>298,854</b>	<b>867,148</b>	<b>9,410,425</b>

**As at 30 June 2015**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	439,714	348,999	316,500	10,317,658	11,422,872
Less: Provision for Impairment	208	228	235	9,784,360	9,785,032
<b>Net Balances</b>	<b>439,506</b>	<b>348,772</b>	<b>316,265</b>	<b>533,298</b>	<b>1,637,840</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
As at 30 June Receivables of R12,285,405 were past due but not impaired. The age analysis of the total Receivables are as follows:		
	<b>Current</b>	<b>Past Due</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i> <i>61 - 90 Days</i> <i>+ 90 Days</i>
<b>All Receivables:</b>		<b>Total</b>
Gross Balances	11,087,279	22,070,437
Less: Provision for Impairment	208	9,785,032
<b>Net Balances</b>	<b>11,087,071</b>	<b>12,285,405</b>

**3.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R
<b>As at 30 June 2016</b>			
<i>Current:</i>			
0 - 30 days	315,163	23,609	118,085
<i>Past Due:</i>			
31 - 60 Days	204,899	14,695	109,213
61 - 90 Days	178,014	14,903	105,994
+ 90 Days	7,971,594	1,123,636	2,037,939
Sub-total	8,669,670	1,176,843	2,371,230
Less: Provision for Impairment	6,881,346	985,981	2,398,841
<b>Total Rates Debtors by Customer Classification</b>	<b>1,788,324</b>	<b>190,862</b>	<b>(27,610)</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R
<b>As at 30 June 2015</b>			
<i>Current:</i>			
0 - 30 days	279,290	17,628	142,796
<i>Past Due:</i>			
31 - 60 Days	195,269	12,018	141,713
61 - 90 Days	164,327	11,509	140,664
+ 90 Days	5,785,378	1,006,338	3,525,942
Sub-total	6,424,264	1,047,493	3,951,116
Less: Provision for Impairment	6,289,578	846,995	2,648,459
<b>Total Rates Debtors by Customer Classification</b>	<b>134,685</b>	<b>200,498</b>	<b>1,302,657</b>

	2016 R	2015 R
<b>3.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	9,785,032	8,633,766
Impairment Losses recognised	481,136	1,151,267
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>10,266,169</b>	<b>9,785,032</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

The municipality holds collateral over certain receivable balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

No provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>4. VAT RECEIVABLE</b>		
Vat Receivable	<u>11,906,978</u>	<u>718,314</u>

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

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

**5. CASH AND CASH EQUIVALENTS**

Current Investments	952,923	489,350
Bank Accounts	119,832	267,060
Cash and Cash Equivalents	8,712	8,400
<b>Total Bank, Cash and Cash Equivalents</b>	<u><b>1,081,467</b></u>	<u><b>764,810</b></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, net of outstanding Bank Overdrafts.

**5.1 Current Investment Deposits**

Call Deposits	952,923	489,350
<b>Total Current Investment Deposits</b>	<u><b>952,923</b></u>	<u><b>489,350</b></u>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest at varying rates.

**Notice Deposits** are investments with a maturity period of less than 12 months and earn interest at varying rates.

The municipality has the following bank accounts that may be used for short term investments:

Account Number	Bank Name	Type Of Account
2067401932	ABSA	Fixed Deposit
2069462077	ABSA	Fixed Deposit
9064489631	ABSA	32-Day Notice Deposit
9059967363	ABSA	Call Account
5064344937	ABSA	32 Day Notice
9272831416	ABSA	Call Account

**5.2 Bank Accounts**

Cash in Bank	119,832	267,060
<b>Total Bank Accounts</b>	<u><b>119,832</b></u>	<u><b>267,060</b></u>

The Municipality has the following bank accounts:

**Primary Bank Account**

*ABSA bank account 1800220161*

Cash book balance at beginning of year	267,060	440,465
Cash book balance at end of year	<u>119,832</u>	<u>267,060</u>
Bank statement balance at beginning of year	440,465	321,595
Bank statement balance at end of year	<u>30,933</u>	<u>440,465</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**5.3 Cash and Cash Equivalents**

Cash Floats and Advances	8,712	8,400
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u><b>8,712</b></u>	<u><b>8,400</b></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.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**6 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2016**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Other	Leased Assets	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>67,643,967</b>	<b>152,131,284</b>	<b>4,044,871</b>	<b>1,757,939</b>	<b>225,578,061</b>
Cost	125,859,524	286,841,168	8,498,574	11,006,768	432,206,034
- Completed Assets	123,566,681	282,562,729	8,498,574	11,006,768	425,634,752
- Under Construction	2,292,843	4,278,439	-	-	6,571,282
Correction of error (Note 41)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	(79,190)	-	(79,190)
Accumulated Depreciation:	(58,215,557)	(134,709,883)	(4,374,513)	(9,248,829)	(206,548,783)
- Cost	(58,215,557)	(134,709,883)	(4,374,513)	(9,248,829)	(206,548,783)
- Revaluation	-	-	-	-	-
Acquisitions	-	-	411,189	-	411,189
Capital under Construction - Additions:	4,523,509	19,417,242	-	-	23,940,751
Depreciation:	(2,359,180)	(11,605,223)	(604,490)	(944,293)	(15,513,186)
Carrying value of Disposals:	-	(148,274)	(471,843)	(813,645)	(1,433,763)
- Cost	-	(457,693)	(1,307,535)	(7,082,205)	(8,847,434)
- Accumulated Impairment Losses	-	-	77,376	-	77,376
- Accumulated Depreciation	-	309,419	758,316	6,268,560	7,336,295
Impairment Losses	(2,155,124)	-	(100,603)	-	(2,255,727)
Capital under Construction - Completed	-	(10,953,651)	-	-	(10,953,651)
Other Movements	-	6,963,899	-	-	6,963,899
- Cost	-	6,466,349	-	-	6,466,349
- Accumulated Depreciation	-	497,550	-	-	497,550
<b>Carrying values at 30 June 2016</b>	<b>67,653,172</b>	<b>155,805,277</b>	<b>3,279,123</b>	<b>1</b>	<b>226,737,573</b>
Cost	130,383,033	301,313,415	7,602,228	3,924,563	443,223,239
- Completed Assets	123,566,681	288,571,384	7,602,228	3,924,563	423,664,856
- Under Construction	6,816,352	12,742,031	-	-	19,558,383
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(2,155,124)	-	(102,418)	-	(2,257,542)
Accumulated Depreciation:	(60,574,737)	(145,508,137)	(4,220,688)	(3,924,562)	(214,228,124)
- Cost	(60,574,737)	(145,508,137)	(4,220,688)	(3,924,562)	(214,228,124)
- Revaluation	-	-	-	-	-

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2015

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Other	Leased Assets	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2014</b>	<b>70,003,146</b>	<b>153,490,946</b>	<b>4,774,161</b>	<b>3,174,380</b>	<b>231,442,634</b>
Cost	125,859,524	276,872,021	8,345,731	11,006,768	422,084,044
- Completed Assets	123,566,681	276,404,689	8,345,731	11,006,768	419,323,869
- Under Construction	2,292,843	467,332	-	-	2,760,176
Correction of error (Note 41)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	-	-	(0)
Accumulated Depreciation:	(55,856,378)	(123,381,075)	(3,571,570)	(7,832,388)	(190,641,411)
- Cost	(55,856,378)	(123,381,075)	(3,571,570)	(7,832,388)	(190,641,411)
- Revaluation	-	-	-	-	-
Acquisitions	-	-	152,843	-	152,843
Capital under Construction - Additions:	-	9,969,147	-	-	9,969,147
Depreciation:	(2,359,180)	(11,328,808)	(802,943)	(1,416,441)	(15,907,372)
Impairment Losses	-	-	(79,190)	-	(79,190)
Capital under Construction - Completed	-	(6,158,040)	-	-	(6,158,040)
Other Movements	-	6,158,040	-	-	6,158,040
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
<b>Carrying values at 30 June 2015</b>	<b>67,643,967</b>	<b>152,131,284</b>	<b>4,044,871</b>	<b>1,757,939</b>	<b>225,578,061</b>
Cost	125,859,524	286,841,168	8,498,574	11,006,768	432,206,034
- Completed Assets	123,566,681	282,562,729	8,498,574	11,006,768	425,634,752
- Under Construction	2,292,843	4,278,439	-	-	6,571,282
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	(79,190)	-	(79,190)
Accumulated Depreciation:	(58,215,557)	(134,709,883)	(4,374,513)	(9,248,829)	(206,548,783)
- Cost	(58,215,557)	(134,709,883)	(4,374,513)	(9,248,829)	(206,548,783)
- Revaluation	-	-	-	-	-

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
R                      2015  
R

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use**

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

**6.2 Impairment of Property, Plant and Equipment**

Impairment Losses on Property, Plant and Equipment to the amount of R2,279,841 (2015: R79,190) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 31.

**7 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

172,279                      345,031

The movement in Intangible Assets is reconciled as follows:

	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>345,031</b>	<b>345,031</b>
Cost	1,034,384	1,034,384
Accumulated Amortisation	(689,353)	(689,353)
Amortisation:	(172,752)	(172,752)
Purchased	(172,752)	(172,752)
Internally Developed	-	-
<b>Carrying values at 30 June 2016</b>	<b>172,279</b>	<b>172,279</b>
Cost	1,034,384	1,034,384
Accumulated Amortisation	(862,105)	(862,105)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>517,546</b>	<b>517,546</b>
Cost	1,034,384	1,034,384
Accumulated Amortisation	(516,838)	(516,838)
Amortisation:	(172,515)	(172,515)
Purchased	(172,515)	(172,515)
Internally Developed	-	-
<b>Carrying values at 30 June 2015</b>	<b>345,031</b>	<b>345,031</b>
Cost	1,034,384	1,034,384
Accumulated Amortisation	(689,353)	(689,353)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

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

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

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

**7.1 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all of its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**7.2 Impairment of Intangible Assets**

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



**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>8 INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<b><u>107,284,498</u></b>	<b><u>108,017,764</u></b>

The movement in Investment Property is reconciled as follows:

<b>Carrying values at 1 July</b>	<b>108,017,764</b>	<b>108,751,031</b>
Cost	125,287,727	125,287,727
Accumulated Depreciation	(17,269,963)	(16,536,696)
Depreciation during the Year	(733,267)	(733,267)
<b>Carrying values at 30 June</b>	<b>107,284,498</b>	<b>108,017,764</b>
Cost	125,287,727	125,287,727
Accumulated Depreciation	(18,003,229)	(17,269,963)

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 "B" 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

**9 HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses	<b><u>663,162</u></b>	<b><u>663,162</u></b>
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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 "B" for more detail on Heritage Assets.

**9.1 Impairment of Heritage Assets**

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

**9.2 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 BIOLOGICAL ASSETS**

At Fair Value	<b><u>68,250</u></b>	<b><u>130,450</u></b>
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The municipality's Biological Assets consist of Game which is kept in the Oviston Nature Reserve. This Game includes Red Wildebeest, Zebra, Donkey, Impala, Brown Blesbuck, White Blesbuck and Rheebeck, in varying

The movement in Biological Assets is reconciled as follows:

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
	Game Count	Total Value
<b>Carrying values at 01 July 2015</b>	<b>52</b>	<b>130,450</b>
Fair Value	89	254,075
Accumulated Impairment Losses	(37)	(123,625)
Acquisitions during the Year	6	9,065
Impairment Losses during the Year	-	(24,114)
Disposals during the Year:	20	(47,151)
At Cost / Fair Value	20	(47,151)
<b>Carrying values at 30 June 2016</b>	<b>78</b>	<b>68,250</b>
Fair Value	115	215,989
Accumulated Impairment Losses	(37)	(147,739)
	Game Count	Total Value
<b>Carrying values at 01 July 2014</b>	<b>86</b>	<b>244,775</b>
Fair Value	86	244,775
Acquisitions during the Year	3	9,300
Impairment Losses during the Year	(37)	(123,625)
<b>Carrying values at 30 June 2015</b>	<b>52</b>	<b>130,450</b>
Fair Value	89	254,075
Accumulated Impairment Losses	(37)	(123,625)

**11 CONSUMER DEPOSITS**

Electricity	154,736	112,920
<b>Total Consumer Deposits</b>	<b>154,736</b>	<b>112,920</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>1,775,596</b>	<b>1,775,596</b>

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the 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.

**12 PROVISIONS**

Performance Bonuses	306,592	0
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 17)	440,304	337,584
Current Portion of Long-term Service Liability (See Note 17)	396,362	314,311
<b>Total Provisions</b>	<b>1,143,258</b>	<b>651,895</b>

**Performance Bonuses** Provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

Refer to Correction of Error Note 41 for more detail in this regard.

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	0	0
Contributions to provision	306,592	-
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>306,592</b>	<b>0</b>

**Current Portion of Non-Current Provisions:**

	Long-term Service R	Post-retirement R
<b>30 June 2016</b>		
Balance at beginning of year	314,311	337,584
Transfer from non-current	82,051	102,720
<b>Balance at end of year</b>	<b>396,362</b>	<b>440,304</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
	Long-term Service R	Post-retirement R
<b>30 June 2015</b>		
Balance at beginning of year	255,000	321,000
Transfer from non-current	59,311	16,584
<b>Balance at end of year</b>	<b>314,311</b>	<b>337,584</b>

**13 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	79,621,507	67,181,032
Retentions	304,038	688,100
Other Creditors	123,346	123,346
<b>Total Payables</b>	<b>80,048,891</b>	<b>67,992,479</b>

The average credit period on purchases is 697 (2015: 599) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

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.

**14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments received in Advance	421,356	421,356
Staff Bonuses - 13th Cheque	853,978	817,926
Staff Leave Accrued	2,565,824	2,491,943
Unallocated Receipts	513,073	445,148
Sundry Deposits	161,133	140,646
JGDM Payable	3,937,744	-
Other Payables	40,343,496	33,031,673
<b>Total Payables</b>	<b>48,796,604</b>	<b>37,348,692</b>

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

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

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

**15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**15.1 Conditional Grants from Government**

	<b>2,570,578</b>	<b>550,885</b>
National Government Grants	2,265,612	245,918
Provincial Government Grants	304,967	304,967
Local Government Grants	(0)	-
<b>Total Conditional Grants and Receipts</b>	<b>2,570,578</b>	<b>550,885</b>

See Note 23 for the reconciliation of Grants from Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

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

**16 LONG-TERM LIABILITIES**

Annuity Loans	911,954	1,234,081
Finance Lease Liabilities	-	2,078,349
Sub-total	911,954	3,312,431
Less: Current Portion transferred to Current Liabilities:-	342,976	1,986,815
Annuity Loans	342,976	342,976
Finance Lease Liabilities	(1)	1,643,839
<b>Total Long-term Liabilities (Neither past due, nor impaired)</b>	<b>568,978</b>	<b>1,325,616</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**                      **2015**  
**R**                                      **R**

The DBSA Annuity Loan is repaid over a period of 10 years and at a municipality concessionary interest rate of 5,00% (7,00% on Arrears) per annum. The Annuity Loan is not secured.

The loan was granted with a municipal concessionary loan of 5% due to the fact that the balances as contained in ABSA Accounts 2067101932 and 9059967363 is held as security thereto. All interest and other rights pertaining to these accounts are ceded to DBSA in the case of the municipality's failure to meet loan repayments.

The initial deposits to these accounts on 31 December 2007 was R321 417 and the balance as at 30 June is R527,607.

Finance Lease Liabilities relates to Office and IT Equipment with lease terms of 5 (2015: 5) years. The effective interest rate on Finance Leases is between 9% and 15.5%. Capitalised Lease Liabilities are secured over the items equipment leased.  
All Finance Leases as per prior period disclosure was terminated during the 2016 financial year.

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

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

Refer to Appendix "A" for more detail on Long-term Liabilities.

**16.1 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2015: 5 years). The effective interest rate on Finance Leases is between 9% and 15.5% (2015: 9% and 15.5%).

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 R	2015 R	2016 R	2015 R
<b>Amounts payable under finance leases:</b>				
Within one year	-	1,764,179	-	1,764,179
In the second to fifth years, inclusive	-	441,045	-	441,045
Over five years	-	-	-	-
	<u>-</u>	<u>2,205,224</u>	<u>-</u>	<u>2,205,224</u>
Less: Future Finance Obligations	-	126,875	-	126,875
<b>Present Value of Minimum Lease Obligations</b>	<u>-</u>	<u><b>2,078,349</b></u>	<u>-</u>	<u><b>2,078,349</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(1)	1,643,839
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<u>1</u>	<u>434,511</u>

The municipality has finance lease agreements for the following significant classes of assets:  
- Office Equipment

**17 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	16,579,034	11,300,502
Long Service Awards Liability	1,932,696	2,214,515
<b>Total Employee Benefit Liabilities</b>	<u><b>18,511,730</b></u>	<u><b>13,515,017</b></u>

**17.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	11,638,086	12,690,000
Contributions to Provision	1,556,192	1,788,000
Increase due to Discounting	4,162,644	(2,518,914)
Expenditure incurred	(337,584)	(321,000)
Balance at end of Year	<u>17,019,338</u>	<u>11,638,086</u>
Transfer to Current Provisions	(440,304)	(337,584)
<b>Total Post-retirement Health Care Benefits Liability</b>	<u><b>16,579,034</b></u>	<u><b>11,300,502</b></u>

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 2016 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)	70	67
In-service Non-members (Employees)	104	
Continuation Members (Retirees, widowers and orphans)	10	8

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>Total Members</b>	<u>184</u>	<u>75</u>
The liability in respect of past service has been estimated as follows:		
In-service Members	7,554,459	6,832,136
In-service Non-members	3,403,207	4,805,950
Continuation Members	6,061,672	
<b>Total Liability</b>	<u>17,019,338</u>	<u>11,638,086</u>
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
<ul style="list-style-type: none"> <li>- Bonitas</li> <li>- Hosmed</li> <li>- Keyhealth</li> <li>- LA Health</li> <li>- Samwumed</li> </ul>		
The Current-service Cost for the year ending 30 June 2016 is estimated to be R528,292, whereas the cost for the ensuing year is estimated to be R440 304 (30 June 2015: R594,000 and R528,292 respectively).		
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	9.12%	8.96%
Health Care Cost Inflation Rate	8.21%	8.08%
Net Effective Discount Rate	0.83%	0.82%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	11,638,086	12,690,000
Current service costs	528,292	594,000
Interest cost	1,027,900	1,194,000
Benefits paid	(337,584)	(321,000)
Actuarial losses / (gains)	4,162,644	(2,518,914)
<b>Total Recognised Benefit Liability</b>	<u>17,019,338</u>	<u>11,638,086</u>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	17,019,338	11,638,086
Unfunded Accrued Liability	17,019,338	11,638,086
<b>Total Benefit Liability</b>	<u>17,019,338</u>	<u>11,638,086</u>
	-0.15	-0.15
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	528,292	594,000
Interest cost	1,027,900	1,194,000
Expenditure Incurred	(337,584)	(321,000)
Actuarial losses / (gains)	4,162,644	(2,518,914)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<u>5,381,252</u>	<u>(1,051,914)</u>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R	2014 R	2013 R	2012 R
<b>The history of experienced adjustments is as follows:</b>					
	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	17,019,338	12,690,000	12,204,000	12,191,000	11,955,000
<b>Deficit</b>	<b><u>17,019,338</u></b>	<b><u>12,690,000</u></b>	<b><u>12,204,000</u></b>	<b><u>12,191,000</u></b>	<b><u>11,955,000</u></b>

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

<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1,876,900	1,876,900
Effect on the defined benefit obligation	20,085,000	13,725,000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	1,305,200	1,305,200
Effect on the defined benefit obligation	14,576,000	9,977,000

The municipality expects to make a contribution of R440 304 (2015: R337 584) to the Defined Benefit Plans during the next financial year.

Refer to Note 48, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**17.2 Long Service Awards Liability**

Balance at beginning of year	2,528,826	2,234,000
Contributions to provision	507,809	814,000
Increase due to discounting	(393,266)	(264,174)
Expenditure incurred	(314,311)	(255,000)
Balance at end of Year	<u>2,329,058</u>	<u>2,528,826</u>
Transfer to Current Provisions	(396,362)	(314,311)
<b>Total Long Service Awards Liability</b>	<b><u>1,932,696</u></b>	<b><u>2,214,515</u></b>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

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

At year end, 193 (2015: 161) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2016 is estimated to be R316,840, whereas the cost for the ensuing year is estimated to be R266 417 (30 June 2015: R638,000 and R316,840 respectively).

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	8.04%	8.04%
Cost Inflation Rate	7.10%	7.10%
Net Effective Discount Rate	88.00%	88.00%
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	2,528,826	2,234,000
Current service costs	316,840	638,000
Interest cost	190,969	176,000
Benefits Vesting	(314,311)	(255,000)
Actuarial losses / (gains)	(393,266)	(264,174)
<b>Total Recognised Benefit Liability</b>	<b><u>2,329,058</u></b>	<b><u>2,528,826</u></b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	2,329,058	2,528,826
Unfunded Accrued Liability	<u>2,329,058</u>	<u>2,528,826</u>
<b>Total Benefit Liability</b>	<b><u>2,329,058</u></b>	<b><u>2,528,826</u></b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	316,840	638,000
Interest cost	190,969	176,000
Benefits Paid	(314,311)	(255,000)
Actuarial losses / (gains)	(393,266)	(264,174)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>(199,768)</b>	<b>294,826</b>

	2016 R	2015 R	2014 R	2013 R	2012 R
<b>The history of experienced adjustments is as follows:</b>					
Present Value of Defined Benefit Obligation	2,329,058	2,528,826	2,234,000	3,150,000	2,460,000
<b>Deficit</b>	<b>2,329,058</b>	<b>2,528,826</b>	<b>2,234,000</b>	<b>3,150,000</b>	<b>2,460,000</b>
	<b>2016 R</b>	<b>2015 R</b>			

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

<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	546,900	546,900
Effect on the defined benefit obligation	2,484,000	2,705,000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	472,700	472,700
Effect on the defined benefit obligation	2,189,000	2,370,000

The municipality expects to make a contribution of R232 260 (2015: R314 311) to the defined benefit plans during the next financial year.

**18 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Land-fill Sites	2,752,908	7,253,722
<b>Total Non-current Provisions</b>	<b>2,752,908</b>	<b>7,253,722</b>

**The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:**

Balance at beginning of year	7,253,722	6,905,676
Increase due to discounting	-	451,429
Expenditure incurred	(4,500,814)	(103,383)
<b>Balance at end of year</b>	<b>2,752,908</b>	<b>7,253,722</b>

**18.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R2,087,027 (2015: R6,574,329) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

	<b>Proposed Rehabilitation</b>		
Steynsburg	2020/21	817,989	1,144,752
Venterstad	2050/51	371,574	1,920,865
Burgersdorp	2043/44	897,465	3,508,712
		<b>2,087,027</b>	<b>6,574,329</b>

**19 ACCUMULATED SURPLUS**

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

Accumulated Surplus / (Deficit) due to the results of Operations	217,253,548	229,176,100
<b>Total Accumulated Surplus</b>	<b>217,253,548</b>	<b>229,176,100</b>

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

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R		2015 R
<b>20 PROPERTY RATES</b>				
	<b>Property Valuations</b>			<b>Actual Levies</b>
	July 2016 R000's		July 2015 R000's	
Agricultural	2,147,575		2,147,575	2,549,190
Commercial	102,768		102,768	235,738
Municipal	121,257		121,257	2,279,939
Residential	472,465		472,465	3,847,743
State	121,257		121,257	2,077,268
<i>Less: Revenue Foregone</i>				(3,744,346)
<b>Total Property Rates</b>	<b><u>2,965,322</u></b>		<b><u>2,965,322</u></b>	<b><u>7,245,532</u></b>
				<b><u>6,511,217</u></b>

**20.1 Calculation of Cash Flow:**

Property Rates Income		7,245,532		6,511,217
Opening Balance of Debtors: Assessment Rates		11,422,873		9,398,341
Closing Balance of Debtors: Assessment Rates		(12,217,745)		(11,422,873)
Amounts written-off as uncollectable		-		-
<b>Total Receipts for Property Rates</b>		<b><u>6,450,659</u></b>		<b><u>4,486,685</u></b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014.

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

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

Tariff Type Category	Tariff (c/R)	% Rebate
MUNICIPAL	0.009282228	100.00%
RESIDENTIAL PROPERTY	0.009282228	R15,000
RESIDENTIAL PROPERTY MIXED USED	0.01448302	
VACANT LAND	0.01931176	
BUSINESS	0.00203092	
FARMS	0.001086316	65.00%
GOVERNMENT	0.026658357	
CHURCHES	0.004611753	100.00%
SPORT	0.00101546	

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.

**21 FINES**

Court Fines		90,880		4,000
Other Fines		442		1,433
<b>Total Fines</b>		<b><u>91,322</u></b>		<b><u>5,433</u></b>

*Fines* have been restated to correctly disclose the revenue for Court Fines in terms of the prescriptions of IGRAP 1, previously not accrued for. Refer to Note 48.2 on "Correction of Error" for details of the

**22 INCOME FROM AGENCY SERVICES**

Traffic Services		1,188,124		1,267,304
Other Agency Income – Water and Sewerage		162,256		539,948
<b>Total Income from Agency Services</b>		<b><u>1,350,380</u></b>		<b><u>1,807,252</u></b>

**23 GOVERNMENT GRANTS AND SUBSIDIES**

National Equitable Share		27,380,000		23,028,048
Other Subsidies		15,282,800		-
<b>Operational Grants</b>		<b><u>42,662,800</u></b>		<b><u>23,028,048</u></b>



**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>Conditional Grants</b>	32,152,005	17,016,641
National: EPWP	1,000,000	1,000,000
National: FMG	1,875,000	1,785,997
National: MIG	13,169,306	10,976,000
National: MSIG	930,000	701,550
Provincial: Department of Economic Development	-	1,337,535
Provincial: Department of Local Government	-	68,559
Provincial: Department Sport and Agriculture	1,147,000	1,147,000
Provincial: Department Transport	-	-
Local Government: JGDM Grant	14,030,699	-
<b>Total Government Grants and Subsidies</b>	<b>74,814,805</b>	<b>40,044,689</b>

**23.1 Calculation of Cash Flow:**

Government Grants and Subsidies Income	74,814,805	40,044,689
Opening Balance of Unspent Government Grants	(550,885)	(3,630,574)
Closing Balance of Unspent Government Grants	2,570,578	550,885
<b>Total Receipts for Government Grants and Subsidies</b>	<b>76,834,499</b>	<b>36,965,000</b>

**Operational Grants:**

<b>23.2 National: Equitable Share</b>	<b>27,380,000</b>	<b>23,028,048</b>
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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 R229 (2015: R213), 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.

**Conditional Grants:**

**23.3 National: EPWP Grant**

Balance unspent at beginning of year	-	12,032
Current year receipts	1,012,032	987,968
Conditions met - transferred to Revenue: Operating Expenses	(1,000,000)	(1,000,000)
Other Adjustments/Refunds	(12,032)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>0</b>	<b>-</b>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects.

**23.4 National: FMG Grant**

Balance unspent at beginning of year	14,003	-
Current year receipts	1,875,000	1,800,000
Conditions met - transferred to Revenue: Operating Expenses	(1,875,000)	(1,785,997)
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>14,003</b>	<b>14,003</b>

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.

**23.5 National: MIG Funds**

Balance unspent at beginning of year	(0)	2,010,206
Current year receipts	15,189,000	10,976,000
Conditions met - transferred to Revenue: Capital Expenses	(13,169,306)	(10,976,000)
Other Adjustments/Refunds	-	(2,010,206)
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>2,019,693</b>	<b>(0)</b>

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. The allocation has been reduced by R0 (2014: R3 403 000) due to non-spending of funds by the municipality.

**23.6 National: MSIG Funds**

Balance unspent at beginning of year	231,915	7,132
Current year receipts	930,000	926,332
Conditions met - transferred to Revenue: Operating Expenses	(930,000)	(701,550)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>231,915</b>	<b>231,915</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
R

2015  
R

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.

**23.7 National: Department Energy**

Balance unspent at beginning of year	0	502,142
Other Adjustments/Refunds	(0)	(502,142)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	0
	-	-

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

**23.8 Provincial: Department Economic Development (DEDEA)**

Balance unspent at beginning of year	-	837,535
Current year receipts	-	500,000
Conditions met - transferred to Revenue: Operating Expenses	-	(1,337,535)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
	-	-

This Economic Development grant was received during the last quarter of the 2014 Financial Period. The expenditure and grant conditions are expected to only be realised during the 2015 Financial Period, as agreed upon with the grant provider. No funds have been withheld.

**23.9 Provincial: Department of Local Government**

Balance unspent at beginning of year	110,993	67,552
Current year receipts	-	112,000
Conditions met - transferred to Revenue: Operating Expenses	-	(68,559)
Conditions still to be met - transferred to Liabilities (see Note 15)	110,993	110,993
	110,993	110,993

No funds have been withheld.

**23.10 Provincial: Department Sport and Culture**

Balance unspent at beginning of year	-	-
Current year receipts	1,147,000	1,147,000
Conditions met - transferred to Revenue: Operating Expenses	(1,147,000)	(1,147,000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
	-	-

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

**23.11 Provincial: JL De Bruin Dam**

Balance unspent at beginning of year	193,973	193,973
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	193,973	193,973
	193,973	193,973

**23.12 Local Government: JGDM Grant**

Balance unspent at beginning of year	-	-
Current year receipts	14,030,699	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(14,030,699)	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	(0)	-
	(0)	-

This grant was received and used for Resealing of Roads in Gariiep and for Installation of High Mast Lights.

**23.13 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2016), government grant funding is expected to increase over the forthcoming three financial years.

**24 SERVICE CHARGES**

Sale of Electricity	17,511,284	16,147,675
Refuse Removal	6,587,708	7,057,059
Other Service Charges	-	(3,047)
<b>Total Service Charges</b>	<b>24,098,992</b>	<b>23,201,687</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>24.1 Calculation of Cash Flow:</b>		
Service Charges Income	24,098,992	23,201,687
Opening Balance of Debtors: Service Charges	44,069,812	33,183,658
Closing Balance of Debtors: Service Charges	(54,331,690)	(44,069,812)
Amounts written-off as uncollectable	-	-
<b>Total Receipts for Service Charges</b>	<b>13,837,114</b>	<b>12,315,534</b>

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.

**25 RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Buildings	7,149	27,938
Rental Revenue from Halls	117,805	40,327
Rental Revenue from Other Facilities	53,076	54,699
<b>Total Rental of Facilities and Equipment</b>	<b>178,030</b>	<b>122,964</b>

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

**26 INTEREST EARNED**

<b>External Investments:</b>		
Bank Account	12,150	8,568
Investments	186,449	131,082
	<b>198,599</b>	<b>139,650</b>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	4,259,736	7,243,571
	<b>4,259,736</b>	<b>7,243,571</b>
<b>Total Interest Earned</b>	<b>4,458,335</b>	<b>7,383,221</b>

**26.1 Calculation of Cash Flow:**

External Interest Income	198,599	139,650
<b>Total Receipts for Interest Received</b>	<b>198,599</b>	<b>139,650</b>

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	198,599	139,650
Held-to-Maturity Investments	-	-
Loans and Receivables	4,259,736	7,243,571
	<b>4,458,335</b>	<b>7,383,221</b>

**27 OTHER REVENUE**

Admin Fees	8,500	5,250
Building Plan Fees	4,986	5,361
Cemetery Fees	54,915	42,419
Certificates	79,073	27,658
Photocopies	11,145	20,826
Sales: Stands	17,544	3,772
Stationary	-	-
Sundries	719,104	277,785
Sundry Rentals	5,130	4,512
<b>Total Other Revenue</b>	<b>900,396</b>	<b>387,582</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>27.1 Calculation of Cash Flow:</b>			
Income from Other Revenue	Note 27	900,396	387,582
Gain on Biological Assets	Note 10	9,065	-
Income from Interest on Outstanding Debtors	Note 26	4,259,736	7,243,571
Income from Interest and Penalties on Property Rates	Note 26	-	-
Income from Rental of Facilities and Equipment	Note 25	178,030	122,964
Income from Agency Services	Note 22	1,350,380	1,807,252
Income from Fines	Note 21	91,322	5,433
Opening Balance of Debtors: Non-exchange Transactions	Note 3	22,070,439	18,372,233
Opening Balance of Debtors: Assessment Rates	Note 3	(11,422,873)	(9,398,341)
Closing Balance of Debtors: Non-exchange Transactions	Note 3	(19,676,767)	(22,070,439)
Closing Balance of Debtors: Assessment Rates	Note 3	12,217,745	11,422,873
Opening Balance of VAT Receivable	Note 4	718,314	2,340,340
Closing Balance of VAT Receivable	Note 4	(11,906,978)	(718,314)
Opening Balance of Consumer Deposits	Note 11	(112,920)	(60,241)
Closing Balance of Consumer Deposits	Note 11	154,736	112,920
Fair Value Adjustment of Landfill Site	Note 18	511,062	-
<b>Total Receipts for Other Revenue</b>		<b>(658,314)</b>	<b>9,567,836</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**28 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages		25,347,479	23,864,154
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids		6,435,478	5,736,959
Travel, Motor Car, Accommodation, Subsistence and Other Allowances		1,477,999	996,182
Housing Benefits and Allowances		407,574	42,830
Overtime Payments		527,660	549,399
Performance Bonuses		1,406,959	-
Defined Benefit Plan Expense:		5,181,484	(757,088)
Net Actuarial (gains)/losses recognised		5,181,484	(757,088)
<b>Total Employee Related Costs</b>		<b>40,784,633</b>	<b>30,432,436</b>

**28.1 Calculation of Cash Flow:**

Employee Related Costs Expenditure		40,784,633	30,432,436
Opening Balance of Employee Benefit Liabilities		13,515,017	14,348,000
Closing Balance of Employee Benefit Liabilities		(18,511,730)	(13,515,017)
Opening Balance of Provision for Performance Bonuses		0	0
Closing Balance of Provision for Performance Bonuses		(306,592)	(0)
Opening Balance of Provision for Long-term Service		314,311	255,000
Closing Balance of Provision for Long-term Service		(396,362)	(314,311)
Opening Balance of Post-retirement Benefits		337,584	321,000
Closing Balance of Post-retirement Benefits		(440,304)	(337,584)
<b>Total Payments for Employee Related Costs</b>		<b>35,296,557</b>	<b>31,189,524</b>

No advances were made to employees.

**Remuneration of Section 57 Employees:**

**Remuneration of the Municipal Manager: - TA Mawonga**

Annual Remuneration		967,616	836,116
Performance Bonus		404,457	-
Back pay 2013		-	25,524
Car and Other Allowances		320,552	322,425
Company Contributions to UIF, Medical and Pension Funds		76,509	63,319
<b>Total</b>		<b>1,769,134</b>	<b>1,247,385</b>

During the 2015/16 year a total Acting Allowance of R10,670 was paid for Mr Z Nongene.

**Remuneration of the Chief Financial Officer - ML Mosala**

Acting Allowance (S Mcingane)		34,614	18,003
Annual Remuneration		-	217,115
Performance Bonus		198,893	-
Back pay 2013		-	27,865
Car and Other Allowances		4,500	6,000
Company Contributions to UIF, Medical and Pension Funds		-	156,517
Bonus		-	44,644
<b>Total</b>		<b>238,007</b>	<b>470,143</b>

The post was vacant from 1 November 2014. An Acting Allowance was paid for the period to S Mcingane.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>Remuneration of the Acting Manager: Corporate Services</b>		
Acting Allowance (S Sontashe)	129,639	20,972
Car and Other Allowances	18,000	-
<b>Total</b>	<b>147,639</b>	<b>20,972</b>

The post was vacant from 01 December 2013. An acting manager, W Nodwele, was appointed until 28/08/2014 after which S Sontashe was acting in the position.

<b>Remuneration of the Director: Community Services - L Nyezi</b>		
Acting Allowance (N M Raisa)	141,978	29,495
Performance Bonus (L Nyezi)	143,669	-
Car and Other Allowances	18,000	-
<b>Total</b>	<b>303,647</b>	<b>-</b>

The post was vacant from 01 September 2014. A acting manager, N m Raisa, was appointed and paid an acting allowance.

<b>Remuneration of the Director: Technical Services - Z Nongene</b>		
Annual Remuneration	567,799	280,841
Performance Bonus	43,428	-
Car and Other Allowances	224,316	67,600
Company Contributions to UIF, Medical and Pension Funds	33,148	13,459
<b>Total</b>	<b>868,691</b>	<b>361,900</b>

Mr Zongene was appointed from 01 December 2014.

**29 REMUNERATION OF COUNCILLORS**

Councillors	2,756,892	2,453,974
Company Contributions to UIF, Medical and Pension Funds	-	-
Other Allowances (Cellular Phones, Housing, Transport, etc)	684,108	506,075
<b>Total Councillors' Remuneration</b>	<b>3,441,000</b>	<b>2,960,049</b>

**30 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	15,513,185	15,907,371
Amortisation: Intangible Assets	172,752	172,515
Depreciation: Investment Property	733,267	733,267
<b>Total Depreciation and Amortisation</b>	<b>16,419,204</b>	<b>16,813,153</b>

**31 IMPAIRMENT LOSSES**

**31.1 Impairment Losses on Fixed Assets**

<b>Impairment Losses Recognised:</b>		
Property, Plant and Equipment	2,279,841	79,190
Biological Assets	2,255,727	79,190
	24,114	-
	<b>2,279,841</b>	<b>79,190</b>

**31.2 Impairment Losses on Financial Assets**

<b>Impairment Losses Recognised:</b>		
Receivables from Exchange Transactions	7,235,708	7,277,238
Receivables from Non-exchange Transactions	6,754,571	7,184,114
	481,136	93,125
	<b>7,235,708</b>	<b>7,277,238</b>
<b>Total Impairment Losses</b>	<b>9,515,549</b>	<b>7,356,429</b>

**32 REPAIRS AND MAINTENANCE**

Land and Buildings	22,097	58,178
Infrastructure - Road Transport	-	144,085
Community Assets	58,746	7,202
Other Assets	575,243	1,128,153
<b>Total Repairs and Maintenance</b>	<b>656,087</b>	<b>1,337,617</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>33 FINANCE COSTS</b>		
Creditors Overdue	11,425,032	6,474,516
Finance Leases	-	261,319
Landfill Provision	-	451,429
Loans and Payables at amortised cost	135,135	68,962
<b>Total Interest Paid on External Borrowings</b>	<b><u>11,560,167</u></b>	<b><u>7,256,227</u></b>
<b>33.1 Calculation of Cash Flow:</b>		
Finance Cost Expenditure	11,560,167	7,256,227
<b>Total Payments for Finance Costs</b>	<b><u>11,560,167</u></b>	<b><u>7,256,227</u></b>
<b>34 BULK PURCHASES</b>		
Electricity	22,032,531	19,673,642
<b>Total Bulk Purchases</b>	<b><u>22,032,531</u></b>	<b><u>19,673,642</u></b>
Bulk Purchase are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.		
<b>35 CONTRACTED SERVICES</b>		
Insurance	612,198	510,272
Office Equipment And Services	1,554,976	1,367,959
Other Contracted Services	4,158,717	3,916,883
Telephone Fees	1,624,958	1,244,370
<b>Total Contracted Services</b>	<b><u>8,097,691</u></b>	<b><u>7,039,485</u></b>
<b>35.1 Calculation of Cash Flow:</b>		
Expenditure for Contracted Services	8,097,691	7,039,485
Expenditure for Bulk Purchases	22,032,531	19,673,642
Expenditure for Repairs and Maintenance	656,087	1,337,617
Opening Balance of Payables: Exchange Transactions	67,992,479	44,431,929
Closing Balance of Payables: Exchange Transactions	(80,048,891)	(67,992,479)
Opening Balance of Inventories	(118,401)	(99,194)
Closing Balance of Inventories	19,355	118,401
Other Transfers of Assets	(3,989,752)	-
<b>Total for Suppliers Paid</b>	<b><u>14,641,098</u></b>	<b><u>4,509,402</u></b>
<b>36 GRANTS AND SUBSIDIES PAID</b>		
Free Basic Services	627,068	5,151
Other Grants and Subsidies Paid	1,032,825	2,419,102
<b>Total Grants and Subsidies</b>	<b><u>1,659,893</u></b>	<b><u>2,424,253</u></b>
<b>Free Basic Services</b> are in respect of assistance to and providing basic service levels to indigent households.		
<b>Other Grants and Subsidies</b> mostly relate to the EPWP Beautification of the Town, and Dedeia Greenest Town Awards.		
<b>37 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
ABSA Fleet Chargers	25,247	25,814
Accommodation	744,925	627,203
Advertising	74,012	128,733
Audit Committee Sitings	162,036	121,558
Audit Fees	3,455,203	1,378,147
Bank Charges	212,895	227,812
Cleaning Material	321,605	284,298
Fuel & Oil	892,663	1,131,138
Inventory Losses	-	-
Legal Charges	966,340	146,085
Mayoral Cup Tournament	2,500	70,500
Personel Training	118,644	103,371
Postage	2,743	1,852
Pre - Paid Commission	55,517	75,312
Printing	406,880	676,981
Refreshments	15,490	76,594
SARS Levy	-	4,650,000
Security Services	972,856	657,422
Stationary	248,977	190,972
Subscription Fees	22,679	195,239
Subsistance & Travelling	1,009,715	952,218
Sundry Expenses	181,968	123,037
Transfer of Plots	23,693	23,026
Transport & Flights	338,903	404,128
Venterstad Houses 360	-	-
Ward Committees	55,400	70,797

**GARIEP MUNICIPALITY**  
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	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
Inter-Departmental Transfers	620,824	555,211
<b>Total General Expenses</b>	<b><u>10,931,714</u></b>	<b><u>12,897,447</u></b>

**37.1 Calculation of Cash Flow:**

Expenditure for General Expenses	Note 37	10,931,714	12,897,447
Expenditure for Grants and Subsidies Paid	Note 36	1,659,893	2,424,253
Opening Balance of Payables: Non-exchange Transactions	Note 14	37,348,692	28,679,100
Closing Balance of Payables: Non-exchange Transactions	Note 14	(48,796,604)	(37,348,692)
Other Non-Cash Movement	Note 42	-	(978,242)
Opening Balance of Non-current Provisions	Note 18	7,253,722	6,905,676
Closing Balance of Non-current Provisions	Note 18	(2,752,908)	(7,253,722)
<b>Total for Other Payments</b>		<b><u>5,644,509</u></b>	<b><u>5,325,820</u></b>

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

No other extra-ordinary expenses were incurred.

**38 GAINS AND LOSSES ON OTHER OPERATIONS**

Change in Fair Value of Biological Assets	9,065	9,300
Change in Fair Value of Landfill Site Liability	511,062	103,383
<b>Net Other Gains and Losses</b>	<b><u>520,127</u></b>	<b><u>112,683</u></b>

**39 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Sale of Leased Assets	185,268	-
Losses on Disposal of Assets	(667,269)	-
- Biological Assets	(47,151)	
- Infrastructure Assets	(148,274)	
- Other Assets	(471,843)	
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b><u>(482,001)</u></b>	<b><u>-</u></b>

**40 MERGER**

The municipality is in the process of being merged into a combined new municipality (namely Walter Sisulu Local Municipality). The merger is due to occur on 8 August 2016. The municipality and Maletswai Local Municipality would merge to become Walter Sisulu Local Municipality as stipulated in Government Gazette no. 13 of 2016.

Accounting Policy on Mergers describes the conditions and recognition criteria upon which the merger is based.

No adjustments to comparative information was made in these financial statements for the sole purpose to give rise to reporting of figures as required by the combined entity's accounting policies.

The binding agreement stipulates that all the assets and liabilities would be transferred to the combined entity.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>The following assets and liabilities represent the balances as at 30 June 2016 that will be transferred as a result of the merger:</b>		
		<b>Total Transferred</b>
		<b>37,218,446</b>
<b>Current Assets</b>		
Inventories		19,355
Non-current Assets Held-for-Sale		(0)
Receivables from Exchange Transactions		14,800,048
Receivables from Non-exchange Transactions		9,410,599
VAT Receivable		11,906,978
Cash and Cash Equivalents		1,081,467
<b>Non-Current Assets</b>		<b>334,925,762</b>
Property, Plant and Equipment		226,737,573
Intangible Assets		172,279
Investment Property		107,284,498
Heritage Assets		663,162
Biological Assets		68,250
<b>Total Assets</b>		<b>372,144,207</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		<b>133,057,043</b>
Consumer Deposits		154,736
Provisions		1,143,258
Payables from Exchange Transactions		80,048,891
Payables from Non-exchange Transactions		48,796,604
Unspent Conditional Grants and Receipts		2,570,578
Current Portion of Long-term Liabilities		342,976
<b>Non-Current Liabilities</b>		<b>21,833,616</b>
Long-term Liabilities		568,978
Employee Benefit Liabilities		18,511,730
Non-current Provisions		2,752,908
<b>Total Liabilities</b>		<b>154,890,659</b>
<b>Total Assets and Liabilities</b>		<b>217,253,548</b>
<b>NET ASSETS</b>		<b>217,253,548</b>
Accumulated Surplus / (Deficit)		217,253,548
<b>Total Net Assets</b>		<b>217,253,548</b>

**41 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**41.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2014</b>		<b>247,336,561</b>
Correction of Error:-		
PPE - Land & Buildings	5,267,861	
PPE - Infrastructure	(1,638,562)	
PPE - Other Assets	108,964	
Investment Property	7,022,301	
Payables - Pension Fund Finance Cost	(1,807,610)	
Exchange Payables Corrected	603,511	
VAT Adjustment due to Payables Corrected	30,671	
Non-Current Provisions - Landfill Site	2,051,255	11,638,392
<b>Restated Balances as at 30 June 2014</b>		<b>258,974,953</b>
Transactions incurred for the Year 2014/15		(28,249,722)
Correction of Error:-		
PPE - Land & Buildings	(72,343)	
PPE - Other Assets	(25,801)	
PPE - Infrastructure	(313,228)	
Investment Property	76,542	
Payables - Pension Fund Finance Cost	(1,819,501)	
Exchange Payables Corrected	467,586	
VAT Adjustment due to Payables Corrected	34,220	
Fair Value Gain on Landfill Site Provision	103,383	(1,549,143)
<b>Restated Balances as at 30 June 2015</b>		<b>229,176,088</b>



**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**41.2 Reclassification of Revenue**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2014/15 Revenue	Current Year 2014/15 Revenue	Restated Amount
Property Rates	6,511,217	6,511,217	(0)
Fines	5,433	5,433	(0)
Income for Agency Services	1,807,252	1,807,252	(0)
Government Grants and Subsidies Received	40,044,689	40,044,689	0
Public Contributions and Donations	-	-	-
Service Charges	23,201,685	23,201,687	(2)
Rental of Facilities and Equipment	122,966	122,964	2
Interest Earned - External Investments	139,650	139,650	0
Interest Earned - Outstanding Debtors	7,243,571	7,243,571	0
Other Income	387,583	387,582	1
Other Gains on Continued Operations	9,300	112,683	(103,383)
Profit on Sale of Land	-	-	-
	<u>79,473,346</u>	<u>79,576,729</u>	<u>(103,383)</u>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Other Gains on Cont. Operations
<b>Balance previously reported</b>	<b>9,300</b>
Fair Value gain on Provision for Rehabilitation of Landfill Site.	103,383
<b>Restated Balance now reported</b>	<u><b>112,683</b></u>

**Other Gains on Continued Operations**

The **prior year amounts** for the *Fair Value Gain* on the Provision for the Rehabilitation of Landfill Sites have been restated to correctly disclose the gain as per revised and corrected Quantum Calculation and Provision that has restated.

**41.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2014/15 Expenditure	Current Year 2014/15 Expenditure	Restated Amount
Employee Related Costs	30,432,442	30,432,436	6
Remuneration of Councillors	2,960,049	2,960,049	0
Collection Costs	-	-	-
Depreciation and Amortisation	16,478,324	16,813,154	(334,830)
Impairment Losses	8,538,195	8,538,196	(1)
Repairs and Maintenance	1,294,715	1,337,617	(42,902)
Finance Costs	5,436,725	7,256,227	(1,819,502)
Bulk Purchases	19,673,642	19,673,642	(0)
Contracted Services	6,842,963	7,039,485	(196,522)
Grants and Subsidies Paid	2,424,253	2,424,253	(0)
General Expenses	13,641,758	12,897,447	744,311
Loss on Disposal of Property, Plant and Equipment	-	-	-
Surplus / (Deficit) for the Year	(24,942,059)	(29,795,776)	4,853,717
	<u>82,781,007</u>	<u>79,576,729</u>	<u>3,204,278</u>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Repairs & Maintenance	General Expenses	Finance Cost
<b>Balance previously reported</b>	<b>1,294,715</b>	<b>13,641,758</b>	<b>5,436,725</b>
Finance Cost Adjustment due to Interest on Pension Fund Payable			1,819,502
Adjustment to Correction of Prior Period Invoices	42,902	744,311	
<b>Restated Balance now reported</b>	<u><b>1,337,617</b></u>	<u><b>14,386,069</b></u>	<u><b>7,256,227</b></u>
		Contracted Services	Depreciation & Amortisation
<b>Balance previously reported</b>		<b>6,842,963</b>	<b>16,478,324</b>
Depreciation adjustment due to Property, Plant & Equipment and Investment Property restatements			334,830
Contracted Service Correction due to Invoices relating to prior periods		196,522	
<b>Restated Balance now reported</b>		<u><b>7,039,485</b></u>	<u><b>16,813,154</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**General Expenses, Contracted Services and Repairs & Maintenance:**

The prior year amounts for *General Expenses Contracted Services*, and *Repairs & Maintenance* has been restated due to Invoices that has been identified which relate to prior periods.

**Finance Cost:**

The prior year amounts for *Finance Cost* was restated to correctly disclose the Interest accrued on Pension Fund Liability.

**Depreciation and Amortisation:**

The prior year amounts for *Depreciation & Amortisation* on Property, Plant & Equipment and Investment Property have been restated to correctly disclose the adjusted depreciation expense due to PPE and IP restatements.

**41.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	Prior Year 2014/15 Balance	Current Year 2014/15 Balance	Restated Amount
<b>Current Assets</b>			
Inventories	118,403	118,401	2
Receivables from Exchange Transactions	11,292,741	11,292,741	(0)
Receivables from Non-exchange Transactions	12,284,747	12,285,406	(659)
VAT Receivable	653,423	718,314	(64,891)
Cash and Cash Equivalents	764,810	764,810	(0)
<b>Non-Current Assets</b>			
Property, Plant and Equipment	221,861,398	225,578,061	(3,716,663)
Intangible Assets	345,031	345,031	0
Investment Property	101,308,691	108,017,764	(6,709,073)
Heritage Assets	663,162	663,162	-
Biological Assets	130,450	130,450	-
<b>Current Liabilities</b>			
Consumer Deposits	(112,921)	(112,920)	(1)
Provisions	(651,895)	(651,895)	0
Payables from Exchange Transactions	(69,063,575)	(67,992,479)	(1,071,096)
Payables from Non-exchange Transactions	(33,720,922)	(37,348,692)	3,627,770
Unspent Conditional Grants and Receipts	(550,884)	(550,885)	1
Current Portion of Long-term Liabilities	(1,986,816)	(1,986,815)	(1)
<b>Non-Current Liabilities</b>			
Long-term Liabilities	(1,325,614)	(1,325,616)	2
Retirement Benefit Liabilities	(13,515,017)	(13,515,017)	(0)
Non-current Provisions	(9,408,360)	(7,253,722)	(2,154,638)
<b>Net Assets</b>			
Accumulated Surplus / (Deficit)	(219,086,852)	(229,176,100)	10,089,248
	<u>-</u>	<u>-</u>	<u>0</u>

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	VAT Receivable	Property, Plant & Equipment	Investment Property
<b>Balances previously published per AFS as at 30 June 2014</b>	<b>2,309,668</b>	<b>227,704,369</b>	<b>101,728,730</b>
Newly identified/verified Other Assets		108,964	
IP Land Duplicates Removed			(1,885,009)
PPE Land removed from IP, duplicated in PPE in 2015			(573,080)
RDP Land removed from IP			(7,088)
Correction of Unit Rates incorrectly applied dor Infrastructure			(7,331,805)
Correction of Unit Rates incorrectly applied for Land and Buildings		(829,365)	
Land not previously included in Asset Register			10,907,201
IP Buildings not included in 2015 Asset Register			3,993,339
IP Land duplicated in PPE Land Register		(121,928)	
Land not included in 2015 Asset Register		4,394,736	
Buildings not included in 2015 Asset Register		3,743,161	
Solid Waste Assets not previously included		220,432	
Buildings Reclassified from IP to PPE Buildings			1,918,743
Buildings Reclassified from IP to PPE Buildings		(1,918,743)	
Correction of Infrastructure Landfill Site Asset		(1,858,994)	
Correction of Payables and Invoices	30,671		
<b>Balances now published per AFS as at 30 June 2014</b>	<b>2,340,339</b>	<b>231,442,632</b>	<b>108,751,031</b>
Transactions incurred for the Year 2014/15	(1,656,244)	(5,842,972)	(420,039)
Buildings Reclassified from IP to PPE Buildings		96,765	
Buildings Reclassified from IP to PPE Buildings			(96,765)
IP Buildings not included in 2015 Asset Register			(216,463)
Increase in Depreciation due to newly identified Other Assets		(25,801)	
Buildings not included in 2015 Asset Register		(169,108)	
Decreased depreciation due to Landfill Site adjustment		93,838	
Depreciation effect of Solid Waste Assets not previously included		(17,296)	
Correction of Payables and Invoices	34,220		
<b>Balances now published per AFS as at 30 June 2015</b>	<b>718,315</b>	<b>225,578,058</b>	<b>108,017,764</b>

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	2016 R	2015 R	
	<b>Payables from Exchange Transactions</b>	<b>Payables from Non-Exchange Transactions</b>	<b>Non-current Provisions</b>
<b>Balances previously published per AFS as at 30 June 2014</b>			
Correction of Provision for Rehabilitation of Landfill	(45,035,441)	(26,868,410)	(9,408,360)
Correction of Invoices for Non-Exchange Transactions		-1,807,610	2,051,255
Correction of Invoices for Exchange Transactions	603,511		
<b>Balances now published per AFS as at 30 June 2014</b>	<b>(44,431,930)</b>	<b>(28,676,020)</b>	<b>(7,357,105)</b>
Transactions incurred for the Year 2014/15			103,383
Non-Exchange Transactions incurred for the Year 2014/15		(6,853,171)	
Exchange Transactions incurred for the Year 2014/15	(24,028,134)		
Correction of Invoices for Non-Exchange Transactions		(1,819,501)	
Correction of Invoices for Exchange Transactions	467,586		
<b>Balances now published per AFS as at 30 June 2015</b>	<b>(67,992,478)</b>	<b>(37,348,692)</b>	<b>(7,253,722)</b>

**Property, Plant and Equipment:**

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose the newly identified/verified Other Assets, previously not accounted for in the 2015 Asset Register.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly apply the valuation Unit Rates, previously incorrectly calculated and accounted for.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose for Investment Property Land, previously incorrectly duplicate in PPE Land as well.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose PPE Land, previously incorrectly excluded from the 2015 Asset Register.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose PPE Buildings, previously incorrectly excluded from the 2015 Asset Register.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose Infrastructure Solid Waste Assets, previously incorrectly excluded from the 2015 Asset Register.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose for PPE Buildings, previously incorrectly classified as Investment Property.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose the Landfill Site Asset, as per revised and corrected Rehabilitation reports.

The **prior year amounts** of *Property, Plant & Equipment*, have been restated to correctly disclose the Depreciation effect for PPE Buildings, previously incorrectly classified as Investment Property.

The **prior year amounts** of *Property, Plant & Equipment*, have been restated to correctly disclose the Depreciation effect of newly identified/verified Other Assets, previously not accounted for in the 2015 Asset Register.

The **prior year amounts** of *Property, Plant & Equipment*, have been restated to correctly disclose the Depreciation effect of PPE Buildings, previously incorrectly excluded from the 2015 Asset Register.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose the Depreciation effect of the revised Landfill Site Asset, as per revised and corrected Rehabilitation reports.

The **opening balances** of *Property, Plant & Equipment*, have been restated to correctly disclose the Dereciation effect for Infrastructure Solid Waste Assets, previously incorrectly excluded from the 2015 Asset Register.

**Exchange and Non-Exchange Payables, and VAT Receivable**

The **opening balances** of *Exchange Payables, Non-Exchange Payables and VAT Receivable* has been restated to correctly account for invoices received during prior periods.

**Non-current Provisions:**

The **opening balances** of *Non-current Provisions* and have been restated to correctly disclose the amount for the Provision for Rehabilitation of Landfill Sites, previously incorrectly calculated.

The **prior year amounts** of *Non-current Provisions* and have been restated to correctly disclose the movement in the Provision for Rehabilitation of Landfill Sites, previously incorrectly calculated.

**42 CASH GENERATED BY OPERATIONS**

Surplus / (Deficit) for the Year	(11,922,540)	(29,795,776)
Adjustment for:		
Depreciation and Amortisation	16,419,205	16,813,154
Impairment Losses on Property, Plant and Equipment	2,255,727	-
Increase/Decrease of Biological Assets	62,200	114,325
Losses / (Gains) on Disposal of Property, Plant and Equipment	482,001	-
Other Movement on Property, Plant and Equipment	3,989,752	-
Contribution to Post-retirement Health Care Benefits	5,381,252	(1,051,914)
Contribution to Long Service Awards Liability	(199,768)	294,826
Contribution to Provisions - Non-current	-	451,429
Contribution to Impairment Provision	7,235,708	8,335,380
Bad Debts Written-off	-	-
<b>Operating surplus before working capital changes</b>	<b>19,509,315</b>	<b>(4,941,959)</b>
Decrease/(Increase) in Inventories	99,046	(19,207)
Decrease/(Increase) in Receivables from Exchange Transactions	(10,261,878)	(10,886,153)
Decrease/(Increase) in Receivables from Non-exchange Transactions	2,393,671	(3,698,205)
Decrease/(Increase) in VAT Receivable	(11,188,664)	1,622,026
Increase/(Decrease) in Other Non-Cash Movements	(12)	79,190
Increase/(Decrease) in Consumer Deposits	41,815	52,680
Increase/(Decrease) in Payables from Exchange Transactions	12,056,413	23,560,550
Increase/(Decrease) in Payables from Non-exchange Transactions	11,447,913	8,669,591
Increase/(Decrease) in Conditional Grants and Receipts	2,019,693	(3,079,689)
Increase/(Decrease) in VAT Payable	-	-
<b>Cash generated by / (utilised in) Operations</b>	<b>26,117,312</b>	<b>11,358,824</b>

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**43 NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2015/16 financial year.

**44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**44.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	34,663,877	32,341,776
Unauthorised Expenditure current year	9,049,722	2,322,101
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 60)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>43,713,598</u>	<u>34,663,877</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	
- Executive and Council - R2,257,510 (2015: R0)	To be condoned by Council
- Budget and Treasury Office - R6,792,212 (2015: R986,222)	To be condoned by Council
- Corporate Services - R0 (2015: R1,335,879)	To be condoned by Council

**44.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	16,826,958	11,326,080
Fruitless and Wasteful Expenditure current year	15,653,110	5,500,878
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 60)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>32,480,068</u>	<u>16,826,958</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payment - Various Creditors - R15,653,110 (2015: R5,500,878)	None

**44.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	42,616,010	31,597,554
Irregular Expenditure current year	9,728,940	11,018,456
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 60)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>52,344,951</u>	<u>42,616,010</u>

For the year ending 30 June 2016

Incident	Amount	Disciplinary Steps / Criminal Proceedings
Various Incidents	9,728,940.29	No steps taken

**45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**45.1 Audit Fees**

Opening Balance	5,071,133	4,449,745
Current year Audit Fee	2,200,837	2,654,286
Interest on outstanding balance	255,940	-
Amount Paid - current year	(2,250,000)	(2,032,898)
Amount Paid - previous years	-	-

**Balance Unpaid (included in Creditors) 5,277,911 5,071,133**

**45.2 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 4.

**45.3 PAYE, Skills Development Levy and UIF**

Opening Balance	-	-
Current year Payroll Deductions	4,056,370	3,493,185
Amount Paid - current year	(4,471,305)	(3,493,185)
Amount Paid - previous years	-	-

**Balance Unpaid (included in Creditors) (414,935) -**

**45.4 Pension and Medical Aid Deductions**

Opening Balance	4,913,892	2,456,946
Current year Payroll Deductions and Council Contributions	8,592,376	8,028,725
Amount Paid - current year	(5,319,340)	(5,571,779)
Amount Paid - previous years	-	-

**Balance Unpaid (included in Creditors) 8,186,927 4,913,892**

**GARIEP MUNICIPALITY**  
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	2016 R	2015 R
<b>45.5 Councillor's arrear Consumer Accounts</b>		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
<b>30 June 2016</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>
		<b>Outstanding more than 90 days</b>
Councillor Mnyombolo	1,487	272
Councillor Noyeke	79	-
Councillor Kula	3,920	52
Councillor Mabunu	3,224	-
Councillor Kayster	6,150	15
Councillor Kolase	145	27
<b>Total Councillor Arrear Consumer Accounts</b>	<b>15,006</b>	<b>366</b>

<b>30 June 2015</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Noyeke	1,027	149	878
Councillor Kula	24,411	398	24,013
Councillor Kayster	21,649	379	21,270
Councillor Kolase	5,137	271	4,867
Councillor Kweyiya	6,428	280	6,148
Councillor Mnyombolo	1,675	-	1,675
Councillor Mabunu	3,127	828	2,299
Councillor Ngoqo	3,674	390	3,284
<b>Total Councillor Arrear Consumer Accounts</b>	<b>69,616</b>	<b>5,182</b>	<b>64,434</b>

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
<b>30 June 2016</b>		
Councillor Mnyombolo	1,215	> 90 Days
Councillor Noyeke	79	> 90 Days
Councillor Kula	3,869	> 90 Days
Councillor Kayster	6,135	> 90 Days
Councillor Kolase	118	> 90 Days

	Highest amount outstanding	Ageing
<b>30 June 2015</b>		
Councillor Noyeke	878	> 90 Days
Councillor Kula	24,013	> 90 Days
Councillor Mabunu	2,299	> 90 Days
Councillor Ngoqo	3,284	> 90 Days
Councillor Kayster	21,270	> 90 Days
Councillor Kolase	4,867	> 90 Days
Councillor Kweyiya	6,148	> 90 Days
Councillor Mnyombolo	1,675	> 90 Days
Councillor Mabunu	2,299	> 90 Days
Councillor Ngoqo	3,284	> 90 Days

**45.6 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**45.7 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:

For the year ending 30 June 2016

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager	Year 2015/16	Various occasions (2)	Various reasons like preferred supplier & venue, urgency, etc	289,987
<i>8 Occasions during the financial year procuring various services amounting to R289,986.</i>				
Budget and Treasury Office	Year 2015/16	Various occasions (4)	Various reasons like preferred supplier & venue, urgency, etc	30,175
<i>4 Occasions during the financial year procuring various services amounting to R30,175.</i>				
Corporate Services	Year 2015/16	Various occasions (1)	Various reasons like preferred supplier & venue, urgency, etc	2,047
<i>6 Occasions during the financial year procuring various services amounting to R2,047.</i>				
Technical Services	Year 2015/16	Various occasions (13)	Various reasons like preferred supplier & venue, urgency, etc	878,353
<i>9 Occasions during the financial year procuring various services amounting to R878,353.</i>				
Community Services	Year 2015/16	Various occasions (13)	Various reasons like preferred supplier & venue, urgency, etc	106,253
<i>9 Occasions during the financial year procuring radio repeater and electrical material amounting to R194,697.</i>				

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2016  
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R

For the year ending 30 June 2015

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager	Year 2014/15	Various occasions (8)	Various reasons like preferred supplier & venue, urgency, etc	122,218
8 Occasions during the financial year procuring various services amounting to R122 218.1.				
Council	Year 2014/15	Various occasions (1)	Various reasons like preferred supplier & venue, urgency, etc	5,180
1 Occasions during the financial year procuring various services amounting to R5 180				
Budget and Treasury Office	Year 2014/15	Various occasions (4)	Various reasons like preferred supplier & venue, urgency, etc	32,252
4 Occasions during the financial year procuring various services amounting to R32 251.66				
Corporate Services	Year 2014/15	Various occasions (6)	Various reasons like preferred supplier & venue, urgency, etc	38,536
6 Occasions during the financial year procuring various services amounting to R38 535.65				
Technical Services	Year 2014/15	Various occasions (9)	Various reasons like preferred supplier & venue, urgency, etc	345,737
9 Occasions during the financial year procuring radio repeater and electrical material amounting to R345 736.56				
Community Services	Year 2014/15	Various occasions (9)	Various reasons like preferred supplier & venue, urgency, etc	86,876
9 Occasions during the financial year procuring radio repeater and electrical material amounting to R86 875.80				

**45.8 Bulk Electricity Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity Losses were as follows and are not recoverable:

**Electricity:**

		Actual Lost Units	Average Tariff	Actual Value
<b>30 June 2016</b>	Unaccounted Electricity Losses	7,851,670	0.7987	6,271,129
<b>30 June 2015</b>	Unaccounted Electricity Losses	11,412,489	0.7987	9,115,775

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.

	2016 R
<b>Volumes in kWh/year:</b>	
System Input Volume	21,486,700
Billed Consumption	13,635,030
Distribution Loss	7,851,670
Percentage Distribution Loss	36.54%

**46 COMMITMENTS FOR EXPENDITURE**

**46.1 Capital & Operating Commitments**

Commitments in respect of Capital and Operating Expenditure:

- **Approved and Contracted for:-**

Infrastructure	1,268,168	6,468,148
Operating Expenditure	934,878	6,468,148
	333,290	-

**Total Capital and Operating Commitments**

<b>1,268,168</b>	<b>6,468,148</b>
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This expenditure will be financed from:

Government Grants	1,268,168	6,468,148
	<b>1,268,168</b>	<b>6,468,148</b>

**46.2 Lease Commitments**

Finance Lease Liabilities are disclosed in Note 16.

**47 FINANCIAL INSTRUMENTS**

**47.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	5,104,608	3,313,384
Refuse	Amortised cost	6,100,172	5,284,225
Other Receivables	Amortised cost	3,595,267	2,695,132

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	1,951,577	1,637,841
Short-term Loans	Amortised cost	-	5,557,959
Sundry Deposits	Amortised cost	7,459,022	2,972,525
Sundry Debtors	Amortised cost	2,972,525	2,585,434
Suspense Accounts	Amortised cost	4,486,497	5,089,606
Fruitless and Wasteful Expenditure	Amortised cost	-	-
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	952,923	489,350
Bank Balances	Amortised cost	119,832	267,060
Cash Floats and Advances	Fair value	8,712	8,400

**SUMMARY OF FINANCIAL ASSETS**

**Financial Assets at Amortised Cost:**

Receivables from Exchange Transactions	Electricity	5,104,608	3,313,384
Receivables from Exchange Transactions	Refuse	6,100,172	5,284,225
Receivables from Exchange Transactions	Sewerage	(0)	(0)
Receivables from Exchange Transactions	Water	0	0
Receivables from Exchange Transactions	Other Debtors	3,595,267	2,695,132
Receivables from Non-exchange Transactions	Assessment Rates Debtors	1,951,577	1,637,841
Receivables from Non-exchange Transactions	Short-term Loans	-	5,557,959
Receivables from Non-exchange Transactions	Sundry Deposits	7,459,022	2,972,525
Receivables from Non-exchange Transactions	Sundry Debtors	2,972,525	2,585,434
Receivables from Non-exchange Transactions	Suspense Accounts	4,486,497	5,089,606
Receivables from Non-exchange Transactions	Fruitless and Wasteful Expenditure	-	-
Cash and Cash Equivalents	Call Deposits	952,923	489,350
Cash and Cash Equivalents	Notice Deposits	-	-
Cash and Cash Equivalents	Bank Balances	119,832	267,060
		<u>32,742,423</u>	<u>29,892,517</u>

**Financial Assets at Fair Value:**

Cash and Cash Equivalents	Cash Floats and Advances	8,712	8,400
		<u>8,712</u>	<u>8,400</u>

**Total Financial Assets**

<u>32,751,135</u>	<u>29,900,917</u>
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**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>		
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	568,977	891,105
Finance Lease Liabilities	Amortised cost	1	434,511
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	79,621,507	67,181,032
Retentions	Amortised cost	304,038	688,100
Other Creditors	Amortised cost	123,346	123,346
<b>Payables from Non-exchange Transactions</b>			
Staff Bonuses	Amortised cost	853,978	817,926
Staff Leave Accrued	Amortised cost	2,565,824	2,491,943
Staff Salaries	Amortised cost	40,343,496	33,031,673
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Amortised cost	342,976	342,976
Finance Lease Liabilities	Amortised cost	(1)	1,643,839

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

Long-term Liabilities	Annuity Loans	568,977	891,105
Long-term Liabilities	Finance Lease Liabilities	1	434,511
Payables from Exchange Transactions	Trade Creditors	79,621,507	67,181,032
Payables from Exchange Transactions	Retentions	304,038	688,100
Payables from Exchange Transactions	Other Creditors	123,346	123,346
Payables from Non-exchange Transactions	Staff Bonuses	853,978	817,926
Payables from Non-exchange Transactions	Staff Leave Accrued	2,565,824	2,491,943
Payables from Non-exchange Transactions	Staff Salaries	40,343,496	33,031,673
Current Portion of Long-term Liabilities	Annuity Loans	342,976	342,976
Current Portion of Long-term Liabilities	Finance Lease Liabilities	(1)	1,643,839
		<u>124,724,142</u>	<u>107,646,451</u>
<b>Total Financial Liabilities</b>		<u>124,724,142</u>	<u>107,646,451</u>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**47.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

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

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used when determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2016**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	8,712	-	8,712
<b>Total Financial Assets</b>	<b>-</b>	<b>8,712</b>	<b>-</b>	<b>8,712</b>
<b>Total Financial Instruments</b>	<b>-</b>	<b>8,712</b>	<b>-</b>	<b>8,712</b>

**30 June 2015**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	8,400	-	8,400
<b>Total Financial Assets</b>	<b>-</b>	<b>8,400</b>	<b>-</b>	<b>8,400</b>
<b>Total Financial Instruments</b>	<b>-</b>	<b>8,400</b>	<b>-</b>	<b>8,400</b>

**47.3 Capital Risk Management**

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

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.



**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b><u>Gearing Ratio</u></b>		
	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
The gearing ratio at the year-end was as follows:		
Debt	911,954	3,312,431
Cash and Cash Equivalents	(961,635)	(497,750)
Net Debt	(49,681)	2,814,680
Equity	217,253,548	229,176,100
<b>Net debt to equity ratio</b>	<b>-0.02%</b>	<b>1.23%</b>

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

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.

**47.4 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.

**47.5 Significant Risks**

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

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

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

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest 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.

**Credit Risk**

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

**Liquidity Risk**

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

**47.6 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.

**47.6.1 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.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016  
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2015  
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**47.6.2 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 investment operations by only dealing with Absa Bank, First National Bank, Nedbank or 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.

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

**47.7 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, bank and cash balances.

**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 or 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 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.

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.

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	76.87%	67.66%
- Industrial / Commercial	4.85%	4.73%
- National and Provincial Government	8.20%	11.51%
Other Debtors:		
- Other not Classified	20.16%	32.20%
<b>Total Credit Risk</b>	<b>110.08%</b>	<b>116.10%</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	1,072,755	756,410
Cash Equivalents	8,712	8,400
<b>Total Bank and Cash Balances</b>	<b>1,081,467</b>	<b>764,810</b>

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**47 FINANCIAL INSTRUMENTS (Continued)**

**47.8 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 52 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 or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	123,812,189	123,812,189	-	-	-	-
- Payables from Exchange transactions			80,048,891	80,048,891	-	-	-	-
- Payables from Non-exchange transactions			43,763,297	43,763,297	-	-	-	-
Fixed Interest Rate Instruments		5.00%	911,953	195,570	195,570	391,140	129,673	-
- DBSA		5.00%	911,953	195,570	195,570	391,140	129,673	-
			<b>124,724,142</b>	<b>124,007,759</b>	<b>195,570</b>	<b>391,140</b>	<b>129,673</b>	<b>-</b>
			( 0.54)					
<b>30 June 2015</b>								
Non-interest Bearing		0.00%	104,334,021	104,334,021	-	-	-	-
- Payables from Exchange transactions			67,992,479	67,992,479	-	-	-	-
- Payables from Exchange transactions			36,341,542	36,341,542	-	-	-	-
Fixed Interest Rate Instruments		5.00%	3,312,430	1,026,910	1,026,910	806,810	451,801	-
- DBSA		5.00%	1,234,081	195,570	195,570	391,140	451,801	-
- Short-term Loans		9.00%	2,078,349	831,340	831,340	415,670	-	-
Financial Guarantee Contracts			-	-	-	-	-	-
			<b>107,646,451</b>	<b>105,360,930</b>	<b>1,026,910</b>	<b>806,810</b>	<b>451,801</b>	<b>-</b>

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	31,678,380	31,678,380	-	-	-	-
- Trade Receivables from Exchange Transactions			14,800,048	14,800,048	-	-	-	-
- Trade Receivables from Non-exchange Transactions			16,869,621	16,869,621	-	-	-	-
- Cash and Cash Equivalents			8,712	8,712	-	-	-	-
Variable Interest Rate Instruments		21.71%	1,072,755	1,072,755	-	-	-	-
- Call Deposits			952,923	952,923	-	-	-	-
- Bank Account			119,832	119,832	-	-	-	-
			<b>32,751,135</b>	<b>32,751,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2015</b>								
Non-interest Bearing		0.00%	29,144,507	29,144,507	-	-	-	-
- Trade Receivables from Exchange Transactions			11,292,741	11,292,741	-	-	-	-
- Trade Receivables from Non-exchange Transactions			17,843,366	17,843,366	-	-	-	-
- Cash and Cash Equivalents			8,400	8,400	-	-	-	-
Variable Interest Rate Instruments		13.31%	756,410	756,410	-	-	-	-
			<b>29,900,917</b>	<b>29,900,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The municipality has access to financing facilities, the total unused amount which is R0 (2013: R76 263), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

**47.9 Other Price Risks**

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

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016	2015
R	R

**48 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

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

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

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

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

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last valuation was performed as at 30 June 2015.

The valuation performed as at 30 June 2015 revealed that the fund had a surplus of R21.9 (30 June 2014: surplus of R23.3) million with a funding level of 153.1% (30 June 2014: 101.7%). The required employer contribution rate of 32.11% for the active members exceeds the current contribution rate of 26.77% of pensionable salaries effective from 1 July 2015. The shortfall of 5.34% of pensionable salaries amounts to about R262 000 a year.

**DEFINED CONTRIBUTION SCHEMES**

**Cape Joint Retirement Fund:**

The scheme is subject to an annual actuarial valuation. The last valuation was performed as at 30 June 2015.

The valuation performed as at 30 June 2015 revealed that the fund had a surplus of R0 (30 June 2014: surplus of R0) with a funding level of 100% (30 June 2014: 100%). The fund was in a sound financial condition at the valuation date and the assets of the fund were sufficient to cover members' shares and the reserve accounts at the date of the valuation.

**Lekana Pension Fund (Previously SAMWU National Provident Fund)**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

The statutory valuation performed as at 30 June 2014 revealed that the fund had a surplus of R689.1 (30 June 2011: surplus R413.6) million, with a funding level of 111.7% (30 June 2011: 111.1%). Members contribute at a rate of not less than 7.5% and Council not less than 18% of pensionable salaries. The Fund was in a very sound financial condition at date of the valuation and the Fund's assets were sufficient to cover the members' Fund Credits, the Risk Benefits Reserve and the Data Reserve and to provide for an investment smoothing reserve of 5.5% of members' Fund Credits as at 30 June 2014.

**SALA Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2013.

The statutory valuation performed as at 1 July 2013 revealed that the assets of the fund amounted to R10 439.2 (1 July 2012: R 8 753.4) million, with funding levels of 100% (1 July 2012: 100%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**2016**                      **2015**  
**R**                                      **R**

**49 RELATED PARTY TRANSACTIONS**

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

**49.1 Interest of Related Parties**

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Mr. T Mawonga	Municipal Manager	Director of Joe Gqabi Economic Development Agency.
Mr. T.Z. Notyoke	Councillor	Representative councilor of Gariep Local Municipality in Joe Gqabi District Municipality.

Furthermore, various grants were received from Local and Provincial government institutions. Refer to Note 23 - Government Grants and Subsidies, for the detail pertaining to the transactions and balances pertaining to these related parties.

The Water and Sewerage agency fee, as disclosed in note 22, was received from Joe Gqabi District Municipality, which is the district municipality governing the area which Gariep Municipality falls within.

**49.2 Services rendered to Related Parties**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**49.3 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 28, 29 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

This includes the following:

	<b>2016</b>	<b>2015</b>
<b>Mayor</b>		
NW Ngoqo	836,233	697,231
<b>Other Councillors</b>		
SB Kolasi	238,407	226,297
E Brien	0	226,297
M Nel	247,459	-
MK Mnyombolo	299,023	283,482
TZ Notyoke	238,407	226,297
N Mabunu	299,023	283,482
B Kweyiya	299,023	283,482
P Kayster	198,673	226,297
AM van Zyl	238407	226,297
AJ van Heerden	11,286	-
NTT Kula	299,023	283,482
<b>Municipal Manager</b>		
T Mawonga	1,769,134	1,247,466
Acting Allowance: Z Nongene	10,670	-
<b>Chief Financial Officer</b>		
Acting Allowance: S Mcingane	39,114	18,003
ML Mosala	-	452,140
<b>Manager: Community Services</b>		
Acting Allowance: N M Raisa	159,978	29,495
<b>Manager: Corporate Services</b>		
Acting Allowance: S J Sontashe	147,639	20,972
<b>Manager: Technical Services</b>		
Z. Nongene	868,691	361,900

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>50 CONTINGENT LIABILITIES</b>		
<b>50.1 Court Proceedings:</b>	<b><u>10,306,467</u></b>	<b><u>10,009,777</u></b>
(i) Landfill licensing fees and penalties: Possible License Fees and Penalties to be paid in the licensing of Landfill Sites in terms of National Environmental Management Waste Act.	10,000,000	10,000,000
(ii) Sala Pension Fund The municipality is being sued by SALA Pension Fund, for not paying over fees collected on their behalf from employees.	15,683	-
(iii) Outstanding Rentals The municipality is being sued by Journey Vehicle and Asset Finance for outstanding rental fees and interest.	150,221	-
(iv) Professional services The municipality was sued by Umhlaba Valuers for outstanding accounts on the valuation services provided. The matter has been settled and paid. Awaiting final settlement plaintiff's bill of costs. The remaining portion of the settlement is not yet determined.	-	-
(v) SAMWU National Provident Fund There is an open case between the municipality, SAMWU and ML Mosala. Negotiations regarding a settlement is still underway. Accordingly, the possible effects of the case are still unclear.	-	-
(vi) Telkom SA Limited The municipality is being sued by Telkom SA Limited for outstanding fees and interest.	140,563	-
(vii) Other Pending Disputes Gariep Municipality versus Nel and Greenwald.	-	9,777

**51 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**52 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**53 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**54 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

**55 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 41).

**56 COMPARISON OF BUDGET VS ACTUAL AMOUNTS**

Please refer to the Budget Statement for certain key explanations regarding the variances between Budgeted and Actual amounts.

**GARIEP MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

2016	2015
R	R

**57 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) During the 2015/16 financial year the Council adopted the 2015/16 Adjusted Budget as well as the 2016/17 Budget. These Medium Term Revenue and Expenditure Forecasts to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- (v) Despite the poor financial indicators for liquidity, the municipality follows a prudent approach regarding supplier payment terms that continually allows the municipality to manage its operating cash flow needs on a monthly basis. Based on the factors mentioned above, there are no going concern issues and the municipality is expected to continue operating business as usual for the foreseeable future. At the merger date, Gariep Local Municipality was still a going concern.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

Gariep Municipality will however cease to exist in its current form as from August 2016..

The municipality is in the process of being merged into a combined new municipality (namely Walter Sisulu Local Municipality). The merger is due to occur on 8 August 2016. The municipality and Maletswai Local Municipality would merge to become Walter Sisulu Local Municipality as stipulated in Government Gazette no. 13 of 2016.

**APPENDIX A**  
**GARIEP MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

Details	Original Loan Amount	Interest Rate	Loan Number	Loan Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2016
	R				R	R	R	R
<b>ANNUITY LOANS</b>								
DBSA 61000317	3,000,000	5.00%	61000644	30/09/2018	1,234,081	-	322,128	911,954
<b>Total Annuity Loans</b>	<b>3,000,000</b>				<b>1,234,081</b>	<b>-</b>	<b>322,128</b>	<b>911,954</b>
<b>CAPITAL LEASE LIABILITIES</b>								
Multitech Office Equipment	7,082,205	9.00%	-	30/09/2016	2,078,349	-	2,078,349	-
<b>Total Capital Lease Liabilities</b>	<b>7,082,205</b>				<b>2,078,349</b>	<b>-</b>	<b>2,078,349</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>10,082,205</b>				<b>3,312,431</b>	<b>-</b>	<b>2,400,477</b>	<b>911,954</b>

**Annuity Loan:**

Structured unsecured 10 year DBSA loan for various capital projects. Original loan capital of R3 000 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

**Finance Lease:**

Structured unsecured 10 year Finance Lease with Multitech for 17 copiers and printers. Original loan capital of R7 082 205 is repayable monthly in fixed instalments of capital and fixed rate interest.



**APPENDIX B**  
**GARIEP LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>													
Land	6,060,145	-	-	-	-	-	6,060,145	-	-	-	-	-	6,060,145
Buildings	117,506,536	-	-	6,816,352	-	-	124,322,888	58,215,557	4,514,304	-	-	62,729,861	61,593,027
<b>Total</b>	<b>123,566,681</b>	<b>-</b>	<b>-</b>	<b>6,816,352</b>	<b>-</b>	<b>-</b>	<b>130,383,033</b>	<b>58,215,557</b>	<b>4,514,304</b>	<b>-</b>	<b>-</b>	<b>62,729,861</b>	<b>67,653,172</b>
<b>Infrastructure</b>													
<i>Electricity</i>													
Buildings	108,976	-	-	3,580,671	-	-	3,689,647	47,086	5,449	-	-	52,535	3,637,112
MV Network	9,507,790	-	-	-	-	-	9,507,790	3,699,651	236,198	-	-	3,935,849	5,571,941
Substation	8,522,391	-	-	-	-	-	8,522,391	3,687,364	283,012	-	-	3,970,376	4,552,014
LV Network	63,329,547	3,350	-	-	-	-	63,332,897	37,078,073	1,994,977	-	-	39,073,050	24,259,847
<i>Roads</i>													
Bridges	17,038,897	-	-	9,161,360	-	-	26,200,257	7,811,633	261,911	-	-	8,073,544	18,126,712
Storm Water	11,917,312	-	-	-	-	-	11,917,312	3,783,159	198,622	-	-	3,981,781	7,935,531
Road Structures	164,672,807	10,950,301	-	-	-	(457,693)	175,165,414	77,484,617	8,275,777	-	(309,419)	85,450,975	89,714,439
Traffic Management	328,058	-	-	-	-	-	328,058	145,159	25,153	-	-	170,312	157,746
<i>Solid Waste</i>													
Landfill Site	7,136,953	-	-	-	(4,487,302)	-	2,649,651	973,142	324,123	(497,550)	-	799,716	1,849,935
<b>Total</b>	<b>282,562,729</b>	<b>10,953,651</b>	<b>-</b>	<b>12,742,031</b>	<b>(4,487,302)</b>	<b>(457,693)</b>	<b>301,313,415</b>	<b>134,709,883</b>	<b>11,605,223</b>	<b>(497,550)</b>	<b>(309,419)</b>	<b>145,508,137</b>	<b>155,805,277</b>
<b>Leased Assets</b>													
Office Equipment	11,006,768	-	-	-	-	(7,082,205)	3,924,563	9,248,829	944,294	-	(6,268,560)	3,924,563	-
<b>Total</b>	<b>11,006,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,082,205)</b>	<b>3,924,563</b>	<b>9,248,829</b>	<b>944,294</b>	<b>-</b>	<b>(6,268,560)</b>	<b>3,924,563</b>	<b>-</b>
<b>Other Assets</b>													
<i>Bins and Containers</i>													
Household Refuse Bins	5,625.53	-	-	-	-	-	5,625.53	3,711.86	347.63	-	-	4,059.49	1,566.04
<i>Computer Equipment</i>													
Computer Hardware (including Operating Systems)	859,487.87	-	-	-	-	-49,397.88	810,089.99	498,153.24	56,415.80	-	-36,955.06	517,613.99	292,476.01
CPU	59,194.32	-	-	-	-	-5,870.66	53,323.66	43,040.97	1,602.68	-	-5,195.69	39,447.95	13,875.72
Laptops	131,265.11	12,279.83	-	-	-	-11,600.00	131,944.94	74,899.27	14,880.96	-	-8,307.87	81,472.36	50,472.57
Monitors	49,067.43	-	-	-	-	-6,926.00	42,141.43	31,986.30	2,481.10	-	-5,505.51	28,961.89	13,179.54
Printer	18,614.45	-	-	-	-	-2,230.40	16,384.05	13,284.79	1,148.24	-	-1,943.12	12,489.91	3,894.14
Tablets	29,030.70	-	-	-	-	-	29,030.70	10,768.50	4,920.49	-	-	15,689.00	13,341.70
<i>Emergency Equipment</i>													

**APPENDIX B**  
**GARIEP LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Fire Fighting Equipment	1,239.00	-	-	-	-	-	1,239.00	811.08	135.12	-	-	946.20	292.80
Medical and Allied Equipment:	1,061.90	-	-	-	-	-530.95	530.95	649.43	108.19	-	-405.48	352.14	178.81
<i>Furniture and Fittings</i>													
Audiovisual Equipment	51,964.32	-	-	-	-	-2,198.00	49,766.32	27,969.78	5,800.08	-	-1,678.57	32,091.29	17,675.03
Cabinets and Cupboards	423,634.38	-	-	-	-	-42,734.99	380,899.39	261,213.01	40,308.86	-	-30,883.64	270,638.23	110,261.16
Chairs	781,603.02	-	-	-	-	-33,093.80	748,509.22	500,271.48	85,970.81	-	-24,714.84	561,527.46	186,981.76
Desks and Tables	401,573.63	-	-	-	-	-33,377.16	368,196.47	253,919.66	36,627.40	-	-24,341.09	266,205.97	101,990.50
Domestic / Hostel Furniture	19,611.90	-	-	-	-	-7,205.00	12,406.90	10,179.23	2,233.00	-	-5,411.92	7,000.31	5,406.59
Domestic Equipment	75,700.37	-	-	-	-	-12,737.18	62,963.19	45,882.53	8,253.77	-	-9,827.98	44,308.32	18,654.87
Kitchen Appliances	100,723.22	-	-	-	-	-19,478.70	81,244.52	62,587.83	9,885.46	-	-13,938.18	58,535.11	22,709.41
Music Instruments	55,450.00	-	-	-	-	-	55,450.00	24,774.02	3,239.86	-	-	28,013.87	27,436.13
Other Furniture and Fittings	144,193.60	-	-	-	-	-22,666.00	121,527.60	72,802.46	16,954.61	-	-13,829.63	75,927.44	45,600.16
<i>Office Equipment</i>													
Office Equipment / Machines	1,470,495.77	34,965.44	-	-	-	-368,942.18	1,136,519.04	952,295.67	99,277.31	-	-276,096.57	775,476.40	361,042.63
Photographic Equipment	20,067.63	3,069.30	-	-	-	-	23,136.93	8,262.42	4,019.02	-	-	12,281.44	10,855.49
<i>Plant and Equipment</i>													
Firearms	108,600.00	-	-	-	-	-	108,600.00	63,377.00	10,558.01	-	-	73,935.02	34,664.98
Gardening Equipment	234,311.08	-	-	-	-	-74,195.00	160,116.08	149,126.63	13,665.34	-	-52,902.64	109,889.34	50,226.74
Other Plant and Equipment	4,798.00	-	-	-	-	-	4,798.00	3,140.90	523.24	-	-	3,664.14	1,133.86
Radio Equipment	12,600.00	-	-	-	-	-	12,600.00	7,957.55	704.39	-	-	8,661.94	3,938.06
Workshop Tools	593,615.92	35,000.00	-	-	-	-16,350.92	612,265.00	325,422.30	68,727.12	-	-9,519.09	384,630.33	227,634.67
<i>Transport Assets</i>													
Bakkies (LDV's)	1,457,500.00	-	-	-	-	-237,600.00	1,219,900.00	569,286.38	142,645.82	-	-181,129.73	530,802.47	689,097.53
Motor Cars	257,895.00	325,874.36	-	-	-	-232,000.00	351,769.36	74,635.96	34,779.32	-	-75,905.36	33,509.92	318,259.44
Trailers and Accessories	1,018,650.00	-	-	-	-	-72,900.00	945,750.00	322,039.90	35,407.21	-	-33,136.80	324,310.30	621,439.70
Trucks	111,000.00	-	-	-	-	-55,500.00	55,500.00	41,253.28	3,472.65	-	-24,062.85	20,663.09	34,836.91
<b>Total</b>	<b>8,498,574</b>	<b>411,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,307,535)</b>	<b>7,602,228</b>	<b>4,453,703</b>	<b>705,093</b>	<b>-</b>	<b>(835,692)</b>	<b>4,323,105</b>	<b>3,279,123</b>
<b>Total</b>	<b>425,634,752</b>	<b>11,364,840</b>	<b>-</b>	<b>19,558,383</b>	<b>(4,487,302)</b>	<b>(8,847,434)</b>	<b>443,223,239</b>	<b>206,627,973</b>	<b>17,768,914</b>	<b>(497,550)</b>	<b>(7,413,671)</b>	<b>216,485,667</b>	<b>226,737,572</b>

**APPENDIX B**  
**GARIEP LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	

**GARIEP LOCAL MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Heritage	R	R	R	R	R	R	R	R	R	R	R	R	R
Monuments	336,662	-	-	-	-	-	336,662	-	-	-	-	-	336,662
Historic buildings	326,500	-	-	-	-	-	326,500	-	-	-	-	-	326,500
<b>Total</b>	<b>663,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>663,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>663,162</b>

**GARIEP LOCAL MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	90,009,224	-	-	-	-	-	90,009,224	-	-	-	-	-	90,009,224
Buildings	35,278,503	-	-	-	-	-	35,278,503	16,536,696	733,267	-	-	18,003,229	17,275,274
<b>Total</b>	<b>125,287,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,287,727</b>	<b>16,536,696</b>	<b>733,267</b>	<b>-</b>	<b>-</b>	<b>18,003,229</b>	<b>107,284,498</b>

**GARIEP LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	1,034,384	-	-	-	-	-	1,034,384	689,353	172,752	-	-	862,105	172,279
<b>Total</b>	<b>1,034,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,034,384</b>	<b>689,353</b>	<b>172,752</b>	<b>-</b>	<b>-</b>	<b>862,105</b>	<b>172,279</b>
<b>Total Asset Register</b>	<b>552,620,025</b>	<b>11,364,840</b>	<b>-</b>	<b>19,558,383</b>	<b>(4,487,302)</b>	<b>(8,847,434)</b>	<b>570,208,512</b>	<b>223,854,023</b>	<b>18,674,933</b>	<b>(497,550)</b>	<b>(7,413,671)</b>	<b>235,351,001</b>	<b>334,857,510</b>

**APPENDIX D**  
**GARIEP MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					<b>Municipal Governance and Administration</b>					
8,386,219	8,413,624	12,979,599	15,426,802	(4,593,380)	Executive and Council	8,214,817	8,852,822	15,743,249	14,301,149	(7,528,432)
19,083,730	23,983,020	32,534,537	31,136,944	(13,450,807)	Budget and Treasury Office	17,315,055	35,718,165	34,781,079	29,778,460	(17,466,024)
1,989,442	1,996,419	3,121,678	4,270,679	(1,132,236)	Corporate Services	2,882,597	1,587,129	3,868,959	4,884,976	(986,362)
					<b>Community and Public Safety</b>					
3,808,100	4,537,747	5,793,399	6,407,053	(1,985,299)	Community and Social Services	10,940,794	4,710,211	7,911,991	8,833,991	3,028,803
1,274,741	1,535,879	1,766,816	1,778,764	(492,075)	Public Safety	1,280,565	1,458,115	2,208,962	2,498,492	(928,397)
1,374,506	50,177	3,233,975	1,723,923	(1,859,469)	Sport and Recreation	42,759	57,380	1,395,952	1,621,241	(1,353,193)
-	-	559,824	580,681	(559,824)	<b>Housing</b>	-	-	1,160,244	1,329,876	(1,160,244)
105	-	451,429	-	(451,324)	<b>Health</b>	2,632	-	-	-	2,632
					<b>Economic and Environmental Services</b>					
12,798,094	12,915,567	13,607,029	8,605,885	(808,935)	Roads and Transport	15,633,506	13,241,076	17,563,266	19,439,341	(1,929,760)
					<b>Trading Services</b>					
18,118,142	24,127,172	26,838,790	30,373,736	(8,720,648)	Electricity	20,382,234	23,494,509	25,996,449	23,061,820	(5,614,215)
12,740,600	13,273,939	4,294,170	9,276,325	8,446,430	Waste Management	7,874,955	14,361,149	4,960,574	12,564,544	2,914,381
-	-	2,876,650	3,258,113	(2,876,650)	<b>Other</b>	-	-	3,391,288	4,104,544	(3,391,288)
<b>79,576,728</b>	<b>90,833,544</b>	<b>108,057,896</b>	<b>112,838,905</b>	<b>(28,481,168)</b>	Sub-Total	<b>98,600,613</b>	<b>103,480,556</b>	<b>118,982,013</b>	<b>122,418,435</b>	<b>(20,381,400)</b>
					Revenue Foregone					
<b>79,576,728</b>	<b>90,833,544</b>	<b>108,057,896</b>	<b>112,838,905</b>	<b>(28,481,168)</b>	<b>Total</b>	<b>98,600,613</b>	<b>103,480,556</b>	<b>118,982,013</b>	<b>122,418,435</b>	<b>(20,381,400)</b>

**APPENDIX E(1)  
GARIEP MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16							2014/15		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	8,852,822	-	8,852,822	-	8,852,822	8,214,817	(638,005)	92.79	92.79	8,386,218
Budget and Treasury Office	35,718,165	-	35,718,165	-	35,718,165	32,557,631	(3,160,534)	91.15	91.15	19,083,730
Corporate Services	1,587,129	-	1,587,129	-	1,587,129	2,882,596	1,295,467	181.62	181.62	1,989,443
<b>Community and Public Safety:</b>										
Community and Social Services	4,710,211	-	4,710,211	-	4,710,211	10,940,794	6,230,583	232.28	232.28	3,808,098
Sport and Recreation	57,380	-	57,380	-	57,380	42,759	(14,622)	74.52	74.52	1,374,506
Public Safety	1,458,115	-	1,458,115	-	1,458,115	1,280,565	(177,550)	87.82	87.82	1,274,741
Health	-	-	-	-	-	2,632	2,632	0.00	0.00	105
<b>Economic and Environmental Services:</b>										
Road Transport	13,241,076	-	13,241,076	-	13,241,076	15,633,506	2,392,431	118.07	118.07	12,798,094
<b>Trading Services:</b>										
Electricity	23,494,509	-	23,494,509	-	23,494,509	20,382,233	(3,112,276)	86.75	86.75	18,118,144
Waste Management	14,361,149	-	14,361,149	-	14,361,149	7,874,955	(6,486,194)	54.84	54.84	12,740,600
<b>Total Revenue - Standard</b>	<b>103,480,556</b>	<b>-</b>	<b>103,480,556</b>	<b>-</b>	<b>103,480,556</b>	<b>113,843,186</b>	<b>10,362,629</b>	<b>110.01</b>	<b>110.01</b>	<b>79,576,729</b>
<b>EXPENDITURE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	14,301,149	-	14,301,149	-	14,301,149	15,980,110	1,678,961	111.74	111.74	12,218,874
Budget and Treasury Office	29,778,460	-	29,778,460	-	29,778,460	36,570,672	6,792,212	122.81	122.81	34,393,009
Corporate Services	4,884,976	-	4,884,976	-	4,884,976	3,814,094	(1,070,882)	78.08	78.08	3,191,878
<b>Community and Public Safety:</b>										
Community and Social Services	8,833,991	-	8,833,991	-	8,833,991	7,905,893	(928,098)	89.49	89.49	5,815,992
Sport and Recreation	1,621,241	-	1,621,241	-	1,621,241	1,397,906	(223,336)	86.22	86.22	3,233,973
Public Safety	2,498,492	-	2,498,492	-	2,498,492	2,211,000	(287,491)	88.49	88.49	1,768,849
Housing	1,329,876	-	1,329,876	-	1,329,876	1,160,243	(169,634)	87.24	87.24	559,823
Health	-	-	-	-	-	-	-	0.00	0.00	451,429
<b>Economic and Environmental Services:</b>										
Road Transport	23,543,885	-	23,543,885	-	23,543,885	20,946,885	(2,597,001)	88.97	88.97	16,521,679
<b>Trading Services:</b>										
Electricity	23,061,820	-	23,061,820	-	23,061,820	30,980,395	7,918,575	134.34	134.34	26,863,176
Waste Management	12,564,544	-	12,564,544	-	12,564,544	4,798,540	(7,766,004)	38.19	38.19	4,353,824
<b>Total Expenditure - Standard</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>125,765,737</b>	<b>3,347,302</b>	<b>102.73</b>	<b>102.73</b>	<b>109,372,506</b>
<b>Surplus/(Deficit) for the year</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>(11,922,552)</b>	<b>7,015,327</b>	<b>0.00</b>	<b>0.00</b>	<b>(29,795,776)</b>

**APPENDIX E (2)  
GARIEP MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16							2014/15		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>										
Vote 1 - EXECUTIVE	4,805,547	-	4,805,547	-	4,805,547	4,654,600	(150,947)	96.86	96.86	3,387,989
Vote 2 - BUDGET & TREASURY OFFICE	35,718,165	-	35,718,165	-	35,718,165	32,557,631	(3,160,534)	91.15	91.15	19,083,730
Vote 3 - COUNCIL	4,047,275	-	4,047,275	-	4,047,275	3,560,217	(487,058)	87.97	87.97	4,998,229
Vote 4 - CORPORATE SERVICES	1,587,129	-	1,587,129	-	1,587,129	2,882,596	1,295,467	181.62	181.62	1,989,443
Vote 5 - COMMUNITY SERVICES	6,225,707	-	6,225,707	-	6,225,707	12,266,749	6,041,042	197.03	197.03	6,457,451
Vote 6 - TECHNICAL SERVICES	51,096,733	-	51,096,733	-	51,096,733	57,921,393	6,824,660	113.36	113.36	43,659,887
<b>Total Revenue by Vote</b>	<b>103,480,556</b>	<b>-</b>	<b>103,480,556</b>	<b>-</b>	<b>103,480,556</b>	<b>113,843,186</b>	<b>10,362,629</b>	<b>110.01</b>	<b>110.01</b>	<b>79,576,729</b>
<b>EXPENDITURE BY VOTE</b>										
Vote 1 - EXECUTIVE	4,792,053	-	4,792,053	-	4,792,053	4,213,504	(578,549)	87.93	87.93	4,520,129
Vote 2 - BUDGET & TREASURY OFFICE	29,778,460	-	29,778,460	-	29,778,460	36,570,672	6,792,212	122.81	122.81	34,393,009
Vote 3 - COUNCIL	9,509,096	-	9,509,096	-	9,509,096	11,766,606	2,257,510	123.74	123.74	7,698,745
Vote 4 - CORPORATE SERVICES	4,884,976	-	4,884,976	-	4,884,976	3,814,094	(1,070,882)	78.08	78.08	3,191,878
Vote 5 - COMMUNITY SERVICES	12,953,724	-	12,953,724	-	12,953,724	11,514,799	(1,438,924)	88.89	88.89	11,270,243
Vote 6 - TECHNICAL SERVICES	60,500,126	-	60,500,126	-	60,500,126	57,886,062	(2,614,064)	95.68	95.68	48,298,502
<b>Total Expenditure by Vote</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>125,765,737</b>	<b>3,347,302</b>	<b>102.73</b>	<b>102.73</b>	<b>109,372,506</b>
<b>Surplus/(Deficit) for the year</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>(11,922,552)</b>	<b>7,015,327</b>	<b>0.00</b>	<b>0.00</b>	<b>(29,795,776)</b>

**APPENDIX E (3)  
GARIEP MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16										2014/15
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>											
Property Rates	19,833,169	-	19,833,169	-	19,833,169	7,245,532	-	(12,587,638)	36.53	36.53	6,511,217
Property Rates - Penalties & Collection Charges	1,212,629	-	1,212,629	-	1,212,629	-	-	(1,212,629)	0.00	0.00	-
Service Charges - Electricity	20,665,000	-	20,665,000	-	20,665,000	17,511,284	-	(3,153,716)	84.74	84.74	16,147,675
Service Charges - Water	-	-	-	-	-	(0)	-	(0)	0.00	0.00	0
Service Charges - Sanitation	-	-	-	-	-	0	-	0	0.00	0.00	0
Service Charges - Refuse	6,742,183	-	6,742,183	-	6,742,183	6,587,708	-	(154,476)	97.71	97.71	7,057,059
Service Charges - Other	14,917	-	14,917	-	14,917	-	-	(14,917)	0.00	0.00	(3,047)
Rental of Facilities and Equipment	191,018	-	191,018	-	191,018	178,030	-	(12,988)	93.20	93.20	122,964
Interest Earned - External Investments	207,881	-	207,881	-	207,881	198,599	-	(9,282)	95.53	95.53	139,650
Interest Earned - Outstanding Debtors	4,115,942	-	4,115,942	-	4,115,942	4,259,736	-	143,794	103.49	103.49	7,243,571
Fines	9,845	-	9,845	-	9,845	91,322	-	81,477	927.59	927.59	5,433
Agency Services	6,566,721	-	6,566,721	-	6,566,721	1,350,380	-	(5,216,341)	20.56	20.56	1,807,252
Transfers Recognised - Operational	(192,287,571)	(196,706,574)	(388,994,145)	-	(388,994,145)	47,614,800	-	436,608,945	0.00	0.00	40,044,689
Other Revenue	713,669	-	713,669	-	713,669	1,420,523	-	706,854	199.05	199.05	500,266
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>(132,014,595)</b>	<b>(196,706,574)</b>	<b>(328,721,169)</b>	<b>-</b>	<b>(328,721,169)</b>	<b>86,643,180</b>	<b>-</b>	<b>415,364,349</b>	<b>0.00</b>	<b>0.00</b>	<b>79,576,729</b>
<b>Expenditure</b>											
Employee Related Costs	39,408,521	-	39,408,521	-	39,408,521	40,784,633	1,376,112	1,376,112	103.49	103.49	30,432,436
Remuneration of Councillors	3,927,324	-	3,927,324	-	3,927,324	3,441,000	-	(486,325)	87.62	87.62	2,960,049
Debt Impairment	3,112,944	-	3,112,944	-	3,112,944	7,235,708	4,122,763	4,122,763	232.44	232.44	8,335,380
Depreciation and Asset Impairment	18,087,934	-	18,087,934	-	18,087,934	18,699,046	611,112	611,112	103.38	103.38	17,015,970
Finance Charges	5,076,903	-	5,076,903	-	5,076,903	11,560,167	6,483,264	6,483,264	227.70	227.70	7,256,227
Bulk Purchases	16,000,000	-	16,000,000	-	16,000,000	22,032,531	6,032,531	6,032,531	137.70	137.70	19,673,642
Other Materials	951,623	-	951,623	-	951,623	656,087	-	(295,536)	68.94	68.94	1,337,617
Contracted Services	6,574,584	-	6,574,584	-	6,574,584	8,097,691	1,523,106	1,523,106	123.17	123.17	7,039,485
Transfers and Grants	19,675,704	-	19,675,704	-	19,675,704	1,659,893	-	(18,015,811)	8.44	8.44	2,424,253
Other Expenditure	9,602,898	-	9,602,898	-	9,602,898	10,931,714	1,328,816	1,328,816	113.84	113.84	12,897,447
<b>Total Expenditure</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>-</b>	<b>122,418,435</b>	<b>125,765,737</b>	<b>22,144,974</b>	<b>3,347,302</b>	<b>102.73</b>	<b>102.73</b>	<b>109,372,506</b>
<b>Surplus/(Deficit)</b>	<b>(254,433,030)</b>	<b>(196,706,574)</b>	<b>(451,139,604)</b>	<b>-</b>	<b>(451,139,604)</b>	<b>(39,122,557)</b>	<b>(22,144,974)</b>	<b>412,017,047</b>	<b>0.00</b>	<b>0.00</b>	<b>(29,795,776)</b>
Transfers Recognised - Capital	235,495,151	196,706,574	432,201,725	-	432,201,725	27,200,005	-	(405,001,720)	6.29	11.55	-
<b>Surplus/(Deficit) for the Year</b>	<b>(18,937,879)</b>	<b>0</b>	<b>(18,937,879)</b>	<b>-</b>	<b>(18,937,879)</b>	<b>(11,922,552)</b>	<b>(22,144,974)</b>	<b>7,015,327</b>	<b>-</b>	<b>-</b>	<b>(29,795,776)</b>

**APPENDIX E(4)  
GARIEP MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - VOTE</b>									
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	0.00	0.00
Vote 2 - TECHNICAL SERVICES	-	-	-	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure - Vote</b>	-	-	-	-	-	-	-	<b>0.00</b>	<b>0.00</b>
	(11,630,000)	(14,000,000)	(25,630,000)		(25,630,000)	(24,351,940)	1,278,060		
<b>CAPITAL EXPENDITURE - STANDARD</b>									
<b>Governance and Administration:</b>									
Executive and Council	1,000,000	(1,000,000)	-	-	-	-	-	0.00	0.00
<b>Community and Public Safety:</b>									
Community and Social Services	6,000,000	(6,000,000)	-	-	-	-	-	0.00	0.00
<b>Economic and Environmental Services:</b>									
Road Transport	4,630,000	21,000,000	25,630,000	-	25,630,000	-	(25,630,000)	0.00	0.00
<b>Total Capital Expenditure - Standard</b>	<b>11,630,000</b>	<b>14,000,000</b>	<b>25,630,000</b>	-	<b>25,630,000</b>	-	<b>(25,630,000)</b>	-	-



**APPENDIX E(5)  
GARIEP MUNICIPALITY**

**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/16							2014/15	
	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	Restated Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	52,280,369	-	52,280,369	52,280,369	19,629,459	(32,650,910)	37.55	37.55	26,482,738
Government - Operating	(192,287,601)	(196,706,574)	(388,994,175)	(388,994,175)	49,634,493				25,989,000
Government - Capital	235,495,151	196,706,574	432,201,725	432,201,725	27,200,005	(405,001,720)	6.29	11.55	10,976,000
Interest	4,538,675	-	4,538,675	4,538,675	198,599	(4,340,076)	4.38	4.38	139,650
<b>Payments</b>									
Suppliers and Employees	(102,127,557)	-	(102,127,557)	(102,127,557)	(57,325,184)	44,802,373	0.00	0.00	(42,548,083)
Finance Charges	(264,031)	-	(264,031)	(264,031)	(11,560,167)	(11,296,136)	0.00	0.00	(7,256,227)
Transfers and Grants	(19,675,704)	-	(19,675,704)	(19,675,704)	(1,659,893)	18,015,811	0.00	0.00	(2,424,253)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>(22,040,698)</b>	<b>-</b>	<b>(22,040,698)</b>	<b>(22,040,698)</b>	<b>26,117,312</b>	<b>(390,470,658)</b>	<b>0.00</b>	<b>0.00</b>	<b>11,358,824</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	-	-	-	-	951,762	951,762	0.00	0.00	-
<b>Payments</b>									
Capital Assets	(10,629,550)	-	(10,629,550)	(10,629,550)	(24,351,940)	(13,722,390)	0.00	0.00	(10,121,990)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(10,629,550)</b>	<b>-</b>	<b>(10,629,550)</b>	<b>(10,629,550)</b>	<b>(23,400,178)</b>	<b>(12,770,628)</b>	<b>0.00</b>	<b>0.00</b>	<b>(10,121,990)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Payments</b>									
Loans repaid	(329,948)	-	(329,948)	(329,948)	(2,400,477)	(2,070,529)	0.00	0.00	(1,821,753)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>(329,948)</b>	<b>-</b>	<b>(329,948)</b>	<b>(329,948)</b>	<b>(2,400,477)</b>	<b>(2,070,529)</b>	<b>0.00</b>	<b>0.00</b>	<b>(1,821,753)</b>
	<b>329,948</b>		<b>329,948</b>	<b>329,948</b>	<b>2,400,477</b>				<b>1,821,753</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>33,000,196</b>	<b>0</b>	<b>33,000,196</b>	<b>33,000,196</b>	<b>(316,657)</b>	<b>(33,316,852)</b>	<b>0.00</b>	<b>0.00</b>	<b>584,918</b>
Cash / Cash Equivalents at the Year begin:	764,810	584,918	1,349,729	-	764,810	764,810	0.00	100.00	1,349,729
Cash / Cash Equivalents at the Year end:	(32,235,386)	584,918	(31,650,467)	(33,000,196)	1,081,467	34,081,663	0.00	0.00	764,810

**APPENDIX F  
GARIEP MUNICIPALITY**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity									Grants and Subsidies Delayed / Withheld				
		Sept	Dec	March	June	Sept	Dec	March	June	June	Sept	Dec	March	June
Financial Management Grant	National Treasury	1,875,000				881,125	222,136	51,725	720,015					
Equitable share	National Treasury	11,510,000	8,963,000	6,907,000								246,000		
Municipal Infrastructure Grant	COGTA	8,440,000	2,749,000	4,000,000		5,976,890	4,249,889	689,236	2,253,291					
Municipal System Improvement	COGTA	930,000				0	31,700	30,600	867,700					
Extended Public Works Program	Department of Public Works	400,000	300,000	300,000		92,870	287,460	343,180	276,490					
DSRAC Libraries	DSRAC			1,147,000		289,200	372,366	271,511	213,923					
<b>Total Grants and Subsidies Received</b>		<b>23,155,000</b>	<b>12,012,000</b>	<b>12,354,000</b>	<b>0</b>	<b>7,240,085</b>	<b>5,163,550</b>	<b>1,386,252</b>	<b>4,331,419</b>	<b>0</b>	<b>0</b>	<b>246,000</b>	<b>0</b>	<b>0</b>

**APPENDIX G**  
**GARIEP MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2016

Incumbent	Basic	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total
	Salaries						Remuneration
	R	R	R	R	R	R	R
<b>Mayor</b>							
NW Ngoqo	709,765	-	24,468	-	-	102,000	836,233
<b>Other Councillors</b>							
SB Kolasi	213,939	-	24,468	-	-	-	238,407
M Nel	222,012	-	25,447	-	-	-	247,459
MK Mnyombolo	274,555	-	24,468	-	-	-	299,023
TZ Notyeke	213,939	-	24,468	-	-	-	238,407
N Mabunu	274,555	-	24,468	-	-	-	299,023
B Kweyiya	274,555	-	24,468	-	-	-	299,023
P Kayster	178,283	-	20,390	-	-	-	198,673
AJ Van Heerden	10,127	-	1,159	-	-	-	11,286
AM van Zyl	213,939	-	24,468	-	-	-	238,407
NTT Kula	274,555	-	24,468	-	-	-	299,023
<b>Municipal Manager</b>							
T Mawonga	967,616	404,457	320,552	76,509	-	-	1,769,134
Acting Allowance: Z Nongene	10,670	-	-	-	-	-	10,670
<b>Chief Financial Officer</b>							
Acting Allowance: S Mcingane	34,614	-	4,500	-	-	-	39,114
<b>Manager: Community Services</b>							
Acting Allowance: N M Raisa	141,978	-	18,000	-	-	-	159,978
<b>Manager: Corporate Services</b>							
Acting Allowance: S J Sontashe	129,639	-	18,000	-	-	-	147,639
<b>Manager: Infrastructure</b>							-
<b>Manager: Strategic Services</b>							-
<b>Manager: Technical Services</b>							
Z. Nongene	567,799	43,428	224,316	33,148	-	-	868,691
<b>Total for Management</b>	<b>4,712,540</b>	<b>447,885</b>	<b>828,108</b>	<b>109,657</b>	<b>-</b>	<b>102,000</b>	<b>6,200,190</b>

Incumbent	Basic	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total
	Salaries						Remuneration
	R	R	R	R	R	R	R
<b>Mayor</b>							
NW Ngoqo	403,283	-	177,204	39,668	8,309	-	628,464
<b>Other Councillors</b>							
SB Kolasi	196,759	-	18,114	-	-	-	214,873
E Brien	196,759	-	18,114	-	-	-	214,873
MK Mnyombolo	250,707	-	18,114	-	-	-	268,821
TZ Notyeke	150,858	-	64,015	-	-	-	214,873
N Mabunu	191,800	-	77,021	-	-	-	268,821
B Kweyiya	250,707	-	18,114	-	-	-	268,821
P Kayster	196,759	-	18,114	-	-	-	214,873
AM van Zyl	150,858	-	64,015	-	-	-	214,873
NTT Kula	263,552	-	18,114	-	-	-	281,666
<b>Municipal Manager</b>							
T Mawonga	824,364	179,048	287,285	50,055	-	19,284	1,360,036
<b>Chief Financial Officer</b>							
ML Mosala	636,982	163,295	18,000	87,334	-	17,643	923,254
<b>Manager: Community Services</b>							
L Nyezi	385,982	148,238	197,115	65,416	62,143	20,970	879,863
<b>Manager: Corporate Services</b>							
MN Pietersen & W Nodwele	109,200	7,000	113,295	-	-	-	229,495
<b>Manager: Infrastructure</b>							-
<b>Manager: Strategic Services</b>							-
<b>Manager: Technical Services</b>							
L Majikijela & Z. Nongene	24,708	94,551	-	-	-	-	119,259
<b>Total for Management</b>	<b>4,208,569</b>	<b>497,581</b>	<b>1,106,635</b>	<b>242,473</b>	<b>70,452</b>	<b>57,896</b>	<b>6,183,606</b>