

OVERBERG DISTRICT MUNICIPALITY



Annual Financial Statements
for the year ended 30 June 2016

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

General Information

Nature of business and principal activities	Overberg Municipality is a district municipality performing the functions as set out in the Constitution, 1996	
Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)	
Jurisdiction	The Overberg District Municipality includes the following areas: Cape Agulhas Overstrand Swellendam Theewaterskloof	
Members of the Council	Councillor	Ward/Area
	J Nieuwoudt	Cape Agulhas
	P Atyhosi	Cape Agulhas
	L Krige	Overstrand
	R Smith	Overstrand
	P May	Overstrand
	N Sapepa	Overstrand
	I Sileku	Theewaterskloof
	K Tiemie	Theewaterskloof
	M Hector	Theewaterskloof
	C November	Theewaterskloof
	U Sipunzi	Theewaterskloof
	L De Bruyn	Proportional
	J Kriel	Proportional
	A Franken	Proportional
	D Oosthuizen	Proportional
	J Arendse	Proportional
	V Mentile	Proportional
	J Gelderblom	Proportional
	A Appel	Proportional
	D Ruiters	Proportional
	Vacant	Proportional
Accounting Officer	D P Beretti	
Chief Finance Officer (CFO)	J C P Tesselaar	
Registered office	26 Long Street Bredasdorp 7280	
Postal address	Private Bag X22 Bredasdorp 7280	
Auditors	Auditor General South Africa (AGSA) Registered Auditors	
Bankers	ABSA Bank	

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

General Information

Relevant Legislation

Municipal Finance Management Act, 2003. (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act, 1998. (Act no 117 of 1998)
Municipal Systems Act, 2000. (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act, 1997. (Act no 108 of 1997)
Housing Act, 1997. (Act no 107 of 1997)
Municipal Property Rates Act, 2004. (Act no 6 of 2004)
Electricity Act, 1987. (Act no 41 of 1987)
Skills Development Levies Act, 1999. (Act no 9 of 1999)
Employment Equity Act, 1998. (Act no 55 of 1998)
Unemployment Insurance Act, 1966. (Act no 30 of 1966)
Basic Conditions of Employment Act, 1997. (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
Municipal Budget and Reporting Regulations
mSCOA Regulations

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the annual financial statements of Overberg District Municipality:

Index	Page
Approval of Accounting Officer	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 11
Accounting Policies	12 - 13
Notes to the Annual Financial Statements	32 - 79
Appendices:	
Appendix A: Schedule of External loans	80
Appendix B: Segmental Statement of Financial Performance - Municipal and GFS Votes	81
Appendix C: Segmental Statement of Financial Performance - Municipal Departments	82
Appendix D: Disclosure of Grants and Subsidies	84
Appendix E(1): Revenue and Expenditure (Standard Classification)	85
Appendix E(2): Revenue and Expenditure (Municipal Vote Classification)	87
Appendix E(3): Revenue and Expenditure (Revenue by Source and Expenditure by Type)	88
Appendix E(4): Capital Expenditure by Vote, Standard Classification and Funding	90
Appendix E(5): Cash Flows	92

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Approval of Accounting Officer

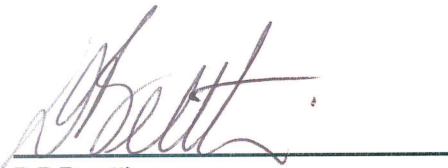
I am responsible for the preparation of these annual financial statements for the year ended 30 June 2016, which are set out on pages 1 to 94 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied upon.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and am satisfied that the Municipality can continue its operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Municipality's financial statements.

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.



D P Beretti
Municipal Manager
31 August 2016

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position at 30 June 2016

	Notes	2016 Actual R	2015 Restated R
Assets			
Current Assets			
		29 546 998	17 790 673
Cash and Cash Equivalents	2	22 376 364	14 359 250
Receivables from Exchange Transactions	3	6 258 863	2 148 466
Receivables from Non-Exchange Transactions	4	161 948	183 002
Taxes	6	-	170 382
Inventories	7	749 823	929 573
Non-Current Assets			
		78 829 126	79 671 989
Investment Property	8	-	111 000
Property, Plant and Equipment	9	40 065 269	39 684 478
Intangible Assets	10	351 638	314 158
Capitalised Restoration Cost (PPE)	11	9 979 647	11 129 781
Employee Benefit Asset	12	28 432 572	28 432 572
Total Assets			
		108 376 124	97 462 662
Liabilities			
Current Liabilities			
		24 078 927	16 195 055
Long-term Liabilities - Current Portion	13	527 645	813 773
Consumer Deposits	14	11 820	11 820
Payables from Exchange Transactions	15	2 266 359	2 378 795
Unspent Conditional Government Grants	16	11 820 868	4 250 960
Taxes	6	409 020	-
Employee Benefit Obligation	17	9 043 215	8 739 707
Non-Current Liabilities			
		79 359 814	77 442 741
Long-term Liabilities	13	2 587 912	666 124
Employee Benefit Obligation	17	57 263 959	58 344 968
Non-current Provisions	18	19 507 943	18 431 649
Total Liabilities			
		103 438 741	93 637 796
Net Assets			
		4 937 383	3 824 866
Accumulated Surplus	19	4 937 383	3 824 866
		4 937 383	3 824 866

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

	Notes	2016 Actual R	2015 Restated R
Revenue			
Revenue from Exchange Transactions			
		98 066 406	72 815 614
Government Grants and Subsidies - Operating	20	70 000 332	53 036 166
Service Charges	21	445 630	658 048
Rental of Facilities and Equipment	22	12 141 537	11 498 415
Interest Earned - External Investments		2 187 723	1 677 642
Interest Earned - Outstanding Debtors		1 515	4 244
Interest Earned - Other		-	35 000
Licences and Permits		136 872	116 416
Agency Services	23	6 591 829	4 798 966
Other Income	24	3 041 968	990 717
Gain on Disposal of Investment Property		3 519 000	-
Revenue from Non-exchange Transactions			
		65 904 856	55 416 184
Transfer Revenue			
		60 487 094	55 223 408
Government Grants and Subsidies - Capital	20	160 367	86 755
Government Grants and Subsidies - Operating	20	60 326 727	55 111 653
Public Contributions and Donations	25	-	25 000
Other Revenue			
		5 417 762	192 776
Actuarial Gains	17	5 255 545	182 075
Insurance Receipts		143 113	-
Reversal of Impairments		19 104	10 701
Total revenue			
		163 971 262	128 231 798
Expenditure			
Employee Related Costs	27	(77 188 074)	(70 008 006)
Remuneration of Councillors	28	(5 183 119)	(4 995 864)
Debt Impairment	29	(81 995)	(28 164)
Depreciation and Amortisation	30	(2 727 225)	(2 354 695)
Repairs and Maintenance	31	(36 252 907)	(18 789 001)
Actuarial Losses	17	(119 677)	(211 456)
Finance Costs	32	(7 083 412)	(5 949 600)
Contracted Services	33	(1 946 635)	(537 682)
Stock Adjustments		-	(214 454)
Transfers and Grants	34	(17 313)	(5 000)
Other Expenditure	35	(31 865 160)	(26 612 809)
Loss on Disposal of Property, Plant and Equipment		(393 234)	(319 257)
Total Expenditure			
		(162 858 751)	(130 025 988)
Nett Surplus / (Deficit) for the Year			
		1 112 511	(1 794 190)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	Accumulated Surplus R	Total R
Balance at 30 June 2014 - Previously Reported	5 586 974	5 586 974
Prior Period Adjustment - Refer to note 36.06	40 247	40 247
Balance at 30 June 2014 Restated	5 619 056	5 619 056
Net Deficit for the year	(1 794 190)	(1 794 190)
Balance at 30 June 2015 Restated	3 824 872	3 824 872
Net Surplus for the year	1 112 511	1 112 511
Balance at 30 June 2016	4 937 383	4 937 383

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

	Notes	2016 Actual R	2015 Restated R
Cash Flows from Operating Activities			
Receipts			
Service Charges		485 977	680 364
Other Revenue		16 933 259	16 912 857
Government - Operating		138 807 334	104 579 759
Government - Capital		160 367	86 755
Interest Income		2 189 238	1 681 886
		<u>158 576 175</u>	<u>123 941 621</u>
Payments			
Suppliers and Employees		(152 517 710)	(121 610 305)
Finance Costs		(163 191)	(149 870)
Transfers and Grants		(17 313)	(5 000)
		<u>(152 698 214)</u>	<u>(121 765 175)</u>
Net Cash Flows from Operating Activities	37	<u>5 877 961</u>	<u>2 176 446</u>
Cash Flows from Investing Activities			
Receipts			
Proceeds from Sale of Investment Property	9	3 630 000	-
Proceeds from Sale of Property, Plant and Equipment	9	96 459	-
Payments			
Purchase of Intangible Assets	10	(99 195)	(98 715)
Purchase of Property, Plant and Equipment	9	(955 056)	(766 573)
Net Cash Flows from Investing Activities		<u>2 672 208</u>	<u>(865 288)</u>
Cash Flows from Financing Activities			
Payments			
Loans Repaid		(533 055)	(1 661 458)
Net Cash Flows from Financing Activities		<u>(533 055)</u>	<u>(1 661 458)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		8 017 114	(350 300)
Cash and Cash Equivalents at the Beginning of the Year		14 359 250	14 709 550
Cash and Cash Equivalents at the End of the Year	2	22 376 364	14 359 250

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

	2016 R Budget	2016 R Adjustments	2016 R Final Budget	2016 R Actual	2016 R Variance
--	---------------------	--------------------------	---------------------------	---------------------	-----------------------

Statement of Financial Performance

Revenue

Service Charges	679 970	-	679 970	445 630	(234 340)
Rental of Facilities and Equipment	11 814 010	300 000	12 114 010	12 141 537	27 527
Interest Earned - External Investments	1 000 000	200 000	1 200 000	2 187 723	987 723
Interest Earned - Outstanding Debtors	4 100	-	4 100	1 515	(2 585)
Licences and Permits	24 000	29 000	53 000	136 872	83 872
Agency Services	6 203 000	388 829	6 591 829	6 591 829	-
Government Grants and Subsidies - Operating	116 082 638	16 302 381	132 385 019	130 327 059	(2 057 960)
Operating Revenue	5 793 466	144 262	5 937 728	8 459 730	2 522 002
Gains on Disposal of Assets	3 100 000	419 000	3 519 000	3 519 000	-
Total Revenue	144 701 184	17 783 472	162 484 656	163 810 895	1 326 239

Expenditure

Employee Related Costs	(70 203 875)	(12 443 814)	(82 647 689)	(77 188 074)	5 459 615
Remuneration of Councillors	(5 321 597)	(282 479)	(5 604 076)	(5 183 119)	420 957
Debt Impairment	-	-	-	(81 995)	(81 995)
Depreciation and Amortisation	(1 919 040)	(807 061)	(2 726 101)	(2 727 225)	(1 124)
Finance Costs	(95 500)	(63 410)	(158 910)	(7 083 412)	(6 924 502)
Contracted Services	(4 224 880)	-	(4 224 880)	(1 946 635)	2 278 245
Transfers and Grants	(120 000)	-	(120 000)	(17 313)	102 687
Other Expenditure	(64 765 980)	(2 511 400)	(67 277 380)	(68 237 744)	(960 364)
Loss on Disposal of Assets	-	-	-	(393 234)	(393 234)
Total Expenditure	(146 650 872)	(16 108 164)	(162 759 036)	(162 858 751)	(99 715)

Operating Surplus/(Deficit) for the Year	(1 949 688)	1 675 308	(274 380)	952 144	1 226 524
Government Grants and Subsidies - Capital				160 367	160 367
Net Surplus / (Deficit) for the Year	(1 949 688)	1 675 308	(274 380)	1 112 511	1 386 891

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

	2016 R Budget	2016 R Adjustments	2016 R Final Budget	2016 R Actual	2016 R Variance
Statement of Financial Position					
Assets					
Current Assets					
Cash and Cash Equivalents	5 405 728	5 380 825	10 786 553	22 376 364	11 589 811
Consumer Debtors	1 842 004	357 964	2 199 968	1 440 339	(759 629)
Other Receivables	-	-	-	4 980 472	4 980 472
Inventories	1 039 175	(109 602)	929 573	749 823	(179 750)
	<u>8 286 907</u>	<u>5 629 187</u>	<u>13 916 094</u>	<u>29 546 998</u>	<u>15 630 904</u>
Non-Current Assets					
Employee Benefits	-	28 432 572	28 432 572	28 432 572	-
Investment Property	111 000	-	111 000	-	(111 000)
Property, Plant and Equipment	38 642 610	2 316 658	40 959 268	40 065 269	(893 999)
Intangible Assets	274 895	39 263	314 158	351 638	37 480
Capitalised Restoration Cost (PPE)	1 591 003	9 538 777	11 129 780	9 979 647	(1 150 133)
	<u>40 619 508</u>	<u>40 327 270</u>	<u>80 946 778</u>	<u>78 829 126</u>	<u>(2 117 652)</u>
Total Assets	<u>48 906 415</u>	<u>45 956 457</u>	<u>94 862 872</u>	<u>108 376 124</u>	<u>13 513 252</u>
Liabilities					
Current Liabilities					
Long-term Liabilities - Current Portion	192 850	620 922	813 772	527 645	(286 127)
Consumer Deposits	11 820	-	11 820	11 820	-
Payables from Exchange Transactions	2 270 094	456 811	2 726 905	14 496 247	11 769 342
Employee Benefit Obligation	9 395 715	(11 008)	9 384 707	9 043 215	(341 492)
	<u>11 870 479</u>	<u>1 066 725</u>	<u>12 937 204</u>	<u>24 078 927</u>	<u>11 141 723</u>
Non-Current Liabilities					
Long-term Liabilities	975 099	1 805 547	2 780 646	2 587 912	(192 734)
Employee Benefit Obligation	66 912 702	10 979 936	77 892 638	76 771 902	(1 120 736)
	<u>67 887 801</u>	<u>12 785 483</u>	<u>80 673 284</u>	<u>79 359 814</u>	<u>(1 313 470)</u>
Total Liabilities	<u>79 758 280</u>	<u>13 852 208</u>	<u>93 610 488</u>	<u>103 438 741</u>	<u>9 828 253</u>
Net Assets	<u>(30 851 865)</u>	<u>32 104 249</u>	<u>1 252 384</u>	<u>4 937 383</u>	<u>3 684 999</u>
Community Wealth					
Reserves					
Accumulated Surplus	<u>(30 851 865)</u>	<u>32 104 249</u>	<u>1 252 384</u>	<u>4 937 383</u>	<u>3 684 999</u>

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

	2016 R Budget	2016 R Adjustments	2016 R Final Budget	2016 R Actual	2016 R Variance
Cash Flow Statement					
Cash flows from Operating Activities					
Receipts					
Service Charges	679 970	-	679 970	485 977	(193 993)
Other Revenue	23 834 476	4 381 091	28 215 567	16 933 259	(11 282 308)
Government - Operating	116 082 638	12 783 381	128 866 019	138 807 334	9 941 315
Government - Capital	-	-	-	160 367	160 367
Interest Income	1 004 100	200 000	1 204 100	2 189 238	985 138
	<u>141 601 184</u>	<u>17 364 472</u>	<u>158 965 656</u>	<u>158 576 175</u>	<u>(389 481)</u>
Payments					
Suppliers and Employees	(142 687 642)	(19 026 322)	(161 713 964)	(152 517 710)	9 196 254
Finance Costs	(95 500)	(63 410)	(158 910)	(163 191)	(4 281)
Transfers and Grants	-	-	-	(17 313)	(17 313)
	<u>(142 783 142)</u>	<u>(19 089 732)</u>	<u>(161 872 874)</u>	<u>(152 698 214)</u>	<u>9 174 660</u>
Net Cash Flows from Operating Activities	<u>(1 181 958)</u>	<u>(1 725 260)</u>	<u>(2 907 218)</u>	<u>5 877 961</u>	<u>8 785 179</u>
Cash Flows from Investing Activities					
Receipts					
Proceeds from Sale of Assets	3 100 000	419 000	3 519 000	3 726 459	207 459
Payments					
Decrease / (Increase) in Non-current Investments	-	(2 309 730)	(2 309 730)	-	2 309 730
Capital Assets	(629 470)	(579 800)	(1 209 270)	(1 054 251)	155 019
Net Cash Flows from Investing Activities	<u>2 470 530</u>	<u>(2 470 530)</u>	<u>-</u>	<u>2 672 208</u>	<u>2 672 208</u>
Cash Flows from Financing Activities					
Payments					
Loans Repaid	(437 955)	(227 528)	(665 483)	(533 055)	132 428
Net Cash Flows from Financing Activities	<u>(437 955)</u>	<u>(227 528)</u>	<u>(665 483)</u>	<u>(533 055)</u>	<u>132 428</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	850 617	(4 423 318)	(3 572 701)	8 017 114	11 589 815
Cash and Cash Equivalents at the Beginning of the Year	4 555 111	9 804 139	14 359 250	14 359 250	-
Cash and Cash Equivalents at the End of the Year	5 405 728	5 380 821	10 786 549	22 376 364	11 589 815

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Basis of Preparation

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.1 Transitional Provisions

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2 Presentation Currency

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.3 Going Concern Assumption

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

1.4 Comparative Information

1.4.1 Prior Year Comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6 Budget Information

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.7 New Standards, Amendments to Standards and Interpretations Issued but not yet Effective

1.7.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (May 2015)	Presentation of Financial Statements	1 April 2016
GRAP 16 (May 2015)	Investment Property	1 April 2016
GRAP 17 (May 2015)	Property, Plant and Equipment	1 April 2016
GRAP 31 (May 2015)	Intangible Assets	1 April 2016
GRAP 103 (May 2015)	Heritage Assets	1 April 2016

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to additional disclosure requirements, the removal of encouraged disclosures and the clarification of accounting principles.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

1.7.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, 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.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.7.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (mSCOA). The estimated date of implementation is 1 July 2017.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 New Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

1.7.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality resolved to develop an accounting policy as set out in note 1.34 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.7.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.7.2.4 GRAP 108 - Statutory Receivables (Original - September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.18.

The impact of this Standard on the financial statements will be minimal.

1.7.2.5 GRAP 109 - Accounting by Principles and Agents (Original - July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

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

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.8 Reserves

Accumulated Surplus

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Investment Property

1.9.1 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, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

1.9.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.9.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

Item	Useful Life
Property - land	Indefinite
Property - buildings	100 Years

1.9.4 Impairment

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

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Investment Property (continued)

1.9.5 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 Property, Plant and Equipment

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current 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 it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. 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.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

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

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Property, Plant and Equipment (continued)

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

Item	Years
Land	Indefinite
Buildings	15 - 120
Infrastructure	10 - 120
Community	30 - 100
Leased Assets	3
Other Assets	1 - 100
Capitalised Restoration Cost	27 - 40

1.10.4 Impairment

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

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

1.10.5 Derecognition

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

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

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

1.11 Intangible Assets

1.11.1 Initial Recognition

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

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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.

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

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Intangible Assets (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11.2 Subsequent Measurement - Cost Model

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

1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

Item	Useful life
Computer Software	10 Years
Computer Software Licences	10 Years

1.11.4 Impairment

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

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

1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Impairment of Non-monetary Assets

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

1.12.1 Recoverable Amount of Cash-generating Assets

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 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.

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.

1.12.2 Recoverable Amount of Non-cash-generating Assets

The recoverable service amount is the higher of a non-cash generating asset's 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.

1.12.3 Impairment Loss

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 of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.12.4 Reversal of an Impairment Loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for 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.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.13 Inventories

1.13.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

1.13.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.14 Employees Benefits

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Employees Benefits (continued)

1.14.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.14.1.1 Multi-Employer 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 recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.14.1.2 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.2 Long-term Benefits

1.14.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Short-term Benefits

1.14.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Employees Benefits (continued)

1.14.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.15 Provisions and Contingencies

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

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

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- > the business or part of a business concerned;
- > the principal locations affected;
- > the location, function and approximate number of employees who will be compensated for terminating their services;
- > the expenditures that will be undertaken; and
- > when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16 Leases

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

Finance Leases - Lessee

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

Operating Leases - Lessor

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Leases (continued)

Operating Leases - Lessee

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

1.17 Financial Instruments

1.17.1 Initial Recognition

Financial instruments (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.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.17.2 Subsequent Measurement

Financial instruments are categorised as follow:

(a) Financial instruments at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.

(b) Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.

(c) Financial instruments at fair value comprise of financial assets or financial liabilities that are:

- > derivatives;
- > combined instruments that are designated at fair value;
- > instruments held for trading;
- > non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- > financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.17.3 Impairment and Collectability of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.17.3.1 Financial Assets Measured at Amortised Cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Financial Instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.17.3.2 Financial Assets Measured at Cost

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

1.17.4 Derecognition of Financial Instruments

1.17.4.1 Financial Assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised 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.

1.17.4.2 Financial Liabilities

The Municipality derecognises financial liabilities 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.

1.17.5 Offsetting of Financial Instruments

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

1.18 Statutory Receivables

Identification

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.18 Statutory Receivables (continued)

Impairment and Collectability of Statutory Receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.19 Cash and Cash Equivalents

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.20 Receivables

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of 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. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.21 Taxes

Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.22 Payables and Annuity Loans

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23 Consumer Deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.24 Unspent Conditional Government Grants and Unspent Public Contributions

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions 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 conditions 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.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor 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.

1.25 Revenue

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.25.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.25.1.1 Transfer Revenue

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

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.25.1.2 Insurance Receipts

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.25 Revenue (continued)

1.25.1.3 Unclaimed Deposits

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

1.25.1.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.25.1.5 Services In-kind

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.25.1.6 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.25.2 Revenue from Exchange Transactions

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

1.25.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

1.25.2.2 Grants and Subsidies (Roads Function)

Grants or transfers (specifically relating to the roads functions performed) received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant or transfer is conditional. The liability is transferred to revenue as and when the conditions attached to the grant or transfer is met.

1.25.2.3 Investment 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.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.25 Revenue (continued)

1.25.2.4 Rental Income

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

1.25.2.5 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

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

1.25.2.6 Other Tariffs

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

1.25.2.7 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser 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.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.25.2.8 Deferred Payment

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

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

1.26 Borrowing Costs

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.27 Unauthorised Expenditure

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.28 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, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Fruitless and Wasteful Expenditure

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

1.30 Employee Benefits

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to 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.

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

1.31 Capital Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32 Events After Reporting Date

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

- > those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- > those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33 Related Parties

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.33 Related Parties (continued)

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.34 Significant Accounting Judgements, Estimates and Assumptions

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

1.34.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.34.2 Impairment of Receivables

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

1.34.3 Useful Lives and Residual Values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.34.4 Impairment of Non-monetary Assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.34 Significant Accounting Judgements, Estimates and Assumptions (continued)

1.34.5 Post-Retirement and Long-term Benefits

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

1.34.6 Provisions and Contingent Liabilities

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

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

1.34.7 Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.34.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.34.9 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is 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 recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- (a) Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site;
- (b) Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money; and
- (c) The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period.

1.34.10 Provision for Staff Leave

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

1.34.11 Componentisation of Infrastructure Assets

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

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. Cash and Cash Equivalents

	2016 R	2015 R
Bank Accounts	9 790 694	2 544 164
Call Investments and Other Deposits	12 580 770	11 810 186
Cash Floats	4 900	4 900
Total	<u>22 376 364</u>	<u>14 359 250</u>

Due to the short term nature of cash deposits, all balances included above is in line with their fair value.

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	11 820 868	4 250 960
Taxes	409 020	-
Working Capital Requirements	10 146 476	10 108 290
	<u>22 376 364</u>	<u>14 359 250</u>

The municipality had the following bank accounts:

Account number / description	Bank statement balances		
	30 June 2016 R	30 June 2015 R	30 June 2014 R
Bank Accounts			
Bredasdorp ABSA - Account number 1780000062 (Primary Bank Account)	9 808 458	2 737 893	7 059 622
Bredasdorp FNB - Account number 62270787412	-	-	213 944
Call and Notice Deposits			
ABSA Depositor Plus - Account Number 9287551045	1 789 677	10 619 211	6 566 087
ABSA Depositor Plus - Account Number 9287550641	10 791 093	1 190 965	1 126 942
Total	<u>22 389 228</u>	<u>14 548 069</u>	<u>14 966 595</u>
		Cash book balances	
	30 June 2016	30 June 2015	30 June 2014
Bank Accounts	9 795 594	2 549 064	7 016 521
Call and Notice Deposits	12 580 770	11 810 186	7 693 030
Total	<u>22 376 364</u>	<u>14 359 250</u>	<u>14 709 551</u>

Interest between 6.80 % and 7.00 % (2015 - 5.55 % and 5.75 %) are attracted by these short term deposits.

The Municipality does not have an overdraft facility.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

3. Receivables from Exchange Transactions

30 June 2016	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	1 703 367	(275 045)	1 428 322
Electricity	5 723	(2 623)	3 100
Water	2 166	(415)	1 751
Refuse	947	(473)	474
Housing Rental	237 866	(105 674)	132 192
Sundry Debtors	1 456 665	(165 860)	1 290 805
Other Receivables	4 830 541	-	4 830 541
Accrued Interest	107 687	-	107 687
Payments in Advance	584 654	-	584 654
Asset Sales	4 138 200	-	4 138 200
Total	6 533 908	(275 045)	6 258 863
30 June 2015	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	2 067 456	(460 107)	1 607 349
Electricity	53 603	(34 504)	19 099
Water	11 739	(4 948)	6 791
Refuse	9 270	(4 907)	4 363
Sewerage	2 895	-	2 895
Housing Rental	309 703	(161 017)	148 686
Sundry Debtors	1 680 246	(254 731)	1 425 515
Other Receivables	541 117	-	541 117
Accrued Interest	1 705	-	1 705
Payments in Advance	539 412	-	539 412
Total	2 608 573	(460 107)	2 148 466
Balance Previously Reported	928 326	(205 377)	722 949
Prior Period Adjustment - Sundry Debtors - Refer to note 36.02	1 680 246	(254 731)	1 425 515
Restated Balance on 30 June 2015	2 608 572	(460 108)	2 148 464

Due to the short-term nature of receivables, all balances above is in line with their fair value.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

3. Receivables from Exchange Transactions (continued)

Ageing of Service Receivables:	2016 R	2015 R
Electricity Ageing		
Current (0 - 30 days)	288	13 762
Past Due (31 - 60 Days)	189	7 736
Past Due (61 - 90 Days)	-	1 988
Past Due (90 Days +)	5 246	30 117
Total	5 723	53 603
Water Ageing		
Current (0 - 30 days)	860	3 514
Past Due (31 - 60 Days)	235	1 525
Past Due (61 - 90 Days)	300	1 092
Past Due (90 Days +)	771	5 608
Total	2 166	11 739
Refuse Ageing		
Current (0 - 30 days)	-	2 053
Past Due (31 - 60 Days)	-	1 579
Past Due (61 - 90 Days)	-	1 047
Past Due (90 Days +)	947	4 592
Total	947	9 271
Sewerage Ageing		
Current (0 - 30 days)	-	789
Past Due (31 - 60 Days)	-	526
Past Due (61 - 90 Days)	-	526
Past Due (90 Days +)	-	1 053
Total	-	2 894
Housing Rental Ageing		
Current (0 - 30 days)	24 900	29 850
Past Due (31 - 60 Days)	1 618	18 850
Past Due (61 - 90 Days)	-	18 450
Past Due (90 Days +)	211 348	242 553
Total	237 866	309 703
Sundry Debtors Ageing		
Current (0 - 30 days)	801 730	803 411
Past Due (31 - 60 Days)	216 856	281 568
Past Due (61 - 90 Days)	97 031	119 455
Past Due (90 Days +)	341 048	475 811
Total	1 456 665	1 680 245
Total Service Receivables Ageing		
Current (0 - 30 days)	827 778	853 379
Past Due (31 - 60 Days)	218 898	311 784
Past Due (61 - 90 Days)	97 331	142 558
Past Due (90 Days +)	559 360	759 734
Total	1 703 367	2 067 455

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

3. Receivables from Exchange Transactions (continued)

	2016	2015
	R	R
Reconciliation of Allowance for Impairment		
Balance at the beginning of the year	460 107	622 155
Contribution to the provision	67 382	4 695
Electricity	(9 410)	1 212
Water	(1 363)	(1 779)
Refuse	(1 751)	(1 219)
Sewerage	-	-
Housing rental	79 239	19 205
Sundry Debtors	667	(12 724)
Bad Debts Written off	(252 444)	(166 743)
Electricity	(22 471)	-
Water	(3 170)	-
Refuse	(2 683)	-
Sewerage	-	-
Housing rental	(134 582)	-
Sundry Debtors	(89 538)	(166 743)
Balance at the end of the year	275 045	460 107

The Allowance for Impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

4. Receivables from Non-Exchange Transactions

30 June 2016	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	22 464	(10 447)	12 017
Legal Fees	22 464	(10 447)	12 017
Other Receivables	149 931	-	149 931
Sundry Debtors	113 637	-	113 637
Suspense Debtors	36 294	-	36 294
Total	172 395	(10 447)	161 948
30 June 2015	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	42 260	(17 370)	24 890
Legal Fees	42 260	(17 370)	24 890
Other Receivables	158 112	-	158 112
Provincial Health Function	21 825	-	21 825
Sundry Debtors	106 575	-	106 575
Suspense Debtors	29 712	-	29 712
Total	200 372	(17 370)	183 002
Balance Previously Reported	1 749 120	(272 101)	1 477 019
Prior Period Adjustment - Sundry Debtors Refer to note 36.3	(1 548 748)	(254 731)	(1 294 017)
Restated Balance on 30 June 2015	200 372	(17 370)	183 002

Due to the short-term nature of receivables, all balances above is in line with their fair value.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

4. Receivables from Non-Exchange Transactions (continued)

Ageing of Service Receivables:	2016 R	2015 R
Legal Fees Ageing		
Current (0 - 30 days)	768	2 333
Past Due (31 - 60 Days)	217	-
Past Due (61 - 90 Days)	730	1 813
Past Due (90 Days +)	20 749	38 114
Total	22 464	42 260
Reconciliation of Allowance for Impairment		
Balance at the beginning of the year	17 370	193 966
Contribution to the provision	14 613	23 468
Legal Fees	1 513	17 370
Sundry Debtors	13 100	6 098
Bad Debts Written off	(21 536)	(200 064)
Legal Fees	(8 436)	-
Sundry Debtors	-	(6 098)
Suspense Debtors	(13 100)	(193 966)
Balance at the end of the year	10 447	17 370

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

5. Operating Lease Assets

	2016 R	2015 R
Operating Lease Assets	-	-
The municipality will receive the following lease payments from contracts that have defined lease payments and terms.		
Within 1 Year	126 915	144 977
Between 1 and 5 Years	28 801	239 927
After 5 Years	-	236 842
	155 716	621 746

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.

The lease payments are in respect of properties being lease out over a period ranging up to 2018 (2015 - 2032). The decrease in future lease payments is mainly due to the sale of the farm portion 339, which was previously contracted on a lease agreement up to 2032.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

6. Taxes

	2016 R	2015 R
VAT Payable	(626 083)	(131 468)
VAT Receivable	217 063	301 850
Total	(409 020)	170 382
Balance Previously Reported		301 879
Prior Period Adjustment - Refer to Note 36.4		(131 498)
Restated Balance on 30 June 2015		170 382

VAT is accounted for on the payment basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

7. Inventories

Consumables	749 823	929 573
Printing & Stationary	23 919	20 251
Fuel & Oil	502 383	705 837
Spare Parts	87 209	90 496
Grader Blades	86 907	92 366
Cleaning Materials	22 636	4 671
Other	26 769	15 952
Total	749 823	929 573

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

Inventory written down due to losses identified during the annual stores counts (including obsolete items).

	-	(214 454)
Inventory recognised as an expense during the year.	8 509 744	8 255 356

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

8. Investment Property

	2016 R	2015 R
Investment Property - Opening Carrying Value	111 000	111 000
Cost	111 000	111 000
Accumulated Depreciation	-	-
Disposals	(111 000)	-
Investment Property - Closing Carrying Value	-	111 000
Cost	-	111 000
Accumulated Depreciation	-	-

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Rental Revenue were earned from Investment Property for the period under review (Farm Portion 339).

No repairs and maintenance cost were incurred on any investment properties in the current year.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

9. Property, Plant and Equipment

	2016			2015		
	Cost R	Accumulated Depreciation R	Carrying value R	Cost R	Accumulated Depreciation R	Carrying Value R
Land and buildings	20 398 782	(5 678 582)	14 720 200	20 278 558	(5 426 682)	14 851 876
Infrastructure	24 596 676	(12 374 822)	12 221 854	24 527 488	(11 655 349)	12 872 139
Community	46 110	(15 659)	30 451	46 110	(14 851)	31 259
Leased assets	3 037 112	(572 199)	2 464 913	1 337 117	(664 001)	673 116
Other assets	16 563 882	(5 936 031)	10 627 851	17 045 014	(5 788 926)	11 256 088
Total	64 642 562	(24 577 293)	40 065 269	63 234 287	(23 549 809)	39 684 478

Reconciliation of property, plant and equipment - 2016

	Opening Balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	14 851 876	120 224	-	(251 900)	14 720 200
Infrastructure	12 872 139	87 579	(9 659)	(728 205)	12 221 854
Community	31 259	-	-	(808)	30 451
Leased assets	673 116	2 521 868	(353 153)	(376 918)	2 464 913
Other Assets	11 256 088	747 258	(480 034)	(895 461)	10 627 851
Total	39 684 478	3 476 929	(842 846)	(2 253 292)	40 065 269

At year-end there were work in progress balances amounting to R93 001 included in land and buildings.

Reconciliation of property, plant and equipment - 2015

	Opening Balance R	Additions R	Disposals R	Depreciation R	Prior Period Adjustment - Refer to note 36.05 R	Total R
Land and buildings	10 739 795	-	-	(250 042)	4 362 123	14 851 876
Infrastructure	13 600 897	-	-	(723 778)	(4 980)	12 872 139
Community	1 306 463	-	-	(808)	(1 274 396)	31 259
Leased assets	1 001 103	-	-	(327 987)	-	673 116
Other Assets	13 878 840	1 646 184	(319 260)	(855 307)	(3 094 369)	11 256 088
Total	40 527 098	1 646 184	(319 260)	(2 157 922)	(11 622)	39 684 478

There were no work in progress balance at year-end.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

10. Intangible Assets

	2016			2015		
	Cost	Accumulated	Carrying value	Cost	Accumulated	Carrying value
	R	Amortisation R	R	R	Amortisation R	R
Computer Software	986 430	(634 792)	351 638	887 235	(573 077)	314 158

Reconciliation of Intangible Assets - 2016

	Opening Balance	Additions	Amortisation	Total
	R	R	R	R
Computer Software	314 158	99 195	(61 715)	351 638

Reconciliation of Intangible Assets - 2015

	Opening Balance	Additions	Amortisation	Total
	R	R	R	R
Computer Software	274 896	98 715	(59 453)	314 158

Intangible Assets consist only out of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

11. Capitalised Restoration Cost (PPE)

	2016 R	2015 R
Opening Carrying Value	11 129 781	1 591 152
Cost	12 067 400	2 402 151
Accumulated Depreciation	(846 324)	(709 003)
Accumulated Impairments	(91 295)	(101 996)
Additions	-	9 665 249
Disposals	(757 024)	-
Depreciation for the year	(412 214)	(137 321)
Reversal of Impairments for the year	19 104	10 701
Closing Carrying Value	9 979 647	11 129 781
Cost	11 310 376	12 067 400
Accumulated Depreciation	(1 258 538)	(846 324)
Accumulated Impairments	(72 191)	(91 295)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Overberg District Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

12. Employee Benefit Asset

Employee Benefits (Roads)	28 432 572	28 432 572
The movement in Employee Benefits (Roads) are reconciled as follows:		
Opening Balance	28 432 572	28 432 572
Contribution during the year	2 946 363	2 853 582
Current Service Cost	580 169	526 079
Interest Cost	2 366 194	2 327 503
Refunded to/(Claimed from) Department of Roads	777 411	(2 504 281)
Actuarial Gain	(3 723 774)	(349 301)
Total	28 432 572	28 432 572

The Employee Benefits: Roads Receivable relates to the provision for post-retirement health benefits, long service awards and ex-gratia pension benefits made in respect of employees directly appointed for Roads Function performed on an agency basis on behalf of the Provincial Administration: Western Cape.

In terms of the agreement between the Western Cape Provincial Government and past experience, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post retirement benefits. The future claim for the provision for retirement benefits has therefore been raised as a long term debtor. The carrying amount of these assets approximates their fair value.

Refer to note 18 for more detail relating to this receivable.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

13. Long Term Liabilities

	2016 R	2015 R
Annuity Loans	633 620	779 945
Finance Lease liability	2 481 937	699 952
Sub-Total	<u>3 115 557</u>	<u>1 479 897</u>
Less: Current portion of Long-term Liabilities	527 645	813 773
Annuity Loans	<u>160 662</u>	<u>146 325</u>
Finance Lease Liabilities	<u>366 983</u>	<u>667 448</u>
Total	<u><u>2 587 912</u></u>	<u><u>666 124</u></u>

Long Term Liabilities were fully utilised to purchase property plant and equipment in accordance with the Municipal Finance Management Act. No loans were unspent and no cash were set aside to finance future installments.

Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

INCA	633 620	779 945
Interest is calculated at an interest rate of 9.45% (2015 - 9.45%) and the loan will be fully redeemed on 31 December 2019. The liability is not secured.		
	<u>633 620</u>	<u>779 945</u>
Annuity loans are payable as follows:		
Payable within one year	216 873	216 873
Payable within two to five years	542 181	759 054
Total amount payable	<u>759 054</u>	<u>975 927</u>
Less: Outstanding Future Finance Charges	(125 434)	(195 982)
Present Value of Annuity Loans	<u><u>633 620</u></u>	<u><u>779 945</u></u>

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

13. Long Term Liabilities (continued)

Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Lease Term
1	Assatech (Copiers)	16.55% (2015 - 9.59%)	1 Sept 2013 - 31 Aug 2016
2	Amasondo (Vehicles)	Settled (2015 - 10.37%)	3 Apr 2013 - 2 Apr 2016
3	Avis (Vehicles)	10.03% to 17.49%	31 Mar 2016 - 30 Apr 2019

All lease agreements have no escalation clause over the respective periods. After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Copiers and Vehicles will be returned to the supplier at the end of the lease term when the contract is cancelled.

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2016 R	2015 R	2016 R	2015 R
1	29 174	201 392	32 823	217 171
2	-	471 723	-	482 781
3	2 435 739	-	2 449 114	-
	<u>2 464 913</u>	<u>673 115</u>	<u>2 481 937</u>	<u>699 952</u>

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 9.

The municipality did not treat the accounting for cellular phones and tablets (leased contracts) correctly for the period ending 30 June 2015 and 30 June 2016 as per GRAP standards 13 and 17. The effect is not considered material for the entity.

	2016 R	2015 R
Finance Lease Liabilities are payable as follows:		
Payable within one year	651 988	685 705
Payable within two to five years	2 509 444	32 889
Total amount payable	<u>3 161 432</u>	<u>718 594</u>
Less: Outstanding Future Finance Charges	(679 495)	(18 642)
Present value of finance lease liabilities	<u>2 481 937</u>	<u>699 952</u>

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

14. Consumer Deposits

	2016 R	2015 R
Electricity	11 820	11 820
Total	11 820	11 820

No guarantees are held in lieu of electricity deposits.

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

15. Payables from Exchange Transactions

Trade Payables	552 713	725 511
Payments Received in Advance	492 179	433 096
Retentions and Guarantees	1 039 740	1 039 740
Housing Rent Deposits	23 352	31 335
Suspense Accounts	158 375	149 113
Total	2 266 359	2 378 795

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured and the municipality did not default on any payables during the year.

The Retentions and Guarantees relates to a financial guarantee received from the Department of Transport and Public Works for the rehabilitation of land.

16. Unspent Conditional Government Grants

National Government	227	-
Provincial Government	11 820 641	4 250 960
Total	11 820 868	4 250 960

Detail reconciliations of all grants received and grant conditions met are included in note 20. Unspent grant balances are recognised to the extent that conditions are not yet met.

No grants were withheld in the current year.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations

	2016 R	2015 R
Current Employee Benefits		
Post Retirement Medical Benefits	2 649 204	2 846 892
Long Service Awards	654 450	524 248
Bonuses	1 720 596	1 572 118
Staff Leave	4 018 965	3 796 449
Non-current Employee Benefits		
Post Retirement Medical Benefits	52 807 156	54 064 653
Long Service Awards	4 456 803	4 280 315
Total	66 307 174	67 084 675
Non-current Liabilities	57 263 959	58 344 968
Current Liabilities	9 043 215	8 739 707
Total	66 307 174	67 084 675
Bonuses		
Opening Balance	1 572 118	1 406 502
Contribution during the year	3 822 792	3 443 732
Payments made	(3 674 314)	(3 278 116)
Closing Balance	1 720 596	1 572 118
Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
Staff Leave		
Opening Balance	3 796 449	3 430 708
Contribution during the year	422 513	496 739
Payments made	(199 997)	(130 998)
Closing Balance	4 018 965	3 796 449

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

	2016 R	2015 R
Post Retirement Medical Benefits		
The movement in Post Retirement Medical Benefits are reconciled as follows:		
Opening Balance	56 911 545	53 453 022
Contribution during the year	6 257 113	5 979 698
Current Service Cost	1 524 401	1 435 214
Interest Cost	4 732 712	4 544 484
Payments made	(2 456 755)	(2 339 100)
Actuarial Gain	(5 255 545)	(182 075)
Total balance at year-end	55 456 358	56 911 545
Less Current Portion	2 649 204	2 846 892
Total	52 807 154	54 064 653

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2016	2015
In-service members	116	115
Continuation members	80	82
Total	196	197

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

	2016 R	2015 R
In-service members	22 975 228	20 687 379
Continuation members	32 481 132	36 224 166
Total Unfunded Liability	55 456 360	56 911 545

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2014 R	2013 R	2012 R
In-service members	18 182 623	14 448 503	13 165 926
Continuation members	35 270 399	35 725 476	35 000 845
Total Unfunded Liability	53 453 022	50 173 979	48 166 771

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

Experience adjustments were calculated as follows:

	2016 R m	2015 R m
Liabilities: (Gain)/Loss	(3,887)	0,132
Assets: Gain/(Loss)	0,000	0,000

Experience adjustments were calculated as follows in years prior to the comparative year:

	2014 R m	2013 R m	2012 R m
Liabilities: (Gain)/Loss	0,349	0,491	(0,007)
Assets: Gain/(Loss)	0,000	0,000	0,00

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Samwumed
Keyhealth

Key Actuarial Assumptions used are as follows:	2016 %	2015 %
Interest Rates		
Discount rate	8,91	8,52
Health Care Cost Inflation Rate	8,06	7,81
Net Effective Discount Rate	0,80	0,67

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal Retirement Age

It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 4 August 2016.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

Sensitivity Analysis - Liability at year-end

Assumption	In-service members R m	Continuation members R m	Total liability R m	% change
Liability	22,975	32,481	55,456	
Health care inflation				
+ 1%	27,737	35,485	63,222	14,00
- 1%	19,193	29,855	49,048	-12,00
Discount rate				
+ 1%	19,249	29,895	49,144	-11,00
- 1%	27,746	35,491	63,237	14,00
Post-retirement mortality				
- 1 year	23,780	33,928	57,708	4,00
Average retirement age				
- 1 year	24,922	32,481	57,404	4,00
Continuation of membership at retirement				
- 10%	20,818	32,481	53,300	-4,00

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R m	Interest Cost R m	Total Cost R m	% change
Future Cost	1,694	4,828	6,522	
Health care inflation				
+ 1%	2,071	5,520	7,591	23,00
- 1%	1,399	4,257	5,655	-18,00
Discount rate				
+ 1%	1,416	4,744	6,160	-12,00
- 1%	2,052	4,902	6,954	14,00
Post-retirement mortality				
- 1 year	1,752	5,029	6,780	4,00
Average retirement age				
- 1 year	1,814	5,002	6,815	7,00
Continuation of membership at retirement				
- 10%	1,544	4,636	6,180	-9,00

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

Long Service Awards

The movement in Long Service Awards are reconciled as follows:

	2016 R	2015 R
Opening Balance	4 804 563	4 370 073
Contribution during the year	697 898	609 748
Current Service Cost	343 707	282 188
Interest Cost	354 191	327 560
Payments made	(510 883)	(386 714)
Actuarial Loss	119 677	211 456
Total balance at year-end	5 111 255	4 804 563
Less Current Portion	654 450	524 248
Total	4 456 805	4 280 315

The following members are eligible for long service bonuses:

	2016	2015
In-service members	286	291

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

	2016 R	2015 R
In-service members	5 111 255	4 804 563
Total Unfunded Liability	5 111 255	4 804 563

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2014 R	2013 R	2012 R
In-service members	4 370 073	4 116 067	3 886 091
Total Unfunded Liability	4 370 073	4 116 067	3 886 091

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

Experience adjustments were calculated as follows:

	2016 R	2015 R
Liabilities: (Gain)/Loss	314 926	272 504
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2014 R	2013 R	2012 R
Liabilities: (Gain)/Loss	60 179	(46 194)	9 744
Assets: Gain/(Loss)	-	-	-

Key Actuarial Assumptions used are as follows:

Interest Rates	2016 %	2015 %
Discount rate	8,48	7,79
General Salary Inflation (long-term)	7,14	7,00
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1,25	0,73

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed on 4 August 2016.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability R m	Change %
Liability	5,111	
General salary inflation		
+ 1%	5,423	6,00
- 1%	4,828	-6,00
Discount rate		
+ 1%	4,814	-6,00
- 1%	5,445	7,00
Average retirement age		
- 2 years	4,202	-18,00
+ 2 years	5,933	16,00
Withdrawal rates		
- 50%	5,850	14,00

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	Change %
Future Cost	361 300	406 200	767 500	
General salary inflation				
+ 1%	391 900	432 500	824 400	7,00
- 1%	334 100	382 300	716 400	-7,00
Discount rate				
+ 1%	336 200	426 000	762 200	-1,00
- 1%	390 000	383 200	773 200	1,00
Average retirement age				
- 2 years	30 600	329 100	359 700	-17,00
+ 2 years	410 900	475 900	886 800	16,00
Withdrawal rates				
- 50%	472 200	468 800	941 000	23,00

Other Pension Benefits

Defined Benefit Plans	2016 R	2015 R
Council contributes to the following defined benefit plans:		
LA Retirement Fund (former Cape Joint Pension Fund)	845 905	795 639
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 101.4% (30 June 2014 - 106.2%).		
Consolidated Retirement Fund (former Cape Retirement Fund)	5 991 119	5 241 792
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.6%).		
Total	6 837 024	6 037 431

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund and LA Retirement Fund are Multi Employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

17. Employee Benefit Obligations (continued)

Defined Contribution Plans	2016 R	2015 R
Council contributes to the following defined contribution plans:		
Municipal Councillors Pension Fund	55 335	82 847
SAMWU National Provident Fund	1 240 283	1 246 105
Total	1 295 618	1 328 952

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

18. Non-current Provisions

Rehabilitation Provision - Landfill Sites	19 507 943	18 431 649
The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
Opening Balance	18 431 650	7 838 715
Contribution during the year	1 076 294	10 592 935
Increase/(Decrease) in estimate	(757 024)	9 665 249
Interest Cost	1 833 318	927 686
Total balance at year-end	19 507 944	18 431 650
Less Current Portion	-	-
Total	19 507 944	18 431 650

There are no current portion associated with this provision as the municipality does not intend to rehabilitate any landfill sites in the next financial year.

The total obligation at year-end can be attributed to the following sites

Site	Expected Closure Date		
Karwyderskraal - Cell 1 and 2	2042	12 305 825	11 627 577
Karwyderskraal - Cell 3	2042	7 202 119	6 804 073
Total		19 507 944	18 431 650

Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money – ie the discount rate. The discount rate used during the financial year was 9.95% (2015 – 9.24%)

Cell 3 is being utilised by Overstrand Municipality. Overberg District Municipality obtained a legal opinion highlighting the responsibility of Overstrand Municipality with regards to rehabilitation of the above mentioned cell.

Estimated area to be rehabilitated (m²)

- Cell 1 and 2	46 050	46 050
- Cell 3	23 600	23 600

The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter for Karwyderskraal is (R/m²):

- Cell 1 and 2	267	253
- Cell 3	288	305

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

19. Reserves

	2016 R	2015 R
Accumulated Surplus	4 937 383	3 824 872
Total	<u>4 937 383</u>	<u>3 824 872</u>

20. Government Grants and Subsidies

Unconditional Grants - National Government	51 338 000	50 397 000
Equitable share	51 338 000	50 397 000
Conditional Grants - National Government	5 333 773	3 189 299
Local Government Financial Management Grant (FMG)	1 250 000	1 250 000
Municipal Systems Improvement Grant (MSIG)	930 000	883 299
Expanded Public Work Programme Grant (EPWP)	1 000 000	1 056 000
Rural Roads Asset Management System	2 153 773	-
Conditional Grants - Provincial Government	73 815 653	54 648 275
Roads Subsidy	70 000 332	53 036 166
Health Subsidy	138 021	125 333
Other Provincial Allocations	3 677 300	1 486 776
Total	<u>130 487 426</u>	<u>108 234 574</u>
Disclosed as:		
Revenue from Non-Exchange Transactions (Operating)	60 326 727	55 111 653
Revenue from Non-Exchange Transactions (Capital)	160 367	86 755
Revenue from Exchange Transactions (Operating - Roads Subsidy)	70 000 332	53 036 166
	<u>130 487 426</u>	<u>108 234 574</u>
Grants per Vote (MFMA Sec 123 (c)):		
Municipal Manager	51 338 000	50 397 000
Management Services	9 149 094	4 801 408
Community & Technical Services	70 000 332	53 036 166
Total	<u>130 487 426</u>	<u>108 234 574</u>
Equitable Share		
Grants Received	51 338 000	50 397 000
Transferred to Revenue - Operating	(51 338 000)	(50 397 000)
Closing Unspent Balance	<u>-</u>	<u>-</u>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

20. Government Grants and Subsidies (continued)

Financial Management Grant (FMG)

Grants Received	1 250 000	1 250 000
Transferred to Revenue - Operating	(1 250 000)	(1 250 000)
Closing Unspent Balance	-	-

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

Municipal Systems Improvement Grant (MSIG)

Grants Received	930 000	934 000
Transferred to Revenue - Operating	(930 000)	(883 299)
Transfer to/(from) Receivables	-	(50 701)
Closing Unspent Balance	-	-

The MSIG is a conditional grant used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems.

Expanded Public Works Program (EPWP)

Grants Received	1 000 000	1 056 000
Transferred to Revenue - Operating	(1 000 000)	(1 056 000)
Closing Unspent Balance	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

Rural Roads Asset Management System

Grants Received	2 154 000	-
Transferred to Revenue - Operating	(2 153 773)	-
Closing Unspent Balance	227	-

The purpose of the grant is to assist rural district municipalities to set up rural road asset management systems (RRAMS), collect road data, traffic data and road classification in line with the Road Infrastructure Strategic Framework South African (RISFSA).

Roads Subsidy

Balance unspent at beginning of year	1 597 272	5 553 355
Grants Received	79 777 940	49 080 083
Transferred to Revenue - Operating	(70 000 332)	(53 036 166)
Closing Unspent Balance	11 374 880	1 597 272

The road subsidy is utilised to upgrade and maintain the provincial roads network in the municipal area.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

20. Government Grants and Subsidies (continued)

Health Subsidy

Grants Received	138 021	125 333
Transferred to Revenue - Operating	(138 021)	(125 333)
Closing Unspent Balance	-	-

Health subsidies was used to fund expenditure incurred for continued benefits of primary health care personnel previously employed by the municipality.

Other Provincial Allocations

Balance unspent at beginning of year	2 653 689	2 711 046
Grants Received	2 219 373	1 824 098
Transferred to Revenue - Capital	(160 367)	(86 755)
Transferred to Revenue - Operating	(3 516 933)	(1 400 021)
Grants repaid to Provincial Treasury	(750 000)	(394 679)
Closing Unspent Balance	445 762	2 653 689

Other Provincial Allocations includes grants such as:

- Coastal Management Grant
- Provincial Finance Management Support Grant
- SETA Training Fund
- Greenest Municipality
- Municipal Finance Improvement Programme
- Other Provincial Contributions

Total Grants

Balance unspent at beginning of year	4 250 961	8 264 401
Grants Received	138 807 334	104 666 514
Transferred to Revenue - Capital	(160 367)	(86 755)
Transferred to Revenue - Operating	(130 327 059)	(108 147 819)
Transfer to/(from) Receivables	-	(50 701)
Grants repaid to Provincial Treasury	(750 000)	(394 679)
Closing Unspent Balance	11 820 869	4 250 961

21. Service Charges

Municipal Services	445 630	658 048
--------------------	---------	---------

22. Rental of Facilities and Equipment

	2016 R	2015 R
Resorts	11 982 997	11 352 227
Equipment	38 891	36 637
Other	119 649	109 551
Total	12 141 537	11 498 415

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

23. Agencies Services

Roads	6 591 829	4 798 966
Total	6 591 829	4 798 966

The Roads agency fee relates to the roads function being performed by the municipality on behalf of the Western Cape Provincial Government.

24. Other Income

	2016 R	2015 R
Waste Management Operational Cost Recovered	1 946 635	507 182
Shared Services	341 120	-
Sundry Income	754 213	483 535
	3 041 968	990 717

Sundry income represents a wide range of revenue items (such as payroll commission, tender deposits, copies and faxes) which is not considered material to warrant separate disclosure in the financial statements.

25. Public Contributions and Donations

Donations	-	25 000
-----------	---	--------

26. Reversal of Impairments

Capitalised Restoration Cost (PPE)	19 104	10 701
------------------------------------	--------	--------

The reversal of impairment is the result of an increase in discount rate used to capitalise the rehabilitation asset resulting in the reversal of impairment charges previously recognised.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

27. Employee Related Costs

	2016 R	2015 R
Basic Salaries and Wages	49 147 597	45 183 209
Pension and UIF Contributions	8 393 556	7 611 393
Medical Aid Contributions	3 335 940	3 065 177
Overtime	1 974 489	1 885 415
Bonus	3 822 793	3 443 733
Motor Vehicle Allowance	4 384 112	3 688 269
Housing Allowances	701 046	169 073
Other benefits and allowances	2 046 423	1 761 815
Group Life Insurance	1 064 829	961 191
Bargaining Council Levy	26 670	24 591
Leave pay provision charge	422 511	496 738
Long-service awards	343 707	282 188
Post Retirement Medical Benefits	1 524 401	1 435 214
Total	77 188 074	70 008 006

The following Basic Salaries and Wages can be attributed to the maintenance of roads in the municipal area:

Employee Related Costs (Roads)	9 262 251	8 894 342
--------------------------------	------------------	------------------

Remuneration of Municipal Manager - DP Beretti

Basic Salary	1 220 246	1 183 849
Pension and UIF Contributions	1 785	1 785
Motor Vehicle Allowance	177 794	123 713
Housing Allowance	1 366	2 142
Cellphone Allowance	6 000	6 000
Bargaining Council Levy	87	81
Total	1 407 278	1 317 570

Remuneration of Chief Finance Officer - JCP Tesselaar

Basic Salary	926 714	882 000
Pension and UIF Contributions	1 785	1 785
Motor Vehicle Allowance	116 504	110 536
Housing Allowance	2 306	2 850
Cellphone Allowance	6 000	6 000
Other benefits and allowances	20 208	-
Bargaining Council Levy	87	81
Total	1 073 604	1 003 252

Community and Technical Services - R Geldenhuys (Acting)

Basic Salary	63 056	88 395
Pension and UIF Contributions	10 905	16 357
Medical Aid Contributions	7 072	10 607
Motor Vehicle Allowance	37 983	59 934
Other benefits and allowances	17 007	31 791
Bargaining Council Levy	15	20
Total	136 038	207 104

R Geldenhuys acted in the position of Director Community Services for the period 1 July 2015 to 31 August 2015 (2015 - March 2015 to June 2015).

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

28. Remuneration of Councillors

	2016 R	2015 R
Mayor	853 685	808 988
Deputy Mayor	453 215	438 925
Speaker	440 866	684 138
Mayoral Committee Members	1 429 096	1 337 695
Councillors	2 006 257	1 726 118
Total	5 183 119	4 995 864

In-kind Benefits

The Mayoral Committee Members are provided with secretarial support and an office at the cost of the Council.

Remuneration of the Mayor - L De Bruyn

Annual Remuneration	618 207	583 982
Pension Contributions	89 654	82 847
Motor Vehicle Allowance	121 356	117 691
Cellphone Allowance	24 468	24 468
Total	853 685	808 988

Remuneration of the Deputy Mayor - J Du Toit Loubser

Annual Remuneration	274 716	263 437
Pension Contributions	39 654	37 000
Motor Vehicle Allowance	138 845	138 488
Total	453 215	438 925

Remuneration of the Speaker - D Du Toit

Annual Remuneration	54 516	453 951
Motor Vehicle Allowance	23 163	205 719
Cellphone Allowance	2 776	24 468
Total	80 455	684 138

Remuneration of the Speaker - JGA Nieuwoudt

Annual Remuneration	231 297	-
Pension Contributions	33 214	-
Motor Vehicle Allowance	99 564	-
Total	364 075	-

Remuneration of the Member of the EMC - A Franken

Annual Remuneration	446 569	425 580
Motor Vehicle Allowance	196 177	170 256
Cellphone Allowance	24 468	24 468
Total	667 214	620 304

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

28. Remuneration of Councillors (continued)

Remuneration of the Member of the EMC - IM Sileku

	2016 R	2015 R
Annual Remuneration	266 963	255 349
Motor Vehicle Allowance	116 153	106 245
Total	383 116	361 594

Remuneration of the Member of the EMC - KJ Tiemie

Annual Remuneration	266 963	453 951
Motor Vehicle Allowance	111 802	205 719
Cellphone Allowance	-	24 468
Total	378 765	684 138

Remuneration of the Other Councillors

Annual Remuneration	1 232 223	1 052 561
Pension Contributions	15 681	21 068
Medical Aid Contributions	-	17 280
Motor Vehicle Allowance	522 789	431 197
Cellphone Allowance	164 958	146 808
Other Benefits and Allowances	66 942	57 204
Total	2 002 593	1 726 118

29. Debt Impairment

Receivables from Exchange Transactions	67 382	4 695
Receivables from Non-exchange Transactions	14 613	23 468
	81 995	28 163

30. Depreciation and Amortisation

Property, Plant and Equipment	2 253 292	2 157 922
Intangible assets	61 715	59 453
Capitalised Restoration Cost (PPE)	412 214	137 321
	2 727 221	2 354 696

31. Repairs and Maintenance

Vehicles	4 592 761	3 806 205
Equipment	828 641	1 761 655
Buildings	714 434	478 095
Roads	29 288 460	12 316 033
Other	828 611	427 013
Total	36 252 907	18 789 001

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

32. Finance Costs

	2016 R	2015 R
Annuity Loans	70 548	98 369
Finance Lease Liabilities	92 643	51 501
Rehabilitation Provision - Landfill Sites	1 833 318	927 686
Post Retirement Medical Benefits	4 732 712	4 544 484
Long Service Awards	354 191	327 560
Total	7 083 412	5 949 600

33. Contracted Services

Landfill Site Operating Costs	1 946 635	537 682
Total	1 946 635	537 682

34. Transfers and Grants

Grants Paid to Institutions	17 313	5 000
Total	17 313	5 000

35. General Expenses

Auditors Fees	2 379 908	2 355 862
Bank Charges	48 315	56 005
Blades	440 309	403 099
Burning Fuel	142 290	364 192
Cleaning Materials	129 892	98 060
Editing and Translating	21 349	9 561
Equipment Rental	175 304	137 652
Fuel Cost	8 788 078	8 509 042
Insurance	439 451	462 737
Legal Cost	237 371	211 979
Marketing	-	24 230
Membership Fees	774 141	671 262
Municipal Services	4 841 265	4 451 662
Oil	173 254	157 766
Printing and Stationery	562 979	534 134
Professional Fees	5 554 033	1 588 793
Projects Own Funding	16 430	-
Safety Clothes	221 064	380 235
Security Services	6 066	4 208
Settlement Payment	-	50 000
Skills Development Levy	641 873	556 662
Standby Chopper	668 826	531 467
Telephone	1 736 011	1 587 705
Training	348 450	302 983
Travel - Local	350 844	249 809
Tyres	1 488 865	1 393 880
Vehicle Rental	15 539	-
Workmen's Compensation Contributions	460 329	419 971
Other Expenses	1 202 924	1 099 853
Total	31 865 160	26 612 809

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

36. Prior Period Errors

Reclassification in terms of GRAP 1

2015
R

36.01 Statement of Financial Performance

The following items were reclassified on the face of the statement of financial performance to ensure improved reporting to the users of the financial statements. These adjustments does not constitute an prior year error in terms of GRAP 3.

Employee Related Cost (Roads) Previously reported	8 894 342
Line item reallocated to Employee Related Cost	(8 894 342)

Net effect on total expenditure

-

Correction of Error in terms of GRAP 3

36.02 Receivable from Exchange Transactions

Balance Previously Reported

722 950

Sundry Receivables incorrectly disclosed as Non-Exchange Transactions - Refer to note 36.03

1 294 017

Effect on Gross Receivables

1 548 748

Effect on Allowance for Impairment

(254 731)

VAT included in receivable balances incorrectly allocated to Taxes - Refer to Note 36.04

131 498

Restated Balance on 30 June 2015

2 148 465

36.03 Receivables from Non-exchange Transactions

Balance Previously Reported

1 477 019

Sundry Receivables incorrectly disclosed as Non-Exchange Transactions - Refer to note 36.02

(1 294 017)

Effect on Gross Receivables

(1 548 748)

Effect on Allowance for Impairment

254 731

Restated Balance on 30 June 2015

183 002

36.04 Taxes

Balance Previously Reported

301 879

VAT included in receivable balances incorrectly allocated to Taxes - Refer to Note 36.02

(131 498)

Restated Balance on 30 June 2015

170 381

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

36. Prior Period Errors (continued)

36.05 Property, Plant and Equipment	2015 R
Balance Previously Reported	39 696 099
Recognise Other Assets previously not recognised on 30 June 2007	32 342
Effect on Other Assets (Cost) 30 June 2007 - Refer to note 36.06	75 506
Effect on Accumulated Depreciation up to 30 June 2014 - Refer to note 36.06	(37 770)
Effect on Depreciation during 2014/15 - Refer to note 36.06	(5 394)
Recognise asset disposals on 30 June 2015 previously not recognised - Refer to note 36.06	(37 997)
Effect on Cost (Other Assets)	(71 219)
Effect on Accumulated Depreciation (Other Assets)	33 222
Remove duplicated Other Assets previously recognised on 30 June 2007	(302)
Effect on Cost - Refer to note 36.06	(1 513)
Effect on Accumulated Depreciation up to 30 June 2014 - Refer to note 36.06	1 060
Effect on Depreciation during 2014/15 - Refer to note 36.06	151
Auctioned assets incorrectly disposed from asset register on 30 June 2014	2 365
Effect on Cost - Refer to note 36.06	5 948
Effect on Accumulated Depreciation up to 30 June 2014 - Refer to note 36.06	(2 984)
Effect on Depreciation during 2014/15 - Refer to note 36.06	(599)
Consolidation of Land and Buildings in one asset class	-
Effect on Land and Buildings (Cost)	8 128 098
Effect on Infrastructure (Cost)	(41 889)
Effect on Community Assets (Cost)	(1 475 802)
Effect on Other Assets (Cost)	(6 610 407)
Effect on Land and Buildings (Accumulated Depreciation)	(3 585 732)
Effect on Infrastructure (Accumulated Depreciation)	34 876
Effect on Community Assets (Accumulated Depreciation)	184 554
Effect on Other Assets (Accumulated Depreciation)	3 366 302
Effect on Land and Buildings (Depreciation)	(172 213)
Effect on Infrastructure (Depreciation)	2 033
Effect on Community Assets (Depreciation)	16 852
Effect on Other Assets (Depreciation)	153 328
Remove properties incorrectly included in Asset Register - Refer to note 36.06	(8 030)
Effect on Land and Buildings (Cost)	(13 500)
Effect on Land and Buildings (Accumulated Depreciation)	5 335
Effect on Land and Buildings (Depreciation)	135
Restated Balance on 30 June 2015	<u><u>39 692 507</u></u>

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

36. Prior Period Errors (continued)

36.06 Accumulated Surplus

Balance Previously Reported	3 836 493
Prior Period Adjustments up to 30 June 2014	32 082
Recognise Other Assets previously not recognised on 30 June 2007 - Refer to note 36.05	37 736
Remove duplicated Other Assets previously recognised on 30 June 2007 - Refer to note 36.05	(453)
Auctioned assets incorrectly disposed from asset register on 30 June 2014 - Refer to note 36.05	2 964
Remove properties incorrectly included in Asset Register - Refer to note 36.05	(8 165)
Prior Period Adjustments during 2014/2015 - Refer to note 36.07	(43 704)
Restated Balance on 30 June 2015	3 824 871

36.07 Statement of Financial Performance

Balance Previously Reported	(1 750 480)
Reallocate Reversal of Debt Impairment due to reallocation of receivables between Non-Exchange and Exchange	-
Effect on Debt Impairment	46 642
Effect on Reversal of Debt Impairment	(46 642)
Skills Development Levy and Workmens Compensation Contributions incorrectly included as part of employee related Costs	-
Effect on Employee Related Costs	976 634
Effect on Other Expenditure	(976 634)
Recognise Depreciation during 2014/15 on Other Assets previously not recognised on 30 June 2007	(5 394)
Recognise asset disposals on 30 June 2015 previously not recognised - Refer to note 36.05	(37 997)
Remove duplicated Depreciation on Other Assets previously recognised during 2014/15 - Refer to note 36.05	151
Remove duplicated Depreciation on Other Assets previously recognised during 2014/15 - Refer to note 36.05	(599)
Auctioned assets incorrectly disposed from asset register on 30 June 2014 (Effect on Depreciation) - Refer to note 36.05	135
Restated Balance on 30 June 2015	(1 794 184)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

37. Cash Flow from Operating Activities

	2016 R	2015 R
Net Deficit for the Year	1 112 511	(1 794 190)
Adjustments for:		
Non-Cash Revenue	(8 793 649)	(192 776)
Actuarial Gains	(5 255 545)	(182 075)
Reversal of Debt Impairment	(19 104)	(10 701)
Gain on Disposal of Investment Property	(3 519 000)	-
Non-Cash Expenditure	10 242 352	8 927 756
Debt Impairment	81 995	28 164
Depreciation and Amortisation	2 727 225	2 354 695
Actuarial Losses	119 677	211 456
Finance Charges	6 920 221	5 799 730
Stock Adjustments	-	214 454
Loss on Disposal of PPE	393 234	319 257
Contributions - Provisions and Employee Benefits	6 113 413	5 657 873
Post Retirement Medical Benefits	1 524 401	1 435 214
Long Service Awards	343 707	282 188
Bonuses	3 822 792	3 443 732
Staff Leave	422 513	496 739
Expenditure - Provisions and Employee Benefits	(6 841 949)	(6 134 928)
Post Retirement Medical Benefits	(2 456 755)	(2 339 100)
Long Service Awards	(510 883)	(386 714)
Bonuses	(3 674 314)	(3 278 116)
Staff Leave	(199 997)	(130 998)
Other Adjustments	(273 980)	(366 807)
Bad Debts Written Off	(273 980)	(366 807)
Operating Surplus Before Changes in Working Capital	1 558 698	6 096 928
Movement in Working Capital	4 319 263	(3 920 482)
Receivables from exchange and non-exchange transactions	(3 897 358)	232 152
Inventories	179 750	(104 852)
Payables from Exchange Transactions	(112 439)	(807)
Unspent Conditional Government Grants	7 569 908	(3 962 740)
Taxes	579 402	(84 235)
Cash Flow from Operating Activities	5 877 961	2 176 446

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

38. Cash and Cash Equivalents

Cash and Cash Equivalents comprise out of the following:

	2016 R	2015 R
Bank Accounts	9 790 694	2 544 164
Call Investments and Other Deposits	12 580 770	11 810 186
Cash Floats	4 900	4 900
Total	22 376 364	14 359 250

Refer to note 2 for more details relating to cash and cash equivalents.

39. Budget Comparisons

39.1 Comparable basis

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions - Service Receivables.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from Exchange Transactions, Unspent Conditional Government Grants and Taxes.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains, Reversal of Debt Impairment, Reversal of Impairments and Insurance Receipts.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance, Stock Adjustments and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

39. Budget Comparisons (continued)

39.2 Material Variances

Statement of Financial Position - Budget Adjustments

Item	Reasons
Cash	Align budget to 2015 closing balance
Long-term Receivables	Align budget to 2015 closing balance
Property, Plant & Equipment	Include new vehicle leases
Capitalised Restoration Cost	Align budget to 2015 closing balance
Borrowing	Provide for vehicle leases in budget
Provisions and Employee Benefits	Align budget to 2015 closing balance

Statement of Financial Position - Budget vs Actual

Item	Reasons
Cash	Road advance amounting to R11million received before year-end - Also refer to variance under Trade and other payables
Consumer debtors	Enhanced debt collection combined with write-offs not budgeted for
Other Receivables	Outstanding funds relating to the sale of investment property and SALGA payments in advance
Investment Property	Property sold
Property, Plant and Equipment	Savings on capital expenditure (leases) and disposals not budgeted for
Capitalised Restoration Cost	Increase in cost of rehabilitation less than discount rate applied by the municipality
Borrowing	Vehicle leases less than anticipated
Trade and Other Payables	Roads advance received towards the end of the year
Provisions and Employee Benefits	Contribution to staff leave less than anticipated and actuarial gains not budgeted for

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

39. Budget Comparisons (continued)

Statement of Financial Performance - Budget Adjustments

Item

Rental of facilities and equipment
Interest earned - external investments

Agency services

Government Grants and Subsidies - Operating

Gains on disposal of PPE
Employee related costs

Depreciation & asset impairment

Other expenditure

Reasons

Changes in way cost is recovered from tenants
Increase in available cash

Addition funding received from roads

Additional funding from Roads as well as the inclusion of roll over funding from 2015

Details of sale of property finalised
Correction of the way we recognise roads salaries.

Alignment to 2015 actuals

Roll over funding included in budget, correction of salaries incorrectly allocated to salaries and increase in roads funding.

Statement of Financial Performance - Budget versus Actual

Item

Service charges

Interest earned - external investments

Government Grants and Subsidies - Operating

Other revenue

Employee related costs

Finance charges

Contracted services

Loss on disposal of PPE

Reasons

Effect of changes in tariff structure where services are included in rental charge.

Increase in available cash resources combined with a conservative approach towards budgeting for interest.

Mainly due to roads department spending less than anticipated, causing the income recognized to be less than anticipated

Mainly due to Actuarial gains not budgeted for and cost recovering from Overstrand being less than anticipated.(See contracted services)

Interest on post retirement included under employee related cost in budget. Non filling of vacancies due to task process caused saving in employee related

Interest on post retirement included under employee related cost in budget. Interest Tip site not budgeted for

Operators cost at Karwyderskraal less than anticipated due to change in management contract

Did not budget for loss

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

39. Budget Comparisons (continued)

Cash Flow Statement - Budget Adjustments

Item	Reasons
Government - operating	Increase in Roads funding
Proceeds on disposal of Assets	Details of sale of property finalised
Capital assets	Additional capital requirements identified
Repayment of borrowing	Provide for repayment of leases

Cash Flow Statement - Budget versus Actual

Item	Reasons
Other revenue	Cost recovering from Overstrand less than anticipated and non-cash adjustments for actuarial gains, reversal for impairments, bad debt written off., movement in receivables and movement in unspent grants not budgeted for.
Government - operating	Advance received on roads function
Interest	Increase in available cash and conservative budgeting
Suppliers and Employees	Mainly the non filling of vacancies due to task, operators cost at Karwyderskraal being less than anticipated and other savings
Increase in Non-current Investments	Cash from selling of investment property not yet received

40. Unauthorised expenditure

Unauthorised expenditure consist out of the following:

	2016 R	2015 R
Opening Balance	108 740	-
Unauthorised Expenditure Current Year - Operating	1 717 860	-
Unauthorised Expenditure Current Year - Capital	-	108 740
Approved by Council	(108 740)	-
Unauthorised Expenditure Awaiting Approval	1 717 860	108 740

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

40. Unauthorised expenditure (continued)

	2016 Actual R	2016 Final Budget R	2016 Unauthorised R
Unauthorised Expenditure - Operating			
Municipal Manager	12 408 846	14 026 865	-
Management Services	27 174 126	27 149 970	24 156
Community & Technical Services	123 275 905	121 582 201	1 693 704
Total	162 858 877	162 759 036	1 717 860

	2016 Actual R	2016 Final Budget R	2016 Unauthorised R
Unauthorised Expenditure - Capital			
Municipal Manager	53 143	69 800	-
Management Services	1 161 580	1 290 470	-
Community & Technical Services	2 361 401	2 629 000	-
Total	3 576 124	3 989 270	-

41. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure consist out of the following:

	2016 R	2015 R
Opening balance	-	291
Fruitless and Wasteful Expenditure Incurred	1 595	-
Approved by Council	-	(291)
Fruitless and wasteful expenditure awaiting approval	1 595	-

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

41. Fruitless and Wasteful Expenditure (continued)

Details of Fruitless and wasteful expenditure incurred:

Cancellation Fee of Air Tickets	1 595	-
Total	1 595	-

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

42. Irregular Expenditure

Opening balance	154 869	35 649 761
Irregular Expenditure Incurred	98 734	24 394 266
Approved by Council	(221 603)	(59 889 158)
Irregular Expenditure Awaiting Approval	32 000	154 869

Details of Irregular Expenditure Incurred:

Up to date Municipal Account of Supplier not obtained.	32 000	-
Irregular expenditure identified during investigating the full population of awards (declarations not submitted and municipal accounts not obtained).	-	24 226 956
Three Quotations not obtained.	10 680	-
A director of one supplier is in the service of the state.	50 048	12 441
Shortage of diesel due to unaccurate accounting for mobile dieselcars issues.	6 006	154 869
Total	98 734	24 394 266

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

43. Additional disclosures in terms of Municipal Finance Management Act

	2016 R	2015 R
43.1 SALGA Contributions [MFMA 125 (1)(b)]		
Opening Balance	(539 413)	(349 336)
Expenditure Incurred	774 141	671 262
Payment	(819 383)	(861 339)
Payments in advance	(584 655)	(539 413)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

43. Additional disclosures in terms of Municipal Finance Management Act (continued)

43.2 Audit Fees [MFMA 125 (1)(c)]

	2016 R	2015 R
Opening Balance	-	-
Expenditure Incurred	2 379 908	2 355 862
External Audit - Auditor-General	<u>2 379 908</u>	<u>2 355 862</u>
Payments	<u>(2 379 908)</u>	<u>(2 355 862)</u>
Outstanding Balance	<u>-</u>	<u>-</u>

43.3 VAT [MFMA 125 (1)(c)]

Opening Balance	235 236	147 384
Amounts Received During the Year	(925 237)	(550 642)
Amounts Paid During the Year	307 351	233 339
Amounts Claimed - Current Year	839 377	638 494
Amounts Payable - Current Year	(307 351)	(233 339)
Outstanding Balance	<u>149 376</u>	<u>235 236</u>
Vat in suspense due to cash basis of accounting	<u>(558 396)</u>	<u>(473 874)</u>

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

43.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Payments due to SARS	10 804 492	9 419 080
Payments	<u>(10 804 492)</u>	<u>(9 419 080)</u>
Outstanding Balance	<u>-</u>	<u>-</u>
	2016 R	2015 R

43.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]

Payments Due to Pension Fund and Medical Aid	20 305 025	18 511 696
Payments	<u>(20 305 025)</u>	<u>(18 511 696)</u>
Outstanding Balance	<u>-</u>	<u>-</u>

43.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]

No Councillor had any arrear account outstanding for more than 90 days during the year or at year end (Same applies to previous financial year).

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

43. Additional disclosures in terms of Municipal Finance Management Act (continued)

43.7 Quotations Awarded - Deviations from SCM

Approved deviations from Supply Chain Management Regulations were identified on the following financial categories:

3 Quotations not obtained

Between R 0 and R 2 000	-	10 570
Between R 2 000 and R 10 000	177 574	215 926
Between R 10 000 and R 30 000	283 494	344 664
Between R 30 000 and R 200 000	273 000	139 424
Total	734 068	710 584

44. Capital Commitments

None.

45. Financial Risk Management

Credit Risk

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

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	22 376 364	14 359 250
Receivables from Exchange	6 258 863	2 148 466
Receivables from Non-exchange	161 948	183 002
Total	28 797 175	16 690 718

Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange and Non-exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to notes 3 and 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

45. Comparative figures (continued)

Market Risk

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

The financial instruments of the municipality is not directly exposed to any currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

	2016 R	2015 R
Cash and Cash Equivalents (Excluding Cash on Hand)	22 371 464	14 354 350
Long-term Liabilities (Including Current Portion)	(3 115 557)	(1 479 897)
Non-Current Provisions (Including Current Portion)	(19 507 944)	(18 431 650)
Total	(252 037)	(5 557 197)

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

	2016 R	2015 R
1% (2015 - 1%) increase in interest rates	(2 520)	(55 572)
0% (2015 - 0%) decrease in interest rates	-	-

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

Currency Risk

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

The financial instruments of the municipality is not directly exposed to any currency risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality is not exposed to any other price risk.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

45. Comparative figures (continued)

Liquidity Risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

At 30 June 2016	Within 1 year	Two to five years	After five years
Annuity Loans	216 873	542 181	-
Finance Lease Liabilities	651 988	2 509 444	-
Rehabilitation Provision	-	-	261 595 761
Payables from exchange transactions	1 774 180	-	-
Unspent Conditional Government Grants	11 820 868	-	-
Total	14 463 909	3 051 625	261 595 761

At 30 June 2015	Within 1 year	Two to five years	After five years
Annuity Loans	216 873	759 054	-
Finance Lease Liabilities	685 705	32 889	-
Rehabilitation Provision	-	-	200 883 017
Payables from exchange transactions	1 945 699	-	-
Unspent Conditional Government Grants	4 250 960	-	-
Total	7 099 237	791 943	200 883 017

Although the rehabilitation provision and the unspent conditional government grant is not defined as a financial instrument (due to the absence of a contracted counterparty for the balance), the potential outflow of cash resulting from these balances are included for the benefit of the user of the financial statements.

46. Financial Instruments Disclosure

Financial Assets

	2016 R	2015 R
Cash and Cash Equivalents	22 376 364	14 359 250
Receivables from Exchange Transactions	5 674 209	1 609 054
Receivables from Non-exchange Transactions	161 948	183 002
Total	28 212 521	16 151 306

Financial Liabilities

	2016 R	2015 R
Current Portion of Long-term Liabilities	527 645	813 773
Payables from Exchange Transactions	1 774 180	1 945 699
Long-term Liabilities	2 587 912	666 124
Total	4 889 737	3 425 596

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

47. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes		
VAT Receivables	-	170 382
Total	-	170 382

48. Events After the Reporting Date

In terms of legislation a new Council was elected as per Government Notice 40198, dated 10 August 2016. The new Council members are as follows:

Lincoln Milton de Bruyn	Proportional
Mathys Koch	Swellendam Municipality
Archibald Gabriel Klaas	Overstrand Municipality
Moiria Opperman	Overstrand Municipality
Fredrick Africa	Overstrand Municipality
Ann Christine May	Proportional
Andries Erwee Franken	Proportional
Helena Dorothea Coetzee	Proportional
Steven Hendrikus Fourie	Proportional
Kiro Jacobie Tiemie	Proportional
Mario Hilton Witbooi	Proportional
Vuyiswa Elizabeth Mentile	Proportional
Jan Cornelius Gelderblom	Proportional
Caroline Wood	Theewaterskloof Municipality
Nicolaas Pieterse	Theewaterskloof Municipality
Ronald Brinkhuys	Theewaterskloof Municipality
Cornelius Marthinus Lamprecht	Theewaterskloof Municipality
Evelyn Sauls	Cape Agulhas Municipality
Eve Marthinus	Cape Agulhas Municipality
Ntombizine Michelle Sapepa	Overstrand Municipality
Unanthi Toto Sipunzi	Theewaterskloof Municipality

49. In-kind Donations and Assistance

The Municipality received the following services in kind:

National Treasury has provided support to the municipality under the MFIP II programme by deploying an advisor to the municipality.

The Municipality is providing a project service to Community Development Workers in the Swellendam Municipal area. The project leads deployed in the district are remunerated by the Western Cape Provincial Administration.

The National Department of Environmental Affairs is providing the Municipality with the Working of Fire Team, a helicopter for fire fighting and the Working for the Coast team for the clearing of Alien vegetation.

The Municipality is operating resorts (Uilenkraalsmond and Dennehof) on land owned by the National Department of Public Works.

None of the abovementioned is considered significant to the operations of the Municipality

50. Private Public Partnerships (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

51. Contingent Liabilities

The municipality were exposed to the following contingent liabilities at year end:

On 22 October 2014 a settlement agreement between the municipality and IMATU that the target date for implementation of job descriptions and review of organisational structures would be 1 April 2015. In the event of delays the final date for implementation would be 1 May 2015. At year end the abovementioned was partially finalised.

52. Related Parties

Related parties are defined in note 1.33.

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

All charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Remuneration of Key Personnel and Councillors are disclosed in notes 27 and 28.

No purchases were made during the year where Councillors, Management or Employees have an interest.

53. Going Concern

The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality have been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

54. National Treasury Appropriation Statement

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
Financial Performance						
Service Charges	679 970	-	679 970	445 631	(234 339)	658 048
Investment Revenue	1 000 000	200 000	1 200 000	2 187 723	987 723	1 677 642
Government Grants and Subsidies - Operating	1 16 082 638	16 302 381	132 385 019	130 327 060	(2 057 959)	108 147 819
Other Own Revenue	26 938 576	1 281 091	28 219 667	30 850 483	2 630 816	17 661 536
Total Operating Revenue	144 701 184	17 783 472	162 484 656	163 810 896	1 326 241	128 145 045
Employee Costs	70 203 875	12 443 814	82 647 689	77 188 068	(5 459 621)	70 008 000
Remuneration of Councillors	5 321 597	282 479	5 604 076	5 183 118	(420 958)	4 995 864
Debt Impairment	-	-	-	81 995	81 995	28 164
Depreciation & Asset Impairment	1 919 040	807 061	2 726 101	2 727 359	1 258	2 354 831
Finance Charges	95 500	63 410	158 910	7 083 412	6 924 502	5 949 599
Transfers and Grants	120 000	-	120 000	17 313	(102 687)	5 000
Other Expenditure	68 990 860	2 511 400	71 502 260	70 577 612	(924 648)	46 684 661
Total Expenditure	146 650 872	16 108 164	162 759 036	162 858 877	99 841	130 026 119
Surplus/(Deficit)	(1 949 688)	1 675 308	(274 380)	952 019	1 226 400	(1 881 074)
Government Grants and Subsidies - Capital	-	-	-	160 367	160 367	86 755
Surplus/(Deficit) for the Year	(1 949 688)	1 675 308	(274 380)	1 112 386	1 386 767	(1 794 319)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

54. National Treasury Appropriation Statement (continued)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
Capital Expenditure & Funds Sources						
Capital Expenditure	629 470	3 359 800	3 989 270	3 576 123	(413 147)	1 744 900
Transfers Recognised - Capital	-	-	-	160 367	160 367	86 755
Borrowing	-	2 780 000	2 780 000	2 521 868	(258 132)	-
Internally Generated Funds	629 470	579 800	1 209 270	893 888	(315 382)	1 658 145
Total Sources of Capital Funds	629 470	3 359 800	3 989 270	3 576 123	(413 147)	1 744 900
Cash Flows						
Net Cash from (Used) Operating	(1 181 958)	(1 725 260)	(2 907 218)	5 877 961	8 785 179	2 176 446
Net Cash from (Used) Investing	2 470 530	(2 470 530)	-	2 672 208	2 672 208	(865 288)
Net Cash from (Used) Financing	(437 955)	(227 528)	(665 483)	(533 055)	132 428	(1 661 458)
Net Cash Movement for the Year	850 617	(4 423 318)	(3 572 701)	8 017 114	11 589 815	(350 300)
Cash/Cash equivalents at Beginning of Year	4 555 111	9 804 139	14 359 250	14 359 250	-	14 709 550
Cash/Cash Equivalents at the Year End	5 405 728	5 380 821	10 786 549	22 376 364	11 589 815	14 359 250

Refer to Appendix E for more detail relating to the National Treasury Appropriation Statements

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2016

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2015 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2016 R
ANNUITY LOANS						
INCA	9.45 %	2019/12/31	779 945	-	(146 325)	633 620
Total Annuity Loans			779 945	-	(146 325)	633 620
FINANCE LEASE LIABILITIES						
Assatech (Copiers)	16.55 %	2015/10/31	217 171	-	(184 348)	32 823
Amasondo (Vehicles)	Settled	2015/10/31	482 781	-	(482 781)	-
Avis (Vehicles)	10.03% -17.49%	2019/07/30	-	2 521 868	(72 754)	2 449 114
Total Finance Lease Liabilities			699 952	2 521 868	(739 883)	2 481 937
Total Long-Term Liabilities			1 479 897	2 521 868	(886 208)	3 115 557

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX B (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES AND GFS CLASSIFICATION) FOR THE YEAR ENDING 30 JUNE 2016

MUNICIPAL VOTES	30 JUNE 2016		30 JUNE 2015		SURPLUS/ (DEFICIT) R
	REVENUE R	EXPENDITURE R	REVENUE R	EXPENDITURE R	
Municipal Manager	10 453 378	(12 408 846)	4 800 951	(10 756 874)	(5 955 923)
Management Services	64 468 921	(27 174 126)	57 456 017	(24 410 087)	33 045 930
Community & Technical Services	89 048 975	(123 275 905)	65 974 831	(94 859 156)	(28 884 325)
Total	163 971 274	(162 858 877)	128 231 799	(130 026 117)	(1 794 318)

GFS CLASSIFICATION	30 JUNE 2016		30 JUNE 2015		SURPLUS/ (DEFICIT) R
	REVENUE R	EXPENDITURE R	REVENUE R	EXPENDITURE R	
Executive and Council	10 453 367	(12 408 846)	4 800 951	(10 756 874)	(5 955 923)
Corporate Services	19 785	(6 797 663)	42 409	(6 297 920)	(6 255 511)
Budget and Treasury Office	64 311 115	(18 868 285)	57 288 275	(16 861 669)	40 426 606
Planning and Development	-	(1 405 943)	-	(1 159 583)	(1 159 583)
Public Safety	135 790	(19 645 283)	131 049	(17 376 558)	(17 245 509)
Environmental Protection	113 826	(12 560 614)	82 209	(11 147 275)	(11 065 066)
Waste Management	2 033 239	(4 436 774)	565 383	(1 855 921)	(1 290 538)
Sport and Recreation	12 725 825	(12 522 955)	12 245 952	(11 494 897)	751 055
Health	138 021	(138 021)	125 333	(125 333)	-
Road Transport	74 040 295	(74 074 491)	52 950 237	(52 950 237)	-
Total	163 971 263	(162 858 875)	128 231 798	(130 026 267)	(1 794 469)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL DEPARTMENT) FOR THE YEAR ENDING 30 JUNE 2016

MUNICIPAL DEPARTMENTS	30 JUNE 2016		30 JUNE 2015		SURPLUS/ (DEFICIT) R
	REVENUE R	EXPENDITURE R	REVENUE R	EXPENDITURE R	
Council Expenditure	10 112 248	(6 525 761)	4 800 951	(6 385 992)	(1 585 041)
Executive Services	-	(2 600 204)	-	(2 457 292)	(2 457 292)
Donations	-	(11 500)	-	(5 000)	(5 000)
Management Support	-	(1 926 422)	-	(1 119 571)	(1 119 571)
Support Services	-	(857 631)	-	(881 028)	(881 028)
Audit	-	(876 329)	-	(789 020)	(789 020)
Human Resources	-	(1 269 655)	-	(1 106 465)	(1 106 465)
Supply Chain Management	-	(1 553 679)	-	(2 044 536)	(2 044 536)
Finance Income Exp & It	-	(3 484 599)	-	(3 729 592)	(3 729 592)
Performance Management	-	(540 696)	-	(493 889)	(493 889)
Administration	-	(3 191 137)	-	(3 043 058)	(3 043 058)
Buildings	19 785	(938 545)	17 409	(749 251)	(731 842)
Financial Services	3 962 040	(5 808 146)	2 215 200	(6 498 221)	(4 283 021)
Planning Services	-	(1 370 156)	-	(1 125 164)	(1 125 164)
Grants Ex Nat Government	55 699 684	(4 278 677)	52 635 327	(2 176 137)	50 459 190
Grants Ex Prov Government	3 399 390	(2 505 592)	1 187 748	(1 163 183)	24 565
Tourism	-	-	25 000	(24 230)	770
Fin Man Grant	1 250 000	(1 237 592)	1 250 000	(1 250 000)	-
Shared Services	341 120	(468 631)	-	-	-
Fire Brigade	135 790	(19 297 644)	131 049	(17 007 634)	(16 876 585)
Disaster Management	-	(347 639)	-	(368 925)	(368 925)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX C (UNAUDITED) (CONTINUED)

GFS CLASSIFICATION (CONTINUED)	30 JUNE 2016		30 JUNE 2015		SURPLUS/ (DEFICIT) R
	REVENUE R	EXPENDITURE R	REVENUE R	EXPENDITURE R	
Municipal Health	102 426	(11 019 155)	82 209	(9 738 118)	(9 655 909)
Environmental Management	11 400	(1 541 458)	-	(1 409 157)	(1 409 157)
Engineering Services	-	(35 787)	-	(34 419)	(34 419)
Karwyderskraal	2 033 239	(4 436 774)	565 383	(1 855 921)	(1 290 538)
Dennehof	438 152	(1 607 281)	577 259	(1 574 754)	(997 495)
Die Dam	2 761 152	(2 362 151)	2 539 414	(2 139 574)	399 840
Uilenkraalsmond	9 493 039	(8 553 524)	9 084 637	(7 780 417)	1 304 220
Outspans & Public Places	33 482	-	44 642	-	44 642
Comprehensive Health	138 021	(138 021)	125 333	(125 333)	-
Roads Function	74 040 295	(74 074 491)	52 950 237	(52 950 237)	-
Total	163 971 263	(162 858 877)	128 231 798	(130 026 118)	(1 794 320)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX D (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2016

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	TRANSFERRED TO GRANT PROVIDER	CLOSING BALANCE
	R	R	R	R	R	R
NATIONAL GOVERNMENT						
Equitable Share	-	51 338 000	(51 338 000)	-	-	-
Financial Management Grant (FMG)	-	1 250 000	(1 250 000)	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	930 000	(930 000)	-	-	-
Expanded Public Works Program (EPWP)	-	1 000 000	(1 000 000)	-	-	-
Rural Roads Asset Management System	-	2 154 000	(2 153 773)	-	-	227
Total	-	56 672 000	(56 671 773)	-	-	227
PROVINCIAL GOVERNMENT						
Coastal Management Programme	515 255	-	(515 255)	-	-	-
SETA Training Fund	355 727	127 373	(277 911)	-	-	205 189
Road Subsidy	1 597 271	79 777 940	(70 000 332)	-	-	11 374 879
Health Subsidy	-	138 021	(138 021)	-	-	-
WC Financial Management Support Grant	824 531	1 550 000	(1 592 721)	(31 810)	(750 000)	-
Greenest Municipality Competition	5 435	70 000	(11 752)	(63 683)	-	-
CDW Operational Support Grant	65 600	72 000	(26 313)	(3 115)	-	108 172
Municipal Performance Management Grant	50 000	-	(50 000)	-	-	-
Municipal Capacity Building Grant	420 155	400 000	(820 155)	-	-	-
Municipal Disaster Recovery Grant	17 810	-	-	(17 810)	-	-
Municipal Compliance Model	43 000	-	(11 190)	(31 810)	-	-
Office Upgrading and Maintenance	57 392	-	(57 392)	-	-	-
Risk Management	298 784	-	(154 244)	(12 140)	-	132 400
Total	4 250 960	82 135 334	(73 655 256)	(160 368)	(750 000)	11 820 640
ALL SPHERES GOVERNMENT	4 250 960	138 807 334	(130 327 059)	(160 368)	(750 000)	11 820 867

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL	BUDGET	FINAL BUDGET	ACTUAL	BUDGET	RESTATED
	BUDGET	ADJUSTMENT	BUDGET	OUTCOME	VARIANCE	OUTCOME
	2016	2016	2016	2016	2016	2015
	R	S	R	R	R	R
REVENUE						
Governance and administration	68 485 096	4 364 460	72 849 556	74 784 267	1 934 711	62 131 635
Executive and Council	10 389 986	728 091	11 118 077	10 453 367	(664 710)	4 800 951
Budget and treasury office	58 076 100	3 633 369	61 709 469	64 311 115	2 601 646	57 288 275
Corporate services	19 010	3 000	22 010	19 785	(2 225)	42 409
Community and public safety	12 827 637	302 268	13 129 905	12 999 636	(130 269)	12 502 334
Sport and recreation	12 606 070	300 000	12 906 070	12 725 825	(180 245)	12 245 952
Public safety	91 500	-	91 500	135 790	44 290	131 049
Health	130 067	2 268	132 335	138 021	5 686	125 333
Economic and environmental services	59 163 571	13 116 744	72 280 315	74 154 121	1 873 806	53 032 446
Road transport	59 139 571	12 866 744	72 006 315	74 040 295	2 033 980	52 950 237
Environmental protection	24 000	250 000	274 000	113 826	(160 174)	82 209
Trading services	4 224 880	-	4 224 880	2 033 239	(2 191 641)	565 383
Waste management	4 224 880	-	4 224 880	2 033 239	(2 191 641)	565 383
Total Revenue - Standard	144 701 184	17 783 472	162 484 656	163 971 263	1 486 607	128 231 798

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (1) (UNAUDITED) (CONTINUED)

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET		BUDGET ADJUSTMENT		FINAL BUDGET		ACTUAL OUTCOME		BUDGET VARIANCE		RESTATED OUTCOME	
	2016 R	2016 R	2016 S	2016 R	2016 R	2016 R	2016 R	2016 R	2016 R	2015 R	2015 R	
EXPENDITURE												
Governance and administration	36 946 581		2 599 784		39 546 365	38 074 794	(1 471 571)	33 916 463				
Executive and council	14 515 569		7 118 265		21 633 834	12 408 846	(9 224 988)	10 756 874				
Budget and treasury office	15 328 448		(4 880 095)		10 448 353	18 868 285	8 419 932	16 861 669				
Corporate services	7 102 564		361 614		7 464 178	6 797 663	(666 515)	6 297 920				
Community and public safety	31 273 015		321 619		31 594 634	32 306 259	711 625	28 996 637				
Community and social services	-		-		-	-	-	-				
Sport and recreation	11 632 739		696 123		12 328 862	12 522 955	194 093	11 494 746				
Public safety	19 510 209		(376 772)		19 133 437	19 645 283	511 846	17 376 558				
Health	130 067		2 268		132 335	138 021	5 686	125 333				
Economic and environmental services	73 902 952		13 105 376		87 008 328	88 041 048	1 032 720	65 257 095				
Planning and development	1 346 253		190 062		1 536 315	1 405 943	(130 372)	1 159 583				
Road transport	59 139 571		12 866 744		72 006 315	74 074 491	2 068 176	52 950 237				
Environmental protection	13 417 128		48 570		13 465 698	12 560 614	(905 084)	11 147 275				
Trading services	4 528 323		81 386		4 609 709	4 436 774	(172 935)	1 855 921				
Waste management	4 528 323		81 386		4 609 709	4 436 774	(172 935)	1 855 921				
Other	-		-		-	-	-	-				
Total Expenditure - Standard	146 650 871		16 108 165		162 759 036	162 858 875	99 839	130 026 116				
Surplus/(Deficit) for the year	(1 949 687)		1 675 307		(274 380)	1 112 388	1 386 768	(1 794 318)				

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
REVENUE						
Municipal Manager	10 389 986	728 091	11 118 077	10 453 367	(664 710)	4 800 951
Management Services	58 225 177	3 638 637	61 863 814	64 468 921	2 605 107	57 456 017
Community & Technical Services	76 086 021	13 416 744	89 502 765	89 048 975	(453 790)	65 974 831
Total Revenue by Vote	144 701 184	17 783 472	162 484 656	163 971 263	1 486 607	128 231 799
EXPENDITURE						
Municipal Manager	14 515 569	(488 704)	14 026 865	12 408 846	(1 618 019)	10 756 874
Management Services	23 869 844	3 280 126	27 149 970	27 174 126	24 156	24 410 087
Community & Technical Services	108 265 459	13 316 742	121 582 201	123 275 905	1 693 704	94 859 156
Total Expenditure by Vote	146 650 872	16 108 164	162 759 036	162 858 877	99 841	130 026 117
Surplus/(Deficit) for the year	(1 949 688)	1 675 308	(274 380)	1 112 386	1 386 766	(1 794 318)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
REVENUE BY SOURCE						
Service charges	679 970	-	679 970	445 631	(234 339)	658 048
Rental of facilities and equipment	11 814 010	300 000	12 114 010	12 141 537	27 527	11 498 416
Interest earned - external investments	1 000 000	200 000	1 200 000	2 187 723	987 723	1 677 642
Interest earned - outstanding debtors	4 100	-	4 100	1 515	(2 585)	4 244
Fines	-	-	-	-	-	-
Licences and permits	24 000	29 000	53 000	136 872	83 872	116 416
Agency services	6 203 000	388 829	6 591 829	6 591 829	-	4 798 966
Government Grants and Subsidies - Oper	116 082 638	16 302 381	132 385 019	130 327 060	(2 057 959)	108 147 819
Other revenue	5 793 466	144 262	5 937 728	8 459 730	2 522 002	1 243 494
Gains on disposal of PPE	3 100 000	419 000	3 519 000	3 519 000	-	-
Total Revenue (excluding capital transfers and contributions)	144 701 184	17 783 472	162 484 656	163 810 897	1 326 241	128 145 045

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (3) (UNAUDITED) (CONTINUED)

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
EXPENDITURE BY TYPE						
Employee related costs	70 203 875	12 443 814	82 647 689	77 188 068	(5 459 621)	70 008 000
Remuneration of councillors	5 321 597	282 479	5 604 076	5 183 118	(420 958)	4 995 864
Debt impairment	-	-	-	81 995	81 995	28 164
Depreciation & asset impairment	1 919 040	807 061	2 726 101	2 727 359	1 258	2 354 831
Finance charges	95 500	63 410	158 910	7 083 412	6 924 502	5 949 599
Contracted services	4 224 880	-	4 224 880	1 946 635	(2 278 245)	537 682
Transfers and grants	120 000	-	120 000	17 313	(102 687)	5 000
Other expenditure	64 765 980	2 511 400	67 277 380	68 237 742	960 362	45 827 719
Loss on disposal of PPE	-	-	-	393 235	393 235	319 260
Total Expenditure	146 650 872	16 108 164	162 759 036	162 858 877	99 841	130 026 119
Surplus/(Deficit)	(1 949 688)	1 675 308	(274 380)	952 020	1 226 400	(1 881 074)
Government Grants and Subsidies - Capital	-	-	-	160 367	160 367	86 755
Surplus/(Deficit) for the year	(1 949 688)	1 675 308	(274 380)	1 112 387	1 386 767	(1 794 319)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATEd OUTCOME 2015 R
CAPITAL EXPENDITURE (VOTE)						
Single-year expenditure						
Municipal Manager	20 000	49 800	69 800	53 143	(16 657)	56 114
Management Services	201 470	1 089 000	1 290 470	1 161 580	(128 890)	335 275
Community & Technical Services	-	2 629 000	2 629 000	2 361 401	(267 599)	1 353 511
Total Capital Expenditure by Vote	221 470	3 767 800	3 989 270	3 576 124	(413 146)	1 744 900
CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration	221 470	1 123 800	1 345 270	1 201 732	(143 538)	391 388
Executive and council	20 000	49 800	69 800	53 143	(16 657)	56 114
Budget and treasury office	150 470	270 000	420 470	370 708	(49 762)	199 237
Corporate services	51 000	804 000	855 000	777 881	(77 119)	136 037
Community and public safety	360 000	1 731 000	2 091 000	1 823 264	(267 736)	1 295 203
Sport and recreation	110 000	1 091 000	1 201 000	929 183	(271 817)	84 311
Public safety	250 000	640 000	890 000	894 081	4 081	1 210 892
Economic and environmental services	48 000	505 000	553 000	551 127	(1 873)	58 309
Road Transport	-	-	-	20 743	20 743	-
Planning and development	-	15 000	15 000	12 991	(2 009)	-
Environmental protection	48 000	490 000	538 000	517 393	(20 607)	58 309
Total Capital Expenditure - Standard	629 470	3 359 800	3 989 270	3 576 123	(413 147)	1 744 900

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (4) (UNAUDITED) (CONTINUED)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
CAPITAL EXPENDITURE (FUNDING SOURCES)						
National Government	-	-	-	160 367	160 367	86 755
Provincial Government	-	-	-	-	-	-
Transfers recognised - capital						
Borrowing	-	2 780 000	2 780 000	2 521 868	160 367	86 755
Internally generated funds	629 470	579 800	1 209 270	893 888	(258 132)	-
Total Capital Funding	629 470	3 359 800	3 989 270	3 576 123	(413 147)	1 658 145
						1 744 900

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

CASH FLOWS	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
CASH FLOW FROM OPERATING ACTIVITIES:						
Receipts						
Service charges	679 970	-	679 970	485 977	(193 993)	680 364
Other revenue	23 834 476	4 381 091	28 215 567	16 933 259	(11 282 308)	16 912 857
Government - operating	116 082 638	12 783 381	128 866 019	138 807 334	9 941 315	104 579 759
Government - capital	-	-	-	160 367	160 367	86 755
Interest	1 004 100	200 000	1 204 100	2 189 238	985 138	1 681 886
Payments						
Suppliers and employees	(142 687 642)	(19 026 322)	(161 713 964)	(152 517 710)	9 196 254	(121 610 305)
Finance charges	(95 500)	(63 410)	(158 910)	(163 191)	(4 281)	(149 870)
Transfers and Grants	-	-	-	(17 313)	(17 313)	(5 000)
NET CASH FROM OPERATING ACTIVITIES	(1 181 958)	(1 725 260)	(2 907 218)	5 877 961	8 785 179	2 176 446
CASH FLOWS FROM INVESTING ACTIVITIES:						
Receipts						
Proceeds on disposal of Assets	3 100 000	419 000	3 519 000	3 726 459	207 459	-
Decrease in other non-current investments	-	(2 309 730)	(2 309 730)	-	2 309 730	-
Payments						
Capital assets	(629 470)	(579 800)	(1 209 270)	(1 054 251)	155 019	(865 288)
NET CASH USED IN INVESTING ACTIVITIES	2 470 530	(2 470 530)	-	2 672 208	2 672 208	(865 288)

OVERBERG DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Supplementary Information

APPENDIX E (5) (UNAUDITED) (CONTINUED)

	ORIGINAL BUDGET 2016	BUDGET ADJUSTMENTS 2016	FINAL BUDGET 2016	ACTUAL OUTCOME 2016	BUDGET VARIANCE 2016	RESTATE D OUTCOME 2015
	R	R	R	R	R	R
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Borrowing long term/refinancing	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-
Payments						
Repayment of borrowing	(437 955)	(227 528)	(665 483)	(533 055)	132 428	(1 661 458)
NET CASH FROM FINANCING ACTIVITIES	(437 955)	(227 528)	(665 483)	(533 055)	132 428	(1 661 458)
NET INCREASE/ (DECREASE) IN CASH HELD	850 617	(4 423 318)	(3 572 701)	8 017 114	11 589 815	(350 300)
Cash/cash equivalents at the year begin:	4 555 111	9 804 139	14 359 250	14 359 250	-	14 709 550
Cash/cash equivalents at the year end:	5 405 728	5 380 821	10 786 549	22 376 364	11 589 815	14 359 250