



Hibiscus Coast Municipality  
Financial statements  
for the year ended June 30, 2013  
Auditor-General

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## General Information

---

<b>Legal form of entity</b>	Municipality(MFMA)
<b>Nature of business and principal activities</b>	Local Municipality
<b>Executive committee</b>	
Mayor	Cllr NC Mqwebu
Executive committee members	Cllr R Nair (Speaker) Cllr De Wet(Deputy Mayor) Cllr DH Njoko Cllr Rademeyer Cllr NA Madlala Cllr S Maphumulo(Chief Whip) Cllr MT Lubanyana Cllr JS Ngwane Cllr D Rawlins Cllr DI Watson
<b>Grading of local authority</b>	Grade 4 High Capacity (KZN216)
<b>Accounting Officer</b>	Maxwell Sihle Mbili
<b>Chief Finance Officer (CFO)</b>	Thabisile Khuzwayo
<b>Registered office</b>	10 Connor Street Port Shepstone 4240
<b>Business address</b>	10 Connor Street Port Shepstone 4240
<b>Postal address</b>	P.O BOX 5 Port Shepstone 4240
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor-General
<b>Preparer</b>	The financial statements were internally compiled by: Budget and Treasury Office
<b>Published</b>	August 30, 2013

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Index

---

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	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 - 13
Appropriation Statement	14 - 16
Accounting Policies	17 - 40
Notes to the Financial Statements	41 - 91
Appendixes:(Unaudited)	
Appendix A: Schedule of External loans	92
Appendix B: Analysis of Property, Plant and Equipment	93
Appendix C: Segmental analysis of Property, Plant and Equipment	99
Appendix D: Segmental Statement of Financial Performance	100
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	102

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Index

---

### Abbreviations

ASB	Accounting Standards Board
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for auditing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's audit committee and internal auditors.

I certify that the salaries, allowances and benefits of Councillors ,loans made to Councillors, if any , and payments made to Councillors for the loss of office ,if any, as disclosed in notes of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution , read with the Remuneration of Office Bearers Act and the Minister of Local Government's determination in accordance with this act.

The financial statements set out on pages, which have been prepared on the going concern basis, were approved by the accounting officer on August 30, 2013 and were signed on its behalf by:

---

**Maxwell Sihle Mbili**  
**Municipal Manager**

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Financial Position as at June 30, 2013

Figures in Rand	Note(s)	2013	Restated 2012
<b>Assets</b>			
Current Assets			
Other financial assets	8	948,615	1,188,773
Inventories	10	2,745,620	2,611,890
Receivables from non-exchange transactions	11	76,912,130	62,709,899
VAT receivable	12	6,012,737	1,691,343
Receivables form exchange transactions	13	38,529,263	35,855,261
Cash and cash equivalents	14	150,124,127	177,206,251
		<b>275,272,492</b>	<b>281,263,417</b>
Non-Current Assets			
Investment property	4	276,506,752	310,105,422
Property, plant and equipment	5	561,426,884	564,997,356
Intangible assets	6	223,092	769,629
Heritage assets	7	1,128,779	1,128,779
Other financial assets	8	10,808,926	11,545,077
		<b>850,094,433</b>	<b>888,546,263</b>
<b>Total Assets</b>		<b>1,125,366,925</b>	<b>1,169,809,680</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	18	5,317,584	6,193,939
Payables from exchange transactions	20	97,124,562	87,488,257
Consumer deposits	21	18,036,835	16,759,630
Post retirement health care benefits liability	9	2,054,000	1,874,882
Unspent conditional grants and receipts	17	1,620,094	6,849,229
Provisions	19	23,700,600	28,344,872
Long service awards benefits liability	9	1,119,000	1,087,000
		<b>148,972,675</b>	<b>148,597,809</b>
Non-Current Liabilities			
Other financial liabilities	18	47,646,012	54,499,037
Post retirement health care benefits liability	9	50,441,000	42,727,000
Long service awards benefits liability	9	8,678,000	8,632,000
		<b>106,765,012</b>	<b>105,858,037</b>
<b>Total Liabilities</b>		<b>255,737,687</b>	<b>254,455,846</b>
<b>Net Assets</b>		<b>869,629,238</b>	<b>915,353,834</b>
Reserves			
Revaluation reserve		395,427,206	402,648,138
Accumulated surplus	15	474,202,032	512,705,696
<b>Total Net Assets</b>		<b>869,629,238</b>	<b>915,353,834</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	25	121,991,710	114,436,923
Rental of facilities and equipment		1,777,873	2,308,100
Interest received		8,986,058	6,609,789
Income from agency services		3,920,419	3,710,704
Licences and permits		5,964,970	5,444,335
Other income	28	18,541,163	12,681,547
Interest received - investment	33	6,718,379	8,265,792
<b>Total revenue from exchange transactions</b>		<b>167,900,572</b>	<b>153,457,190</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	263,953,089	241,251,259
Property rates - penalties imposed	24	379,036	107,990
<b>Transfer revenue</b>			
Government grants & subsidies	26	126,453,592	156,134,919
Fines		3,661,678	1,264,614
Public contributions and donations	27	5,612	10,768,632
<b>Total revenue from non-exchange transactions</b>		<b>394,453,007</b>	<b>409,527,414</b>
<b>Total revenue</b>	23	<b>562,353,579</b>	<b>562,984,604</b>
<b>Expenditure</b>			
Personnel	30	249,130,000	233,210,267
Remuneration of councillors	31	16,417,122	15,700,827
Depreciation and amortisation	35	57,944,358	48,261,388
Impairment loss/ Reversal of impairments	36	964,150	316,656
Finance costs	37	6,517,105	9,133,238
Debt impairment	32	668,744	7,159,213
Repairs and maintenance		37,264,843	26,305,542
Bulk purchases	40	63,982,441	57,007,362
Contracted services	39	24,982,258	23,195,867
Grants and subsidies paid		8,528,603	5,785,216
General Expenses	29	101,679,766	140,633,043
Audit fees	38	2,650,260	2,366,926
(Reversal of provision)/contribution to landfill site	19	(1,011,536)	1,351,273
<b>Total expenditure</b>		<b>569,718,114</b>	<b>570,426,818</b>
<b>Operating deficit</b>		<b>(7,364,535)</b>	<b>(7,442,214)</b>
(Write down) reversal of inventory write down		8,015	3,452
Fair value adjustments	34	(36,416,453)	27,470,211
Loss on sale of property plant and equipment		(422,356)	(1,658,073)
		<b>(36,830,794)</b>	<b>25,815,590</b>
<b>(Deficit) surplus for the year</b>		<b>(44,195,329)</b>	<b>18,373,376</b>
<b>Attributable to:</b>			
Owners of the controlling entity		(44,195,329)	18,373,376

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at July 01, 2011</b>	<b>408,173,778</b>	<b>423,692,230</b>	<b>831,866,008</b>
Changes in net assets			
Surplus for the year	-	18,373,376	18,373,376
Offsetting of depreciation	(5,525,640)	5,525,640	-
Adjustments	-	6,652,201	6,652,201
<b>Total changes</b>	<b>(5,525,640)</b>	<b>30,551,217</b>	<b>25,025,577</b>
Opening balance as previously reported	402,648,138	454,243,447	856,891,585
Adjustments			
Prior period errors(Note 45)	-	27,556,204	27,556,204
Change in accounting policy (Note 2)	-	30,906,044	30,906,044
<b>Balance at July 01, 2012 as restated</b>	<b>402,648,138</b>	<b>512,705,695</b>	<b>915,353,833</b>
Changes in net assets			
Surplus for the year	-	(44,195,329)	(44,195,329)
Prior year expenses	-	(1,276,244)	(1,276,244)
Offsetting of depreciation	(7,220,932)	7,220,932	-
Prior year deposits	-	(65,296)	(65,296)
Transfer interest to HDF	-	(187,726)	(187,726)
<b>Total changes</b>	<b>(7,220,932)</b>	<b>(38,503,663)</b>	<b>(45,724,595)</b>
<b>Balance at June 30, 2013</b>	<b>395,427,206</b>	<b>474,202,032</b>	<b>869,629,238</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		491,257,745	532,948,118
Interest income		6,718,379	8,265,792
Interest earned on arrear debtors		8,986,058	6,609,789
		506,962,182	547,823,699
<b>Payments</b>			
Employee costs and suppliers		(468,345,891)	(504,106,712)
Finance costs		(6,517,105)	(9,133,238)
		(474,862,996)	(513,239,950)
<b>Net cash flows from operating activities</b>	41	<b>32,099,186</b>	<b>34,583,749</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(53,655,201)	(64,377,866)
Purchase of other intangible assets	6	(50,243)	(69,943)
Movements in other financial assets		976,309	1,184,492
Movements in other financial assets		-	65,000,000
Movement in other financial assets		-	789,712
Proceeds from disposal of investment property		-	1,283,500
<b>Net cash flows from investing activities</b>		<b>(52,729,135)</b>	<b>3,732,786</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term liabilities		(7,729,380)	(6,545,579)
Movement in other liability		-	1,336,648
Movement in other liability		1,277,205	1,387,005
<b>Net cash flows from financing activities</b>		<b>(6,452,175)</b>	<b>(3,821,926)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(27,082,124)</b>	<b>34,494,609</b>
Cash and cash equivalents at the beginning of the year		177,206,251	142,711,642
<b>Cash and cash equivalents at the end of the year</b>	14	<b>150,124,127</b>	<b>177,206,251</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	131,858,742	1,028,377	<b>132,887,119</b>	121,991,710	<b>(10,895,409)</b>	
Rental of facilities and equipment	2,833,373	(122,174)	<b>2,711,199</b>	1,777,873	<b>(933,326)</b>	
Interest received	6,049,200	2,509,174	<b>8,558,374</b>	8,986,058	<b>427,684</b>	
Income from agency services	3,300,000	-	<b>3,300,000</b>	3,920,419	<b>620,419</b>	
Licences and permits	5,785,541	2,862	<b>5,788,403</b>	5,964,970	<b>176,567</b>	
Other income	19,879,415	(824,690)	<b>19,054,725</b>	18,541,163	<b>(513,562)</b>	
Interest received - investment	10,996,256	(5,746,279)	<b>5,249,977</b>	6,718,379	<b>1,468,402</b>	
<b>Total revenue from exchange transactions</b>	<b>180,702,527</b>	<b>(3,152,730)</b>	<b>177,549,797</b>	<b>167,900,572</b>	<b>(9,649,225)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	301,635,091	-	<b>301,635,091</b>	263,953,089	<b>(37,682,002)</b>	
Property rates - penalties imposed	77,319	2,425	<b>79,744</b>	379,036	<b>299,292</b>	
Government grants & subsidies	95,411,545	2,973,730	<b>98,385,275</b>	126,453,592	<b>28,068,317</b>	
<b>Transfer revenue</b>						
Public contributions and donations	411,000	12,000	<b>423,000</b>	5,612	<b>(417,388)</b>	
Fines	3,386,437	4,936,898	<b>8,323,335</b>	3,661,678	<b>(4,661,657)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>400,921,392</b>	<b>7,925,053</b>	<b>408,846,445</b>	<b>394,453,007</b>	<b>(14,393,438)</b>	
<b>Total revenue</b>	<b>581,623,919</b>	<b>4,772,323</b>	<b>586,396,242</b>	<b>562,353,579</b>	<b>(24,042,663)</b>	
<b>Expenditure</b>						
Personnel	(240,984,250)	(7,369,000)	<b>(248,353,250)</b>	(249,130,000)	<b>(776,750)</b>	
Remuneration of councillors	(18,065,023)	1,647,901	<b>(16,417,122)</b>	(16,417,122)	-	
Depreciation and amortisation	(48,652,418)	(6,255,582)	<b>(54,908,000)</b>	(57,944,358)	<b>(3,036,358)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(964,150)	<b>(964,150)</b>	
Finance costs	(2,365,403)	(5,489,701)	<b>(7,855,104)</b>	(6,517,105)	<b>1,337,999</b>	
Debt impairment	(231,957)	(4,229,000)	<b>(4,460,957)</b>	(668,744)	<b>3,792,213</b>	
Repairs and maintenance	(30,922,433)	(3,488,567)	<b>(34,411,000)</b>	(37,264,843)	<b>(2,853,843)</b>	
Bulk purchases	(64,516,703)	6,653,703	<b>(57,863,000)</b>	(63,982,441)	<b>(6,119,441)</b>	
Contracted Services	(23,757,070)	(697,000)	<b>(24,454,070)</b>	(24,982,258)	<b>(528,188)</b>	
Grants and subsidies paid	(5,715,773)	(222,227)	<b>(5,938,000)</b>	(8,528,603)	<b>(2,590,603)</b>	
General Expenses	(146,412,889)	(11,497,608)	<b>(157,910,497)</b>	(103,318,490)	<b>54,592,007</b>	
<b>Total expenditure</b>	<b>(581,623,919)</b>	<b>(30,947,081)</b>	<b>(612,571,000)</b>	<b>(569,718,114)</b>	<b>42,852,886</b>	
<b>Operating deficit</b>	<b>(3,046,948)</b>	<b>(23,127,758)</b>	<b>(26,174,706)</b>	<b>(7,364,535)</b>	<b>18,810,171</b>	
Reversal of inventory write down	-	-	-	8,015	<b>8,015</b>	
Fair value adjustments	-	-	-	(36,416,453)	<b>(36,416,453)</b>	
Loss on non-current assets held for sale or disposal groups	-	-	-	(422,356)	<b>(422,356)</b>	

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	(36,830,794)	(36,830,794)	
<b>Deficit before taxation</b>	<b>(3,046,948)</b>	<b>(23,127,758)</b>	<b>(26,174,706)</b>	<b>(44,195,329)</b>	<b>(18,020,623)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(3,046,948)</b>	<b>(23,127,758)</b>	<b>(26,174,706)</b>	<b>(44,195,329)</b>	<b>(18,020,623)</b>	

### Reconciliation

#### Revenue

Property rates	(37,682,002)
Service charges	(10,895,409)
Rental of facilities	(933,326)
Interest received arrear debtors	427,684
Agency services	750,965
Interest on investments	1,468,402
Licences and permits	176,567
Fines	(4,661,657)
Grants and subsidies	28,068,317
Public contributions	(423,000)
Other income	(675,227)

#### Expenditure

Personnel	(709,554)
Finance cost	3,314,397
Debt impairment	3,792,213
Repairs and maintenance	(2,789,805)
Bulk purchases	(6,119,441)
Contracted services	(528,188)
Grants paid	(127,509)
General expenses	55,519,566

<b>Actual Amount in the Statement of Financial Performance</b>	<b>(16,222,336)</b>
--	---------------------

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	2,289,000	-	<b>2,289,000</b>	2,745,620	<b>456,620</b>	
Other financial assets	1,673,000	-	<b>1,673,000</b>	948,615	<b>(724,385)</b>	
Receivables from non-exchange transactions	5,013,000	-	<b>5,013,000</b>	76,912,130	<b>71,899,130</b>	
VAT receivable	2,547,000	-	<b>2,547,000</b>	6,012,737	<b>3,465,737</b>	
Consumer debtors	94,500,000	-	<b>94,500,000</b>	38,529,263	<b>(55,970,737)</b>	
Cash	142,712,000	-	<b>142,712,000</b>	-	<b>(142,712,000)</b>	
Cash and cash equivalents	143,884,000	-	<b>143,884,000</b>	150,124,127	<b>6,240,127</b>	
	<b>392,618,000</b>	-	<b>392,618,000</b>	<b>275,272,492</b>	<b>(117,345,508)</b>	
<b>Non-Current Assets</b>						
Investment property	260,856,000	-	<b>260,856,000</b>	276,506,752	<b>15,650,752</b>	
Property, plant and equipment	505,000,000	-	<b>505,000,000</b>	558,876,589	<b>53,876,589</b>	
Intangible assets	531,000	-	<b>531,000</b>	223,092	<b>(307,908)</b>	
Heritage assets	-	-	-	1,128,779	<b>1,128,779</b>	
Other financial assets	12,040,000	-	<b>12,040,000</b>	10,808,926	<b>(1,231,074)</b>	
	<b>778,427,000</b>	-	<b>778,427,000</b>	<b>847,544,138</b>	<b>69,117,138</b>	
<b>Total Assets</b>	<b>1,171,045,000</b>	-	<b>1,171,045,000</b>	<b>1,122,816,630</b>	<b>(48,228,370)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	8,398,000	-	<b>8,398,000</b>	5,317,584	<b>(3,080,416)</b>	
Payables from exchange transactions	155,320,000	-	<b>155,320,000</b>	97,124,562	<b>(58,195,438)</b>	
Consumer deposits	15,373,000	-	<b>15,373,000</b>	18,036,835	<b>2,663,835</b>	
Post retirement health care benefits liability	2,500,000	-	<b>2,500,000</b>	2,054,000	<b>(446,000)</b>	
Unspent conditional grants and receipts	-	-	-	1,620,094	<b>1,620,094</b>	
Provisions	26,994,000	-	<b>26,994,000</b>	23,700,600	<b>(3,293,400)</b>	
Long service awards benefits liability	-	-	-	1,119,000	<b>1,119,000</b>	
	<b>208,585,000</b>	-	<b>208,585,000</b>	<b>148,972,675</b>	<b>(59,612,325)</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	58,841,000	-	<b>58,841,000</b>	47,646,012	<b>(11,194,988)</b>	
Post retirement health care benefits liability	68,932,000	-	<b>68,932,000</b>	50,441,000	<b>(18,491,000)</b>	
Long service awards benefits liability	9,500,000	-	<b>9,500,000</b>	8,678,000	<b>(822,000)</b>	
	<b>137,273,000</b>	-	<b>137,273,000</b>	<b>106,765,012</b>	<b>(30,507,988)</b>	
<b>Total Liabilities</b>	<b>345,858,000</b>	-	<b>345,858,000</b>	<b>255,737,687</b>	<b>(90,120,313)</b>	
<b>Net Assets</b>	<b>825,187,000</b>	-	<b>825,187,000</b>	<b>867,078,943</b>	<b>41,891,943</b>	

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	408,174,000	-	<b>408,174,000</b>	395,427,206	<b>(12,746,794)</b>	
Accumulated surplus	417,013,000	-	<b>417,013,000</b>	471,651,737	<b>54,638,737</b>	
<b>Total Net Assets</b>	<b>825,187,000</b>	-	<b>825,187,000</b>	<b>867,078,943</b>	<b>41,891,943</b>	

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	443,023,000	-	<b>443,023,000</b>	364,804,153	<b>(78,218,847)</b>	
Grants	233,892,000	(19,810,000)	<b>214,082,000</b>	126,453,592	<b>(87,628,408)</b>	
Interest income	16,958,000	(3,237,000)	<b>13,721,000</b>	15,704,437	<b>1,983,437</b>	
	<b>693,873,000</b>	<b>(23,047,000)</b>	<b>670,826,000</b>	<b>506,962,182</b>	<b>(163,863,818)</b>	
<b>Payments</b>						
Employee costs and suppliers	(495,507,000)	-	<b>(495,507,000)</b>	(459,817,288)	<b>35,689,712</b>	
Finance charges	(3,469,000)	(5,498,000)	<b>(8,967,000)</b>	(6,517,105)	<b>2,449,895</b>	
Transfers	(5,716,000)	-	<b>(5,716,000)</b>	(8,528,603)	<b>(2,812,603)</b>	
	<b>(504,692,000)</b>	<b>(5,498,000)</b>	<b>(510,190,000)</b>	<b>(474,862,996)</b>	<b>35,327,004</b>	
<b>Net cash flows from operating activities</b>	<b>189,181,000</b>	<b>(28,545,000)</b>	<b>160,636,000</b>	<b>32,099,186</b>	<b>(128,536,814)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(117,720,000)	21,374,000	<b>(96,346,000)</b>	(53,655,201)	<b>42,690,799</b>	
Purchase of other intangible assets	-	-	-	(50,243)	<b>(50,243)</b>	
Decrease in other non-current receivables	1,993,000	-	<b>1,993,000</b>	-	<b>(1,993,000)</b>	
Decrease in non-current debtors	1,184,000	-	<b>1,184,000</b>	976,309	<b>(207,691)</b>	
<b>Net cash flows from investing activities</b>	<b>(114,543,000)</b>	<b>21,374,000</b>	<b>(93,169,000)</b>	<b>(52,729,135)</b>	<b>40,439,865</b>	
<b>Cash flows from financing activities</b>						
Increase in consumer deposits	1,400,000	-	-	1,277,205	<b>1,277,205</b>	
Repayment of borrowing	(5,500,000)	-	-	(7,729,380)	<b>(7,729,380)</b>	
<b>Net cash flows from financing activities</b>	<b>(4,100,000)</b>	-	-	<b>(6,452,175)</b>	-	
Net increase/(decrease) in cash and cash equivalents	70,538,000	(7,171,000)	<b>67,467,000</b>	(27,082,124)	<b>(88,096,949)</b>	
Cash and cash equivalents at the beginning of the year	106,667,000	-	<b>106,667,000</b>	177,206,251	<b>70,539,251</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>177,205,000</b>	<b>(7,171,000)</b>	<b>174,134,000</b>	<b>150,124,127</b>	<b>(17,557,698)</b>	

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2013</b>											
<b>Financial Performance</b>											
Property rates	301,712,410	2,425	301,714,835	-	-	301,714,835	264,332,125	-	(37,382,710)	88 %	88 %
Service charges	131,858,742	1,028,377	132,887,119	-	-	132,887,119	121,991,710	-	(10,895,409)	92 %	93 %
Investment revenue	10,996,256	(5,746,279)	5,249,977	-	-	5,249,977	6,718,379	-	1,468,402	128 %	61 %
Transfers recognised - operational	95,411,545	2,973,730	98,385,275	-	-	98,385,275	95,666,592	-	(2,718,683)	97 %	100 %
Other own revenue	38,187,018	5,198,776	43,385,794	-	-	43,385,794	42,860,176	-	(525,618)	99 %	112 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>578,165,971</b>	<b>3,457,029</b>	<b>581,623,000</b>	<b>-</b>	<b>-</b>	<b>581,623,000</b>	<b>531,568,982</b>	<b>-</b>	<b>(50,054,018)</b>	<b>91 %</b>	<b>92 %</b>
Employee costs	(240,984,250)	(7,369,000)	(248,353,250)	-	-	(248,353,250)	(249,130,000)	-	(776,750)	100 %	103 %
Remuneration of councillors	(18,065,023)	1,799,000	(16,266,023)	-	-	(16,266,023)	(16,417,122)	-	(151,099)	101 %	91 %
Debt impairment	(231,957)	(4,229,000)	(4,460,957)	-	-	(4,460,957)	(668,744)	-	3,792,213	15 %	288 %
Depreciation and asset impairment	(48,652,418)	1,544,267	(47,108,151)	-	-	(47,108,151)	(58,908,508)	-	(11,800,357)	125 %	121 %
Finance charges	(2,365,403)	(5,497,701)	(7,863,104)	-	-	(7,863,104)	(6,517,105)	-	1,345,999	83 %	276 %
Materials and bulk purchases	(64,516,703)	6,653,000	(57,863,703)	-	-	(57,863,703)	(63,982,441)	-	(6,118,738)	111 %	99 %
Transfers and grants	(5,715,773)	(222,000)	(5,937,773)	-	-	(5,937,773)	(8,528,603)	-	(2,590,830)	144 %	149 %
Other expenditure	(197,634,444)	28,846,525	(168,787,919)	(55,931,000)	-	(224,718,919)	(202,404,400)	-	22,314,519	90 %	102 %
<b>Total expenditure</b>	<b>(578,165,971)</b>	<b>21,525,091</b>	<b>(556,640,880)</b>	<b>(55,931,000)</b>	<b>-</b>	<b>(612,571,880)</b>	<b>(606,556,923)</b>	<b>-</b>	<b>6,014,957</b>	<b>99 %</b>	<b>105 %</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>24,982,120</b>	<b>24,982,120</b>	<b>(55,931,000)</b>	<b>-</b>	<b>(30,948,880)</b>	<b>(74,987,941)</b>	<b>-</b>	<b>(44,039,061)</b>	<b>242 %</b>	<b>DIV/0 %</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	30,787,000	-	30,787,000	-		30,787,000	30,787,000		-	100 %	100 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	5,612		5,612	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>30,787,000</b>	<b>24,982,120</b>	<b>55,769,120</b>	<b>(55,931,000)</b>		<b>(161,880)</b>	<b>(44,195,329)</b>		<b>(44,033,449)</b>	<b>27,301 %</b>	<b>(144)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>30,787,000</b>	<b>24,982,120</b>	<b>55,769,120</b>	<b>(55,931,000)</b>		<b>(161,880)</b>	<b>(44,195,329)</b>		<b>(44,033,449)</b>	<b>27,301 %</b>	<b>(144)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	138,494,000	(64,625,105)	73,868,895	-		73,868,895	53,656,201		(20,212,694)	73 %	39 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	98,423,000	(63,775,616)	34,647,384	-		34,647,384	31,765,657		(2,881,727)	92 %	32 %
Borrowing	-	5,500,000	5,500,000	-		5,500,000	4,520,625		(979,375)	82 %	DIV/0 %
Internally generated funds	40,071,000	(6,349,489)	33,721,511	-		33,721,511	17,369,919		(16,351,592)	52 %	43 %
<b>Total sources of capital funds</b>	<b>138,494,000</b>	<b>(64,625,105)</b>	<b>73,868,895</b>	<b>-</b>		<b>73,868,895</b>	<b>53,656,201</b>		<b>(20,212,694)</b>	<b>73 %</b>	<b>39 %</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	189,181,000	(28,545,000)	160,636,000	-		160,636,000	32,099,186		(128,536,814)	20 %	17 %
Net cash from (used) investing	(114,543,000)	21,374,000	(93,169,000)	-		(93,169,000)	(52,729,135)		40,439,865	57 %	46 %
Net cash from (used) financing	(4,100,000)	-	(4,100,000)	-		(4,100,000)	(6,452,175)		(2,352,175)	157 %	157 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>70,538,000</b>	<b>(7,171,000)</b>	<b>63,367,000</b>	<b>-</b>		<b>63,367,000</b>	<b>(27,082,124)</b>		<b>(90,449,124)</b>	<b>(43)%</b>	<b>(38)%</b>
Cash and cash equivalents at the beginning of the year	106,667,000	(106,667,000)	-	-		-	177,206,251		177,206,251	DIV/0 %	166 %
<b>Cash and cash equivalents at year end</b>	<b>177,205,000</b>	<b>(113,838,000)</b>	<b>63,367,000</b>	<b>-</b>		<b>63,367,000</b>	<b>150,124,127</b>		<b>(86,757,127)</b>	<b>237 %</b>	<b>85 %</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1. Presentation of Financial Statements

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

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

#### 1.1 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables

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

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

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

##### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

##### Useful lives of property ,plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property ,plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

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

### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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 recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.2 Investment property (continued)

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.3 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in net assets related to a specific items of property ,plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The residual value ,the useful life and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of financial performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of financial performance.

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

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

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

<b>Item</b>	<b>Average useful life</b>
Infrastructure	
• Roads and paving	5-30 years
• Electricity	10-30 years
• Solid waste disposal	10-30 years
Community	
• Recreational facilities	20-30 years
• Buildings and other structures	20-30 years
• Improvements	20-30 years
Land and buildings	
• Dwellings	10-30 years
• Non residential dwellings	10-30 years
Other assets	
• Bins and containers	5-10 years
• Computers and office equipment	4-5 years
• Furniture and fittings	5-10 years
• General motor vehicles	4-5 years
• Specialised motor vehicles	15-20 years
• Plant and equipment	1-15 years
• Security measures	4-5 years

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.5 Heritage assets

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.5 Heritage assets (continued)

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably. Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such heritage asset is disclosed in the note on heritage assets.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

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

#### Transfers

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

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

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

#### Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed. The transitional provision expires on 6/30/2015.

### 1.6 Financial instruments

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.6 Financial instruments (continued)

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.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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.

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.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and 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.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.6 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

<b>Class</b>	<b>Category</b>
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank ,cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Current portion of long-term receivables	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Trade payables from exchange transactions	Financial liability measured at amortised cost
Trade payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Long-term liabilities	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

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

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

#### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

#### Impairment and uncollectibility of financial assets

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.6 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

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

### Derecognition

#### Financial assets

The municipality derecognises a financial asset only when:

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.6 Financial instruments (continued)

#### Financial liabilities

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

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

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

#### Trade and other receivables

Long-term and short-term trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost method, less provision for impairment. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end in detail. The recoverability of debt owing by each debtor in the top 40% is assessed and irrecoverable amount is provided for. The remaining 60% of debtors is classified based on category and area. Each classification is analysed and based on the circumstances, the recoverability is determined and the irrecoverable amounts are provided for. No provision is calculated for government debts and property rates as these cannot be written off.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of financial performance within operating expenses.

#### Trade and other payables

Trade payables (Including consumer deposits) are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees and is based on the value of the accrued leave credits as at 30 June.

#### Cash and cash equivalents

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

For the purpose of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

### 1.7 Leases

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

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

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.7 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

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

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

Any contingent rents are expensed in the period in which they are incurred.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.8 Inventories (continued)

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

### 1.9 Impairment of cash-generating assets

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

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.9 Impairment of cash-generating assets (continued)

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

#### Cash-generating units

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.9 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

### Reversal of impairment loss

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

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

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

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

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

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.10 Impairment of non-cash-generating assets

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

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

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 (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

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

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

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

#### Value in use

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.10 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

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

### 1.11 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.11 Employee benefits (continued)

#### Defined benefit plans

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

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefits entitlements and measures each unit separately to build up the final obligation.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.12 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when the municipality:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

### 1.13 Revenue from exchange transactions

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.13 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

#### Transfers

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.14 Revenue from non-exchange transactions (continued)

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

#### Bequests

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Concessionary loans received

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

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

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

### 1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.16 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

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

### 1.17 Comparative figures

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Presentation of currency

These financial statements are presented in South African Rand.

### 1.22 Offsetting

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.23 Housing development fund

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

### 1.24 Grant -In-Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not receive goods or service delivery in return, as would have been expected in a purchase or sale. These transfers are recognised in the Statement of financial performance as an expense in the period that the events giving rise to the transfer.

### 1.25 Commitments

The amounts of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note.

### 1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 6/30/2012 to 6/30/2013.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### 1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

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

### 1.28 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Accounting Policies

---

### 1.29 Value added tax

Value added tax on revenue and expenditure transactions are recorded in the books of the municipality on the accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis for determining the amounts due to or from South African Revenue Services.

### 1.30 Change in accounting policy, estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective application is practicable. Refer to note 2.

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

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the error. In such a case the municipality will restate the opening balances of the assets, Liabilities and net assets for the earliest period for which retrospective restatement is practicable.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

Figures in Rand

2013

2012

---

### 2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 104 - Financial Instruments

#### **GRAP 104 - Financial Instruments.**

##### Reclassification of Financial Instruments

During the year the municipality changed its accounting policy regarding financial instruments. Previously the municipality had applied IAS 39 and for the 30 June 2013 financial year IAS 39 has been replaced by GRAP 104 which is mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods.

The effect of this change in accounting policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's financial instruments as at 30 June 2012. GRAP 104 has been applied retrospectively.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand			2013	2012
<b>2. Changes in accounting policy (continued)</b>				
<b>FINANCIAL ASSETS:</b>	Old Classification as per IAS 39	New Classification as per GRAP 104	Old Carrying Amount	New Carrying Amount
Long-term Receivables				
Ugu District Municipality	Loans and Receivables	Amortised Cost	12,688,271	12,688,271
Housing Loans	Loans and Receivables	Amortised Cost	45,579	45,579
<b>Trade Receivables from Exchange Transactions</b>				
Rates	Loans and Receivables	Amortised Cost	59,689,774	59,689,774
Electricity Debtors	Loans and Receivables	Amortised Cost	5,855,350	5,855,350
Refuse Debtors	Loans and Receivables	Amortised Cost	7,508,143	7,508,143
Other Trade Debtors	Loans and Receivables	Amortised Cost	22,491,768	22,491,768
<b>Trade Receivables from Non-Exchange Transactions</b>				
Other Debtors With Balances	Loans and Receivables	Amortised Cost	326,471	326,471
Sundry Debtors	Loans and Receivables	Amortised Cost	2,693,654	2,693,654
			-	-
<b>Bank, Cash and Cash Equivalents</b>				
Call Deposits	Available for Sale	Amortised Cost	172,697,518	172,697,518
Bank Balances	Available for Sale	Amortised Cost	4,483,176	4,483,176
Cash Floats and Advances	Available for Sale	Amortised Coast	25,557	25,557
<b>Current Portion of Long-term Receivables</b>				
Ugu District Municipality	Loans and Receivables	Amortised Cost	1,188,773	1,188,773
<b>FINANCIAL LIABILITIES:</b>				
<b>Long-term Liabilities</b>				
Annuity Loans	Financial Liabilities at Amortised Cost	Amortised Cost	54,499,037	54,499,037
			-	-
<b>Consumer Deposits</b>				
Electricity	Financial Liabilities at Amortised Cost	Amortised Cost	4,639,546	4,639,546
Verge and other	Financial Liabilities at Amortised Cost	Amortised Cost	12,120,084	12,120,084
<b>Creditors</b>				
Trade Creditors	Financial Liabilities at Amortised Cost	Amortised Cost	8,943,099	8,943,099
Payments Received in Advance	Financial Liabilities at Amortised Cost	Amortised Cost	24,937,031	24,937,031
Retentions	Financial Liabilities at Amortised Cost	Amortised Cost	12,083,137	12,083,137
Other Creditors and Deposits	Financial Liabilities at Amortised Cost	Amortised Cost	2,632,046	2,632,046
Staff Leave	Financial Liabilities at Amortised Cos	Amortised Cost	13,153,879	13,153,879
Accruals	Financial Liabilities at Amortised Cost	Amortised Cost	22,072,984	22,072,984
Other Creditors	Financial Liabilities at Amortised Cost	Amortised Cost	3,666,081	3,666,081
<b>Current Portion of Long-term Liabilities</b>				
Annuity Loans	Financial Liabilities at Amortised Cost	Amortised Cost	6,193,939	6,193,939
			<b>454,634,897</b>	<b>454,634,897</b>

The above mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2012 and the Accumulated Surplus for the prior year was not effected either.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 2. Changes in accounting policy (continued)

#### GRAP 23- Revenue from non-exchange transactions

During the year, the municipality changed its accounting policy with respect to the treatment of government grants and subsidies. Previously the municipality had applied GRAP 9 and certain paragraphs of GAMAP 9 to account for government grants and subsidies. For the 30 June 2013 financial year these have been replaced by GRAP 23 which is mandatory for the municipality's accounting periods beginning on or after 01 July 2012.

The effect of this change in accounting policy, which has been applied retrospectively, is summarised in the following table below.

#### Unspent conditional grants and receipts

Balance previously published as per AFS 30 June 2012	-	37,755,274
KZN Department of Sports and Recreation	-	(297,957)
KZN Co-Operative Governance and Traditional Affairs (Corridor fund Ugu)	-	(1,272,514)
KZN Co-Operative Governance and Traditional Affairs ( Margate Airport)	-	(3,152,041)
KZN Co-Operative Governance and Traditional Affairs (KwaXolo Caves)	-	(1,000,000)
KZN Department of Arts and Culture (Cyber Cadet)	-	(60,130)
KZN Department of Arts and Culture (Mobile Libraries)	-	(127,500)
KZN Housing Grants	-	(24,995,903)
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>6,849,229</b>

#### GRAP 103 Heritage assets

During the year, the municipality changed its accounting policy with respect to the treatment of heritage assets. Previously the municipality had applied the Standard of Property, plant and equipment (GRAP 17) regarding the treatment of heritage assets. GRAP 103 Heritage assets is mandatory for the 30 June 2013 financial year.

The effect of the change in accounting policy has been applied retrospectively and the opening balance of Property, plant and equipment has been restated to properly account for heritage assets in terms GRAP 103.

The effect of the change in accounting policy has no effect on the accumulated surplus and is summarised below:

#### Property plant and equipment

Balance previously published as per AFS 30 June 2012	-	539,077,266
GRAP 103 Implementation	-	(1,128,779)
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>537,948,487</b>

#### Heritage assets

Balance now published as per AFS 30 June 2012	-	1,128,779
---	---	-----------

The implementation of GRAP 23 has the following effect on the accumulated surplus.

#### Accumulated surplus

Balance previously published as per AFS 30 June 2012	-	454,243,447
GRAP 23 Implementation	-	30,906,045
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>485,149,492</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	April 01, 2012	Material impact in respect of grants
• GRAP 24: Presentation of Budget Information in the Financial Statements	April 01, 2012	No material impact, additional disclosure
• GRAP 103: Heritage Assets	April 01, 2012	Unable to reliably estimate impact
• GRAP 21: Impairment of non-cash-generating assets	April 01, 2012	Similar to IAS 36 with limited first time adoption issues are likely to arise
• GRAP 26: Impairment of cash-generating assets	April 01, 2012	Similar to IAS 36 with limited first time adoption issues are likely to arise
• GRAP 104: Financial Instruments	April 01, 2012	No material impact, additional disclosure

#### 3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2013 or later periods:

##### GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

#### GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an 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;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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

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

The expected impact of the standard is that actuarial gains and losses and past service cost will now be recognised in full immediately.

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

#### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

#### **GRAP 20: Related parties**

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

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

#### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the interpretation on the financial statements.

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

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

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

The issues are:

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

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

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

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

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

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

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

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

#### **GRAP 7 (as revised 2010): Investments in Associates**

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

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

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

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

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

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

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

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

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

#### **IGRAP16: Intangible assets website costs**

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

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

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

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

#### **IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue**

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

### 3. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

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

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

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

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	276,506,752	-	276,506,752	310,105,422	-	310,105,422

### Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Investment property	312,923,205	(36,416,453)	276,506,752

### Reconciliation of investment property - 2012

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	260,856,000	(1,290,000)	25,886,994	27,470,211	312,923,205

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

### 5. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and building	151,967,446	(62,588,085)	89,379,361	149,343,635	(60,837,370)	88,506,265
Infrastructure	430,117,717	(140,691,375)	289,426,342	453,853,242	(158,491,570)	295,361,672
Community	203,545,907	(61,590,759)	141,955,148	181,547,081	(55,462,594)	126,084,487
Other property, plant and equipment	114,374,365	(73,708,332)	40,666,033	135,104,459	(80,059,527)	55,044,932
<b>Total</b>	<b>900,005,435</b>	<b>(338,578,551)</b>	<b>561,426,884</b>	<b>919,848,417</b>	<b>(354,851,061)</b>	<b>564,997,356</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Capital under construction	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land and building	88,506,265	3,751,659	1,299,766	-	-	(4,178,329)	-	89,379,361
Infrastructure	295,361,672	10,275,789	14,516,574	-	-	(30,727,693)	-	289,426,342
Community	126,084,487	11,077,858	9,412,558	1,508,410	-	(6,128,165)	-	141,955,148
Other property, plant and equipment	55,044,932	3,320,997	-	-	(422,356)	(16,780,924)	(496,616)	40,666,033
	<b>564,997,356</b>	<b>28,426,303</b>	<b>25,228,898</b>	<b>1,508,410</b>	<b>(422,356)</b>	<b>(57,815,111)</b>	<b>(496,616)</b>	<b>561,426,884</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Capital under construction	Disposals	Transfers	Prior period error	Other changes, movements	Depreciation	Impairment loss	Total
Land and Building	118,000,550	56,150	-	(1,012,000)	(23,069,211)	-	(464,115)	(5,005,110)	-	88,506,265
Infrastructure	293,683,453	7,488,270	23,929,637	-	-	-	-	(29,739,688)	-	295,361,672
Community	96,170,746	11,504,241	23,524,897	-	-	-	-	(5,115,397)	-	126,084,487
Other property, plant and equipment	25,597,975	8,643,303	-	(3,014,312)	1,933,973	27,512,984	2,102,615	(7,414,950)	(316,656)	55,044,932
Capitalised leases	1,933,973	-	-	-	(1,933,973)	-	-	-	-	-
	<b>535,386,697</b>	<b>27,691,964</b>	<b>47,454,534</b>	<b>(4,026,312)</b>	<b>(23,069,211)</b>	<b>27,512,984</b>	<b>1,638,500</b>	<b>(47,275,145)</b>	<b>(316,656)</b>	<b>564,997,356</b>

#### Review of useful lives and depreciation method

The useful lives and depreciation method of all items of property plant and equipment have been reviewed to more accurately reflected the the actual expected life spans of the assets within the Hibiscus Coast Municipality:

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

Figures in Rand

2013

2012

---

### 5. Property, plant and equipment (continued)

#### Impairment

The municipality tested its property , plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount . Impairment tests were performed on all group of assets.

#### Other information

The prior year figures of property plant and equipment has been restated due to errors discovered during the year. Please refer to note on " Correction of error" for details.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,763,950	(2,540,858)	223,092	2,713,707	(1,944,078)	769,629

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software, other	769,629	50,243	(129,246)	(467,534)	223,092

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	GRAP 3 Application	Amortisation	Total
Computer software, other	679,777	69,943	302,095	(282,186)	769,629

#### Pledged as security

Carrying value of intangible assets pledged as security:

### 7. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
<b>Heritage assets which fair values cannot be reliably measured: (Para .94)</b>						
Art Collections, antiquities and exhibits	1,128,779	-	1,128,779	1,128,779	-	1,128,779

#### Reconciliation of heritage assets 2013

	Opening balance	Total
<b>Heritage assets which fair values cannot be reliably measured: (Para .94)</b>		
Art Collections, antiquities and exhibits	1,128,779	1,128,779

#### Reconciliation of heritage assets 2012

	Opening balance	Additions	Total
<b>Heritage assets which fair values cannot be reliably measured: (Para .94)</b>			
Art Collections, antiquities and exhibits	1,051,670	77,109	1,128,779

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>7. Heritage assets (continued)</b>		
<b>Heritage assets which fair values cannot be reliably measured</b>		
<b>Arts collections,antiquities,paintings and monuments</b>		
The municipality has opted to adopt Directive 5 with regards to the Heritage assets of the municipality whose cost or fair value cannot be determined at the reporting date. Full compliance of GRAP 103 will be done at 30 June 2015. As per Directive 5 a list of all Heritage assets have been included in the Fixed Asset Register of the municipality . The list is available for viewing at the main offices of the municipality. The list includes the following Heritage Assets whose cost or fair value have not been determined at reporting date.		
<b>8. Other financial assets</b>		
<b>At amortised cost</b>		
<b>Ugu District Municipality</b>	11,739,656	12,688,271
This amount owed by Ugu District Municipality represents the amount paid by Hibiscus Coast Municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The instalment varies and paid in December and June each year.		
<b>Housing Loans</b>	17,885	45,579
These long-term debtors refers to housing rent schemes that were purchased by the existing owners. The instalments are paid monthly.		
	<b>11,757,541</b>	<b>12,733,850</b>
<b>Non-current assets</b>		
At amortised cost	10,808,926	11,545,077
<b>Current assets</b>		
At amortised cost	948,615	1,188,773
<b>9. Employee benefit obligations</b>		
<b>Post retirement health care benefits liability</b>		
Balance at beginning of year	44,601,000	41,534,194
Current service costs	1,322,000	1,312,000
Interest costs	3,532,000	3,567,806
Subsidies paid	(1,874,000)	(1,967,000)
Actuarial (gain)/ loss recognised	4,914,000	154,000
Balance at end of year	52,495,000	44,601,000
Transfer to current liabilities	(2,054,000)	(1,874,882)
	<b>50,441,000</b>	<b>42,726,118</b>

The municipality provides certain post-retirement health care benefits liability by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by One Pangaea Financial Actuaries , Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>9. Employee benefit obligations (continued)</b>		
<b>The members of the post-employment health care benefits plan are made up as follows:</b>		
In-service members (Employees)	457	447
Continuation members (Retirees, widowers and orphans)	79	84
<b>Total members</b>	<b>536</b>	<b>531</b>
<b>The liability in respect of past service has been estimated as follows (R million):</b>		
In-service members	19,860,000	16,569,000
Continuation members	32,635,000	28,032,000
	<b>52,495,000</b>	<b>44,601,000</b>

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

- Bonitas
- Global Health
- LA Health
- Samwumed

The future-service cost for the ensuing year is estimated to be R1 322 000, whereas the interest cost for the year after is estimated to be R3 532 000.

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

Assumptions used at the reporting date:

Health care cost inflation rate	7.25 %	7.92 %
Discount rates	6.25 %	5.74 %
Medical aid inflation rate	6.75 %	6.74 %
Expected retirement age	65	65

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

<b>Carrying value</b>		
Present value of unfunded obligations	52,495,000	44,601,000
Non-current liabilities	(50,441,000)	(42,726,118)
Current liabilities	(2,054,000)	(1,874,882)
	<b>(52,495,000)</b>	<b>(44,601,000)</b>

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

Current service cost	1,322,000	1,312,000
Interest cost	3,532,000	3,568,000
Actuarial (gains) losses	4,914,000	154,000
	-	-
<b>Total included in employee related costs</b>	<b>9,768,000</b>	<b>5,034,000</b>

**Movements in the present value of the defined benefit obligation were as follows:**

Balance at the beginning of the year	44,601,000	41,534,194
Current service costs	1,322,000	1,312,000
Interest cost	3,532,000	3,567,806
Benefits paid	(1,874,000)	(1,967,000)
Actuarial losses / (gains) recognised	4,914,000	154,000
<b>Present value of fund obligation at the end of the year</b>	<b>52,495,000</b>	<b>44,601,000</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>9. Employee benefit obligations (continued)</b>		
<b>Movements in the present value of the defined benefit assets were as follows:</b>		
Contributions by employer	1,874,000	1,967,000
Benefits paid	(1,874,000)	(1,967,000)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present value of defined benefit obligation	52,495,000	44,601,000	41,534,194	29,089,041	27,997,996
<b>Deficit</b>	<b>52,495,000</b>	<b>44,601,000</b>	<b>41,534,194</b>	<b>29,089,041</b>	<b>27,997,996</b>
Experienced adjustments on Plan Liabilities	3,922,000	4,854,000	690,209	5,310,000	(1,268,772)

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	6,100,000	5,820,000
Effect on the defined benefit obligation	60,221,000	52,023,000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	4,590,000	4,102,000
Effect on the defined benefit obligation	46,151,000	38,648,000

The transitional defined benefit liabilities for post-retirement medical aid benefits have been recognised in the Annual financial statements of the municipality as at 30 June 2013 in terms of IAS 19, Employee benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this defined benefit liability immediately, thus the full transitional liability have been recognised as at 30 June 2013.

### Defined benefit plan

#### Long service awards and retirement gifts liability

Balance at beginning of year	9,718,697	7,897,697
Interest costs	869,000	764,000
Current service cost	769,303	678,000
Benefits paid	(1,087,000)	(877,000)
Actuarial (gain)/loss recognised	(473,000)	1,256,000
<b>Total</b>	<b>9,797,000</b>	<b>9,718,697</b>
Transfer to current liabilities	(1,119,000)	(1,087,000)
	<b>8,678,000</b>	<b>8,631,697</b>

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by One Pangaea Financial, Fellow of the Actuarial Society of South Africa. Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

**The employees eligible for long service awards are made up as follows:**

Male	651	651
Female	453	453

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>9. Employee benefit obligations (continued)</b>		
	<b>1,104</b>	<b>1,104</b>
The future -service costs for the ensuring year is estimated to be R869 000 whereas the interest cost for the year after is estimated to be R769 000		
<b>The principal assumptions used for the purpose of the actuarial valuations were as follows:</b>		
Discount rate	7 %	8 %
General Salary Inflation(Long term)	7 %	6 %
Net Effective Discount Rate	1 %	2 %
Expected Retirement Age	65	65
<b>The amount recognised in the Statement of Financial Position are as follows:</b>		
Present value of unfunded obligations	9,797,000	9,718,697
<b>The amount recognised in the Statement of Financial Performance</b>		
Current service costs	869,000	764,000
Interest cost	769,000	678,000
Actuarial losses/(gains)	(473,000)	1,256,000
	<b>1,165,000</b>	<b>2,698,000</b>
<b>Movements in the present value of the defined benefit obligation were as follows:</b>		
Balance at the beginning of the year	9,718,697	7,897,697
Current service costs	869,000	764,000
Interest costs	769,000	678,000
Benefits paid	(1,087,000)	(877,000)
Actuarial losses/(gains)	(473,000)	1,256,000
	<b>9,796,697</b>	<b>9,718,697</b>
<b>Movements in the present value of plan assets were as follows:</b>		
Contributions from employer	1,087,000	877,000
Benefits paid	(1,087,000)	(877,000)
	-	-
<b>The history of experienced adjustments is as follows:</b>		
Present value of obligation	9,796,697	9,718,697
<b>Th effect of 1% movement in the assumed rate of general salary inflation is as follows:</b>		
<b>Increase</b>		
Effect on the aggregate of the current service cost and the interest cost	1,666,000	1,448,000
Effect on the defined benefit obligation	10,451,000	8,848,000
	<b>12,117,000</b>	<b>10,296,000</b>
<b>Decrease</b>		
Effect on the aggregate of the current service cost and the interest cost	1,438,000	1,878,000
Effect on the defined benefit obligation	9,204,000	10,771,000
	<b>10,642,000</b>	<b>12,649,000</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 9. Employee benefit obligations (continued)

The transitional defined benefit liabilities for post-retirement medical aid benefits have been recognised in the annual financial statements of the municipality as at 30 June 2013 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this defined benefit liability immediately, thus the full transitional liability has been recognised as at 30 June 2013.

### 10. Inventories

Maintenance materials	2,721,228	2,564,998
Housing selling units	24,392	46,892
	<b>2,745,620</b>	<b>2,611,890</b>

Prior year figures of inventory has been reclassified to include housing selling units which was incorrectly classified under non-current assets in previous years. Refer to note on comparative information for the details of reclassification.

### 11. Receivables from non-exchange transactions

Property rates	74,548,371	59,689,774
Sundry debtors and other	1,446,106	2,073,961
Prepaid expenses	31,250	56,250
Advances and other debtors	886,403	889,914
	<b>76,912,130</b>	<b>62,709,899</b>

### Receivables from non-exchange transactions pledged as security

There are no other receivables from non-exchange transactions pledged as security for overdraft facilities.

### Property rates age analysis

#### Property rates

0- 30 days	149,194	206,469
31-60 days	5,764,916	4,776,367
61-90 days	4,579,087	3,690,491
91-120 days	4,000,213	3,078,439
121 days and more	60,054,961	47,938,008
	<b>74,548,371</b>	<b>59,689,774</b>

Prior year figures of receivables from non-exchange transactions has been reclassified as a result of GRAP 23 implementation. Please refer to the note on the comparative figures for details.

### 12. VAT receivable

VAT	6,012,737	1,691,343
-----	-----------	-----------

VAT is payable on the payment basis. Once payment is received from debtors, VAT is payable over to SARS.

### 13. Receivables from exchange transactions

#### Gross balances

Electricity	12,394,508	10,441,187
Interest	18,726,689	15,401,360
Penalties	4,663,147	5,165,372
Legal fees	5,654,720	6,189,958
Refuse	12,191,521	11,226,262
Other debtors	9,218,295	13,184,683
	<b>62,848,880</b>	<b>61,608,822</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>13. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(3,396,640)	(4,585,837)
Interest	(4,563,012)	(2,333,202)
Penalties	(1,205,375)	(2,610,200)
Legal fees	(1,985,322)	(2,500,000)
Refuse	(6,635,120)	(3,718,119)
Other debtors	(6,534,148)	(10,006,203)
	<b>(24,319,617)</b>	<b>(25,753,561)</b>
<b>Net balance</b>		
Electricity	8,997,868	5,855,350
Interest	14,163,677	13,068,158
Penalties	3,457,772	2,555,172
Legal fees	3,669,398	3,689,958
Refuse	5,556,401	7,508,143
Other debtors	2,684,147	3,178,480
	<b>38,529,263</b>	<b>35,855,261</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	8,997,868	5,855,350
Interest	14,163,677	13,068,158
Refuse	5,556,401	7,508,143
Penalties	3,457,772	2,555,172
Legal fees	3,669,398	3,689,958
Other debtors	2,684,147	3,178,480
	<b>38,529,263</b>	<b>35,855,261</b>
<b>Net balance</b>		
	<b>38,529,263</b>	<b>35,855,261</b>
<b>Electricity</b>		
Current (0 -30 days)	6,582,025	8,884,015
31 - 60 days	412,091	384,017
61 - 90 days	277,825	208,723
91 - 120 days	220,043	113,478
121 and over	1,505,884	850,955
	<b>8,997,868</b>	<b>10,441,188</b>
<b>Interest</b>		
Current (0 -30 days)	1,519,469	1,213,546
31 - 60 days	727,247	604,683
61 - 90 days	683,864	586,831
91 - 120 days	640,484	541,007
121 and over	10,592,613	12,455,292
	<b>14,163,677</b>	<b>15,401,359</b>
<b>Penalties</b>		
121 and over	3,457,772	2,555,172

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>13. Receivables from exchange transactions (continued)</b>		
<b>Legal fees</b>		
Current (0 -30 days)	-	86,794
31 - 60 days	43,889	95,966
61 - 90 days	30,587	59,958
91 - 120 days	39,109	472,958
121 and over	3,555,813	2,974,282
	<b>3,669,398</b>	<b>3,689,958</b>
<b>Refuse</b>		
Current (0 -30 days)	8,225	-
31 - 60 days	814,004	791,162
61 - 90 days	670,328	709,858
91 - 120 days	592,900	635,357
121 - 365 days	3,470,944	9,089,885
	<b>5,556,401</b>	<b>11,226,262</b>
<b>Other debtors</b>		
Current (0 -30 days)	1,693,679	1,051,835
31 - 60 days	624,741	483,055
61 - 90 days and over	365,727	1,643,590
	<b>2,684,147</b>	<b>3,178,480</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>13. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	3,909,264	5,032,575
31 - 60 days	6,110,281	3,723,537
61 - 90 days	4,936,784	3,522,328
91 - 120 days	4,377,573	2,959,200
121 and over	80,478,829	59,380,395
	<hr/>	<hr/>
	99,812,731	74,618,035
Less: Allowance for impairment	(11,534,521)	(13,500,999)
	<hr/>	<hr/>
	<b>88,278,210</b>	<b>61,117,036</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	4,669,745	2,720,243
31 - 60 days	1,042,412	7,082,539
61 - 90 days	759,381	13,970,047
91 - 120 days	711,941	5,547,590
121and over	7,143,393	6,725,788
	<hr/>	<hr/>
	14,326,872	36,046,207
Less: Allowance for impairment	(7,987,645)	(8,294,022)
	<hr/>	<hr/>
	<b>6,339,227</b>	<b>27,752,185</b>
<b>National ,provincial government and other</b>		
Current (0 -30 days)	4,898,443	4,053,679
31 - 60 days	1,190,306	397,057
61 - 90 days	763,014	312,923
91 - 120 days	3,796,574	162,906
121 and over	12,609,310	5,707,789
	<hr/>	<hr/>
	23,257,647	10,634,354
Less: Allowance for impairment	(4,797,451)	(3,956,540)
	<hr/>	<hr/>
	<b>18,460,196</b>	<b>6,677,814</b>
<b>Total</b>		
Current (0 -30 days)	13,328,258	11,815,212
31 - 60 days	2,578,084	2,248,734
61 - 90 days	1,880,092	2,210,461
91 - 120 days	4,885,875	1,618,551
121 and over	40,176,571	43,715,865
	<hr/>	<hr/>
	62,848,880	61,608,823
Less: Allowance for impairment	(24,319,617)	(25,753,562)
	<hr/>	<hr/>
	<b>38,529,263</b>	<b>35,855,261</b>
<b>Less: Allowance for impairment</b>		
61 - 90 days	(5,987,456)	(7,600,982)
91 - 120 days	(6,784,653)	(7,950,012)
121 and over	(11,547,508)	(10,202,567)
	<hr/>	<hr/>
	<b>(24,319,617)</b>	<b>(25,753,561)</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>13. Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(25,753,562)	(26,108,185)
Debt impairment	(668,744)	(7,159,213)
Amount written off as uncollectible	2,102,689	7,513,837
	<b>(24,319,617)</b>	<b>(25,753,561)</b>
<b>Consumer debtors pledged as security</b>		
There were no consumer debtors pledged as security for overdraft facilities for the period ended 30 June 2013.		
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	27,101	25,557
Bank balances	8,552,187	4,483,176
Short-term deposits	141,544,839	172,697,518
	<b>150,124,127</b>	<b>177,206,251</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013			2012		
<b>14. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2013	June 30, 2012	June 30, 2011
05 325 607 7-Standard Bank Primary Bank Acc	-	2,752,361	4,557,027	-	2,752,361	4,557,027
1020541857(Nedbank primary bank a/c)	2,835,306	39,357	-	2,835,306	39,357	-
91-4947-5623 ABSA (Louisiana Housing)	9,420,994	9,100,794	9,707,191	9,420,994	9,100,794	9,707,191
91-4947-4529 ABSA (Nzimakwe Housing)	509,366	621,634	571,158	509,366	621,634	571,158
91-4947-4927 ABSA(Nzimakwe Housing2)	846,083	811,931	772,562	846,083	811,931	772,562
91-4947-5509 ABSA (Bhobhoyi Housing)	254,645	357,921	340,624	254,645	357,921	340,624
91-4947-5753 ABSA (Bhobhoyi Housing 1)	12,330	11,854	11,360	12,330	11,854	11,360
91-4947-5208 ABSA (Damaged Housing)	106,669	102,729	98,647	106,669	102,729	98,647
91-4940-1627 ABSA (Uplands Housing)	65,734	63,306	60,791	65,734	63,306	60,791
91-4940-1164 ABSA (Mkholombe Housing)	31,561	30,395	29,187	31,561	30,395	29,187
1400-190309-500(Investc Call Account)	23,185,532	61,109,668	-	23,185,532	61,109,668	-
91-5277-5491 ABSA (Aids Project)	119,111	114,792	110,154	119,111	114,792	110,154
89140-356988 STD Bank (Masinenge Housing)	712,854	1,398,260	3,786,789	712,854	1,398,260	3,786,789
89139-356986 STD Bank (KwaMavundla Housing)	200,075	190,503	181,206	200,075	190,503	181,206
89141-356989 STD Bank (Kwaxolo Housing)	6,647,606	4,440,658	133,354	6,647,606	4,440,658	133,354
90439-364623 STD Bank (KwaNdwalane Housing)	680,256	2,083,546	2,429,339	680,256	2,083,546	2,429,339
1400-190309-500 Investec (MHOA)	-	26,722,010	20,320,438	-	26,722,010	20,320,438
89111-356985 STD Bank (CCDC)	42,184,511	33,946,510	97,201,348	42,184,511	33,946,510	97,201,348
89111-357732 STD Bank	3,070,632	89,824	85,441	3,070,632	89,824	85,441
89111-360253 STD Bank	51,770	30,534,658	1,222,235	51,770	30,534,658	1,222,235
1020870974 Nedbank(Current account)	13,404	-	-	13,404	-	-
1039887279 Nedbank(Current account)	7,435,770	-	-	7,435,770	-	-
7881000791 Nedbank(Primary bank account)	53,142,683	-	-	53,142,683	-	-
<b>Total</b>	<b>151,526,892</b>	<b>174,522,711</b>	<b>141,618,851</b>	<b>151,526,892</b>	<b>174,522,711</b>	<b>141,618,851</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>15. Accumulated surplus</b>		
The accumulated surplus consist of the following reserves:		
Housing Development Fund	23,190,033	26,828,801
Capital Replacement Reserve	26,961,788	26,961,788
Government Grant Reserve	216,303,381	216,303,381
Capitalisation Reserve	18,329,539	18,329,539
Donations and Public Contributions Reserve	3,018,235	3,018,235
Accumulated Surplus(Deficit) due to operations	186,399,032	221,263,951
	<b>474,202,008</b>	<b>512,705,695</b>

### 16. Housing development fund

Housing Development Fund	23,190,033	26,828,801
--------------------------	------------	------------

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

Housing selling scheme loans	42,802	61,212
Trade and other receivables	17,885	45,579
Bank and cash	23,129,346	26,722,010
<b>Assets</b>	<b>23,190,033</b>	<b>26,828,801</b>

### 17. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

Municipal Systems Improvement Grant(MSIG)	788,414	616,492
Expanded Public Works Programme(EPWP)	831,680	-
National Department of Energy	-	6,232,737
	<b>1,620,094</b>	<b>6,849,229</b>

#### Movement during the year

Balance at the beginning of the year	6,849,229	46,548,152
Additions during the year	34,087,800	90,537,069
Income recognition during the year	(39,316,935)	(99,329,948)
GRAP 23 Implementation	-	(30,906,044)
	<b>1,620,094</b>	<b>6,849,229</b>

The prior figures of unspent conditional grants have been restated as a result of GRAP 23 Implementation for the reporting period 30 June 2013. The change in accounting policy has been retrospectively applied. Refer to the change in accounting policy note 2 for the details of application..

Refer to note 23 for the details of conditions not yet met and reconciliation of opening to closing balance of unspent portion.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
<b>Development Bank of Southern Africa</b>	6,525,150	9,558,437
Structured unsecured loans taken over from local municipalities as a result of change of powers and functions. The loan is repaid semi-annually in December and June at various interest rates. The loans are repayable over the period between 10 to 20 years.		
<b>Planet Finance</b>	29,170	49,758
Structured unsecured loan repayable monthly in fixed instalments of capital and interest. Loan is repayable over the period between 5 to 10 years.		
<b>Standard Bank of South Africa</b>	46,409,276	50,139,757
Structured unsecured 20 year loan. Repayable semi-annually in October and April in fixed instalments of capital and interest of 11.56 %.		
<b>Infrastructure Finance Corporation(INCA)</b>	-	945,024
Structured unsecured 10 year loan. Repayable semi-annually in fixed instalments of capital and interest. The last instalments was paid in December 2012.		
	<b>52,963,596</b>	<b>60,692,976</b>
<b>Total other financial liabilities</b>	<b>52,963,596</b>	<b>60,692,976</b>
<b>Non-current liabilities</b>		
At amortised cost	47,646,012	54,499,037
<b>Current liabilities</b>		
At amortised cost	5,317,584	6,193,939

## 19. Provisions

### Reconciliation of provisions - 2013

	Opening Balance	Reversal of provision	Utilised during the year	Total
Landfill site rehabilitation	28,344,872	(1,011,536)	(3,632,736)	23,700,600

### Reconciliation of provisions - 2012

	Opening Balance	Contribution	Total
Landfill site rehabilitation	26,993,600	1,351,272	28,344,872

The best estimate for the landfill site rehabilitation, as determined by TGC Engineers, has been based on the present value of the future expected cash flows required to settle the obligation at the reporting date.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>20. Payables from exchange transactions</b>		
Trade payables	6,964,924	8,943,099
Debtors with credit balances	26,391,742	24,937,031
Outstanding cheques at year end	10,270,080	2,439,725
Retention	14,248,525	12,083,137
Other payables	8,819,041	2,632,046
Accruals	16,088,414	22,072,984
Leave accrual	12,758,937	13,153,879
Southbroom UIP	335,339	267,649
Overtime and other employee related accruals	1,035,956	828,345
Operating lease liability	211,604	130,362
	<b>97,124,562</b>	<b>87,488,257</b>

Prior year figures of trade payables have been reclassified to correctly reflect payables from exchange transactions as per GRAP 1 requirements. Refer to note 46 on comparative figures for the details of reclassification.

### Operating lease liability

Balance at beginning of year	130,362	171,165
Operating lease expenses recorded	913,448	945,083
Operating lease payments effected	(832,206)	(985,886)
	<b>211,604</b>	<b>130,362</b>

Operating leases are recognised on a straight line basis as required by GRAP 13. The above operating lease liabilities have been recognised.

Operating lease relates to property, plant and equipment with lease term no longer than 5 years, with an option to extend for further period. The municipality does not have an option to purchase the leased asset at the end of the lease term. The rentals escalates between 8% and 11% and no contingent rent is payable. The following are the minimum lease payments.

### Operating lease instalments

Within one year	3,742,035	7,253,443
Later than one year	3,490,311	4,300,987
	<b>7,232,346</b>	<b>11,554,430</b>

### 21. Consumer deposits

Electricity	5,121,343	4,639,546
Verges and other	12,915,492	12,120,084
	<b>18,036,835</b>	<b>16,759,630</b>

Guarantees in lieu of consumer deposits R 1 130 639.800 ( R1 226 842 .00 : 2012)

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 22. Financial instruments disclosure

#### Categories of financial instruments

##### 2013

#### Financial assets

	<b>At amortised cost</b>	<b>Total</b>
Receivables from exchange transactions	38,529,263	38,529,263
Receivables from non-exchange transactions	76,912,129	76,912,129
Other financial assets	948,615	948,615
Other financial assets	10,808,926	10,808,926
Cash and cash equivalents	150,124,127	150,124,127
	<b>277,323,060</b>	<b>277,323,060</b>

#### Financial liabilities

	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	97,124,562	97,124,562
Consumer deposits	18,036,835	18,036,835
Other financial liabilities	5,317,584	5,317,584
Other financial liabilities	47,646,012	47,646,012
	<b>168,124,993</b>	<b>168,124,993</b>

##### 2012

#### Financial assets

	<b>At amortised cost</b>	<b>Total</b>
Receivables from exchange transactions	35,855,261	35,855,261
Receivables from non- exchange transactions	62,209,129	62,209,129
Other financial assets	1,188,773	1,188,773
Other financial assets	11,545,077	11,545,077
Cash and cash equivalents	177,206,251	177,206,251
	<b>288,004,491</b>	<b>288,004,491</b>

#### Financial liabilities

	<b>At amortised cost</b>	<b>Total</b>
Payables from exchange transactions	87,488,257	87,488,257
Consumer deposits	16,759,630	16,759,630
Other financial liabilities	6,193,939	6,193,939
Other financial liabilities	54,499,037	54,499,037
	<b>164,940,863</b>	<b>164,940,863</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>23. Revenue</b>		
Service charges	121,991,710	114,436,923
Rental of facilities and equipment	1,777,873	2,308,100
Interest received	8,986,058	6,609,789
Income from agency services	3,920,419	3,710,704
Licences and permits	5,964,970	5,444,335
Other income	18,541,163	12,681,547
Interest received - investment	6,718,379	8,265,792
Property rates	263,953,089	241,251,259
Property rates - penalties imposed	379,036	107,990
Government grants & subsidies	126,453,592	156,134,919
Fines	3,661,678	1,264,614
Public contributions and donations	5,612	10,768,632
	<b>562,353,579</b>	<b>562,984,604</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	121,991,710	114,436,923
Rental of facilities and equipment	1,777,873	2,308,100
Interest received	8,986,058	6,609,789
Income from agency services	3,920,419	3,710,704
Licences and permits	5,964,970	5,444,335
Other income	18,541,163	12,681,547
Interest received - investment	6,718,379	8,265,792
	<b>167,900,572</b>	<b>153,457,190</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	263,953,089	241,251,259
Property rates - penalties imposed	379,036	107,990
<b>Transfer revenue</b>		
Government grants & subsidies	126,453,592	156,134,919
Fines	3,661,678	1,264,614
Public contributions and donations	5,612	10,768,632
	<b>394,453,007</b>	<b>409,527,414</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	204,469,866	228,659,920
Commercial	39,382,595	32,689,686
Public service infrastructure	5,977,480	1,199,469
Industrial	9,100,776	7,287,778
Mining	107,077	76,124
Agricultural bona fide	882,636	1,026,309
Institutional	3,318,453	2,959,816
Special purpose	286,936	202,390
Vacant land	29,372,632	-
Carports and garages	460,470	-
Communal	33,152	-
Guest houses and lodges	2,965,589	-
Less: Income forgone	(32,404,573)	(32,850,233)
	263,953,089	241,251,259
Property rates - penalties imposed	379,036	107,990
	<b>264,332,125</b>	<b>241,359,249</b>

### Valuations

Residential	27,199,731,000	29,723,204,182
Commercial	2,492,177,000	2,151,157,164
Industrial	515,828,000	477,424,822
Mining	7,004,000	4,980,000
Agricultural bona fide	1,213,221,500	1,343,520,000
Agricultural -mixed	111,547,000	155,980,000
Institutional	1,023,579,000	785,563,040
Special purpose	68,244,000	54,329,400
Public service infrastructure	4,471,545,000	896,985,000
Municipal owned	443,869,000	569,462,000
Vacant land	1,900,984,000	-
Carports and garages	62,444,000	-
Communal	8,674,000	-
Guest houses and lodges	194,277,000	-
	<b>39,713,124,500</b>	<b>36,162,605,608</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Interim valuations are performed on a quarterly basis to take into account changes in individual property values due to alterations.

There has been additional categories of property rates as a result of the implementation of the new general valuation roll on 01 July 2012. The new categories are in line with Municipal Property Rates Act .

### 25. Service charges

Sale of electricity	88,494,358	81,125,522
Refuse removal	33,497,352	33,311,401
	<b>121,991,710</b>	<b>114,436,923</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	67,382,000	56,805,000
KZN Department of Housing Grants	7,182,857	41,284,307
Finance Management Grant(FMG)	1,500,000	1,470,492
Municipal Systems Improvement Grant(MSIG)	628,078	173,508
KZN Department of Arts and Culture(Museums)	268,000	250,000
KZN Co-Operative Governance and Traditional Affair	9,000,000	4,304,983
National Department of Energy	6,232,737	14,287,263
KZN Department of Arts and Culture	3,304,600	3,211,017
Expanded Public Works Programme(EPWP)	168,320	-
Ugu District Municipality(IDP)	-	151,666
Gijima Second Economy	-	41,865
KZN Department Sport and Recreation	-	615,543
KZN Co-Operative Governance (Share Town Planner)	-	263,500
	<b>95,666,592</b>	<b>122,859,144</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant(MIG)	30,787,000	31,770,775
KZN Department of Transport	-	1,505,000
	<b>30,787,000</b>	<b>33,275,775</b>
	<b>126,453,592</b>	<b>156,134,919</b>

### Equitable Share

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

All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	6,391,805
Current-year receipts	30,787,000	25,379,000
Conditions met - transferred to revenue	(30,787,000)	(31,770,805)
	-	-

This grant is used to subsidise the cost of providing infrastructure . Conditions of the grants have been met. There was no delay or withholding of the grant.

### KZN Department of Housing

Balance unspent at beginning of year	-	18,492,810
Current-year receipts	7,182,857	47,787,399
Conditions met - transferred to revenue	(7,182,857)	(41,284,307)
GRAP 23 Implementation	-	(24,995,902)
	-	-

This grant is used to subsidise the costs of providing housing infrastructure in the Hibiscus Coast area .Conditions of the grant have been met. There was no delay or withholding of the grant.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>26. Government grants and subsidies (continued)</b>		
<b>Finance Management Grant(FMG)</b>		
Balance unspent at beginning of year	-	20,492
Current-year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,500,000)	(1,470,492)
	-	-

This grant is used to subsidise the costs of building capacity of the treasury official and payments of salaries of Finance Management Interns. Conditions of the grant have been met. There was no delay or withholding of the grant.

### KZN Department of Sport and Recreation

Balance unspent at beginning of year	-	913,500
Conditions met - transferred to revenue	-	(615,543)
GRAP 23 Implementation	-	(297,957)
	-	-

This grant is used to subsidise various sporting codes. The condition of the grant have been met. There was no delay or withholding of the grant.

### Gijima 2nd Economy Grant

Balance unspent at beginning of year	-	41,865
Conditions met - transferred to revenue	-	(41,865)
	-	-

This grant is used to subsidise the local economic development in the area. Conditions of the grant have been met. There was no delay or withholding of the grant.

### KZN Department of Co-Operative Governance (Corridor Fund Ugu)

Balance unspent at beginning of year	-	1,272,514
GRAP 23 Implementation	-	(1,272,514)
	-	-

This grant is used to subsidise the costs of upgrading the Margate airport. Conditions of the grant have been met. There was no delay or withholding of the grant.

### National Department of Energy

Balance unspent at beginning of year	6,232,737	18,000,000
Current-year receipts	-	2,520,000
Conditions met - transferred to revenue	(6,232,737)	(14,287,263)
	-	<b>6,232,737</b>

This grant is used to subsidise the costs of financing electricity infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 26. Government grants and subsidies (continued)

#### KZN Department of Co-Operative Governance

Current-year receipts	-	263,500
Conditions met - transferred to revenue	-	(263,500)
	-	-

This grant is used to pay the salary of the shared service town planner in the district. Conditions of the grant have been met. There was no delay or withholding of the grant.

#### KZN Department of Co-Operative Governance

Balance unspent at beginning of year	-	1,000,000
Current-year receipts	9,000,000	7,457,024
Conditions met - transferred to revenue	(9,000,000)	(4,304,983)
GRAP 23 Implementation	-	(4,152,041)
	-	-

This grant is used to subsidise the costs of developing Margate. Conditions of the grant have been met. There was no delay or withholding of the grant.

#### Ugu District Municipality(IDP)

Balance unspent at beginning of year	-	151,666
Conditions met - transferred to revenue	-	(151,666)
	-	-

This grant is used to subsidise the cost of IDP document compilation. Conditions of the grant have been met. There was no delay or withholding of the grant.

#### Municipal Systems Improvement Grant

Balance unspent at beginning of year	616,492	-
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(628,078)	(173,508)
	<b>788,414</b>	<b>616,492</b>

This grant is used to subsidise the costs of revising the IDP and other PMS related matters. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

#### KZN Department of Arts and Culture(Museums)

Current-year receipts	268,000	250,000
Conditions met - transferred to revenue	(268,000)	(250,000)
	-	-

This grant is used to subsidise the costs of maintaining museums. Conditions of the grant have been met. There was no delay or withholding of the grant.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>26. Government grants and subsidies (continued)</b>		
<b>KZN Department of Transport</b>		
Current-year receipts	-	1,505,000
Conditions met - transferred to revenue	-	(1,505,000)
	-	-
This grant is used to subsidise the costs of building Margate Sky Bridge .Conditions of the grant have been met. There was no delay or withholding of the grant.		
<b>KZN Department of Arts and Culture(Libraries)</b>		
Current-year receipts	3,304,600	3,398,647
Conditions met - transferred to revenue	(3,304,600)	(3,211,017)
GRAP 23 Implementation	-	(187,630)
	-	-
This grant is used to subsidise the costs of maintaining the libraries.Conditions of the grant have been met. There was no delay or withholding of the grant.		
<b>Expanded Public Work Programme(EPWP)</b>		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(168,320)	-
	<b>831,680</b>	-
This grant is used to create job opportunities for the community of the Hibiscus Coast municipality. Ceratin conditions of the grant have been met. There was no delay or withholding of the grant.		
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>27. Public contributions and donations</b>		
Public contributions and donations	5,612	10,768,632
<b>Reconciliation of conditional contributions</b>		
Current-year receipts	5,612	10,768,632
Conditions met - transferred to revenue	(5,612)	(10,768,632)
	-	-
The Department of Arts and Culture donated items of property plant and equipment to be utilised by members of the community at KwaNdwalane Library.		
<b>28. Other income</b>		
Margate airport income	3,228,118	3,010,667
Skills development	2,244,198	1,083,068
Admin and certificates revenue	668,200	760,815
Town planning revenue	2,114,008	2,117,434
Miscellaneous income	3,566,253	1,569,436
Traffic and fire related income	454,226	604,127
Bad debts recovered	21,312	-
Clinic subsidies	1,768,000	3,536,000

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>28. Other income (continued)</b>		
KZN Housing subsidies	4,476,848	-
	<b>18,541,163</b>	<b>12,681,547</b>
<b>29. General expenses</b>		
Advertising	822,853	688,422
Bank charges	648,448	1,185,249
Stores and material	1,596,662	1,584,537
Consulting and professional fees	4,720,338	11,102,837
Fines and penalties	650,657	650,731
Radio licences	811,037	688,300
Legal fees	2,362,813	2,119,786
Gifts	175,787	308,158
Hire	1,891,548	1,099,801
Insurance	1,384,297	1,430,669
Free basic services	1,535,287	1,546,419
Reinforcement	247,450	659,402
Lease rentals on operating lease	11,802,857	11,644,387
Home based care networking	19,750	180,509
Youth empowerment	856,444	934,582
Levies	1,983,869	1,827,715
Medical expenses	115,396	319,857
Postage and courier	779,200	1,595,897
Printing and stationery	1,178,152	1,316,459
Processing of summons	29,118	558,230
Valuation roll fees	1,872,968	1,648,678
Subscriptions and membership fees	1,975,444	820,914
Telephone and fax	5,933,006	5,170,208
Ward secretary allowance	878,900	770,853
Training	2,968,444	2,771,870
Travel - local	2,134,279	1,985,585
Third party charge	552,845	541,746
Refuse	1,563,171	1,322,650
Electricity expenditure	2,414,799	12,638,139
Assets expensed	205,092	330,718
Electricity	7,473,716	6,538,757
Water	3,457,437	3,961,094
Special functions	1,187,418	948,605
Security monitoring charges	4,930,039	4,660,116
Back to school campaign	450,000	500,000
Airport expenses	3,161,030	2,395,398
Housing expenditure	9,256,948	38,682,135
Budget roadshows	336,200	422,122
Refuse site disposal charges	23,835	3,007,296
Time management systems	236,472	236,472
Women golf empowerment	1,754,386	-
KwaNaloga	356,291	130,001
Chemicals	809,195	699,193
Ugu jazz	650,000	-
Other expenses	13,485,888	9,008,546
	<b>101,679,766</b>	<b>140,633,043</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>30. Employee related costs</b>		
Basic	148,179,711	140,438,346
Pension fund, medical aid and UIF	38,349,389	33,393,895
Post-employment benefits	10,933,000	7,732,000
Travel, motor car, accommodation, subsistence and other allowances	8,112,382	7,554,145
Overtime payments	14,354,285	13,456,384
13th Cheques	11,789,417	11,043,156
Housing benefits and allowances	747,555	870,473
Other employee related costs	16,664,261	18,721,868
	<b>249,130,000</b>	<b>233,210,267</b>
<b>Municipal manager</b>		
Annual Remuneration	598,824	505,641
Car Allowance, Housing, Subsistence and other Allowances	336,797	419,877
Contributions to UIF, Medical and Pension Funds	32,222	42,330
	<b>967,843</b>	<b>967,848</b>
<b>Chief finance officer</b>		
Annual Remuneration	564,000	444,000
Car Allowance, Housing, Subsistence and other Allowances	296,590	354,544
Contributions to UIF, Medical and Pension Funds	50,550	22,885
	<b>911,140</b>	<b>821,429</b>
<b>Corporate services</b>		
Annual Remuneration	67,767	310,600
Car Allowance, Housing, Subsistence and other Allowances	59,520	395,437
Contributions to UIF, Medical and Pension Funds	1,372	10,877
	<b>128,659</b>	<b>716,914</b>
The Director Corporate Services resigned in July 2012 and the position was vacant for the rest of the year.		
<b>Human settlements and infrastructure</b>		
Annual Remuneration	415,423	373,389
Car Allowance, Housing, Subsistence and other Allowances	255,244	250,074
Contributions to UIF, Medical and Pension Funds	90,211	73,360
	<b>760,878</b>	<b>696,823</b>
<b>Protection Services</b>		
Annual Remuneration	33,845	301,134
Car Allowance, Housing, Subsistence and other Allowances	24,369	425,258
Contributions to UIF, Medical and Pension Funds	5,030	8,072
	<b>63,244</b>	<b>734,464</b>

The Director Protection services was not employed for the full year as a result of the new revised structure of the municipality and this position was phased out and put under community services department.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>30. Employee related costs (continued)</b>		
<b>Community services</b>		
Annual Remuneration	439,064	141,179
Car Allowance, Housing, Subsistence and other Allowances	204,630	91,002
Contributions to UIF, Medical and Pension Funds	39,277	7,577
	<b>682,971</b>	<b>239,758</b>

The Director of community services started in March 2012 as per the revised structure of the municipality.

### Strategic planning and Governance

Annual Remuneration	576,000	111,000
Car Allowance, Housing, Subsistence and other Allowances	247,089	88,341
Contributions to UIF, Medical and Pension Funds	50,467	10,238
	<b>873,556</b>	<b>209,579</b>

The Director Strategic Planning and Governance started in May 2012 as per revised structure of the municipality.

### Cleansing and maintenance

Annual Remuneration	-	661,795
Car, Entertainment, Housing, Subsistence and other	-	100,800
	-	<b>762,595</b>

The Directorate cleansing and maintenance was phased out and put under community services in the current year.

### Health and community services

Annual Remuneration	-	92,348
Car, Entertainment, Housing, Subsistence and Other	-	84,168
Contributions to UIF, Medical and Pension Funds	-	41,775
	-	<b>218,291</b>

The Directorate Health and Community services was phased out and put under community services in the current year.

### Operations

Annual Remuneration	-	406,759
Car, Entertainment, Housing, Subsistence and Other	-	209,172
Contributions to UIF, Medical and Pension Funds	-	1,088
	-	<b>617,019</b>

The position of the Director Operations was phased out and new position of the Director Strategic Planning and Governance was established at the start of the current financial year.

### 31. Remuneration of councillors

Mayor	718,876	667,672
Deputy Mayor	569,828	546,921
Speaker	611,262	568,220
Councillors- Full time	4,237,273	4,504,899
Councillors -Part time	10,279,883	9,413,115
	<b>16,417,122</b>	<b>15,700,827</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>31. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
The Mayor has two full-time bodyguards.		
<b>32. Debt impairment</b>		
Debt impairment	668,744	7,159,213
<b>33. Investment revenue</b>		
Bank	6,718,379	8,265,792
<b>34. Fair value adjustments</b>		
Investment property (Fair value model)	(36,416,453)	27,470,211
<b>35. Depreciation and amortisation</b>		
Property, plant and equipment	57,815,112	47,979,202
Intangible assets	129,246	282,186
	<b>57,944,358</b>	<b>48,261,388</b>
<b>36. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	964,150	316,656
Impairment exist predominantly due to property plant and equipment being physically damaged ,stolen or have become redundant.		
<b>37. Finance costs</b>		
Non-current borrowings	6,517,105	9,133,238
<b>38. Audit fees</b>		
Fees	2,650,260	2,366,926
<b>39. Contracted services</b>		
Security and waste management	4,363,857	3,086,696
Lifeguarding services	6,875,009	6,291,003
Verge cutting	6,916,542	7,103,112
Shark meshing fees	5,248,795	5,248,795
Other Contractors	1,578,055	1,466,261
	<b>24,982,258</b>	<b>23,195,867</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>40. Bulk purchases</b>		
Electricity	63,982,441	57,007,362
<p>Bulk purchases are the cost commodities not generated by the municipality, which the municipality distribute to the municipal area for resale to consumers. Bulk purchases is purchased from Eskom.</p>		
<b>41. Cash generated from operations</b>		
(Deficit) surplus	(44,195,329)	18,373,376
<b>Adjustments for:</b>		
Depreciation and amortisation	57,944,358	48,261,388
Loss on sale of non-current assets	422,356	1,658,073
Write down(Reversal) of inventory	(8,015)	(3,452)
Fair value adjustments	36,416,453	(27,470,211)
Impairment losses	964,150	316,656
Debt impairment	668,744	7,513,837
Movements in long service awards benefits liability	-	1,821,303
Movements in retirement benefit assets and liabilities	852,079	3,067,688
Movements in provisions	(4,644,272)	1,351,272
Bad debt	-	(354,624)
Grant received(Non-cash)	(5,612)	(10,768,632)
<b>Changes in working capital:</b>		
Inventories	(133,730)	(275,544)
Other receivables from non-exchange transactions	(14,202,231)	1,993,075
Consumer debtors	(3,342,746)	(3,060,339)
Payables from exchange transactions	9,636,305	2,953,188
VAT Receivable	(4,321,394)	(1,691,343)
VAT Payable	-	(268,280)
Unspent conditional grants and receipts	(5,229,135)	(8,792,879)
Othe liability	1,277,205	(40,803)
	<b>32,099,186</b>	<b>34,583,749</b>

## 42. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	16,148,150	54,700,013
---------------------------------	------------	------------

#### Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	23,237,460	15,287,558
---------------------------------	------------	------------

This committed expenditure relates to plant and equipment and will be financed by funds generated internally and government grants.

## 43. Contingent liabilities

1. The municipality is being sued for damages amounting to R40 000.00 together with interest at 15.5% from 15/07/2009 to date and date of final payment and costs. The plaintiff has now withdrawn the action with each party to bear its own costs and the estimated costs is R 40 000.00.

2. The municipality is being sued for damages arising from an alleged assault by a colleague in the course and scope of employment. The amount of the claim is R2.5 million together with interest at 15.5% plus costs. The plaintiff's attorneys have applied for a trial date and the outcome is unknown at this stage.

3. The plaintiff is suing the municipality for R300 000 and estimated legal costs is R100 000.00 together with interest of 15.5% for damages arising out of an alleged fall into open manhole. The plaintiff has filed his discovery affidavit and set the matter down for trial thereafter and the outcome is not known at this stage.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 43. Contingent liabilities (continued)

4. The municipality is being sued for R 1 400 000 plus 15.5% interest for damages arising out of an alleged wrongful arrest. It appears that the plaintiff has now lost interest in the further pursuit of this matter as he has not communicated with attorneys. The plaintiff attorneys have withdrawn from the matter and chances of resuming proceedings are quite slim. The estimated legal costs is R40 000.

5. The municipality is being sued for R296 990 and the estimated legal costs is R100 000.00 by the applicant for damages arising out of an alleged fall into open manhole. The discovery process has been finalised and are awaiting the trial date to be allocated and the matter is not known at this stage.

6. The employee is suing the municipality for R 150 000.00 for an alleged defamation of character, judgement has been granted in favour of the employee. An appeal has been lodged in respect of the matter and transcript of recordings is awaited.

7. There has been an additional claim on eviction action taking the amount up to R 4 300 000.00. The municipality is required to make an additional application for funding to KZN Human Settlements to cover the extra portion of the claim.

8. There is a legal claim of R8 257.00 as a result of potholes which caused the plaintiff to fall and injure her ankle. The plea has been filed on behalf of the municipality and the insurers have taken over the matter and recommending a settlement.

9. The municipality is being sued by the security company objecting against the appointment of other security company. The matter went to court on 15 February 2013, however the applicants attorneys requested a postponement due to certain legal technicalities on their part and status quo remain.

10. There is pending matter against the municipality estimated at R200 000 by Margate Amusement Park. The matter is on appeal and the outcome of the matter is not known at this stage.

11. The municipality is being sued at an estimated amount of R30 000.00 by certain security company. The trial date is awaited and the municipality is defending the matter.

12. In the matter between plaintiff and the municipality regarding the disputes on storage costs, the matter has been settled completely and the risk has been completely eliminated because the plaintiff accepted an offer of R100 000.00 instead of pursuing the claim for storage and damages approximately R680 000 together with the possible legal costs and interest dating back several years.

13. The municipality is being sued for an estimated R45 000 by the cleaning company as a result of the disputes regarding cleaning of certain areas of the municipality by the cleaning company. The matter has been settled between the parties.

14. The municipality has instituted various claims which are town planning related. The estimated legal cost to be incurred for these claims is R575 000.00. The outcome is not known at this stage.

15. The municipality has instituted a claim against Mr Shange for R 197 350.00 and the legal costs are estimated at R100 000.00. The matter is still ongoing.

16. On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (Wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wage of municipal employees, based on an evaluation of employees jobs per TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the labour court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA on behalf of the municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court case has not been finalised.

As a result of the uncertainties arising from the disputes declared by the union and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for the employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of the amount of this payable prior to the outcome of the pending litigation.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 43. Contingent liabilities (continued)

#### Contingent assets

1. The municipality has instituted claims with various ratepayers regarding the contravention of the town planning related act of the municipality. The matter is still ongoing and the outcome is not known at this stage.

### 44. Related parties

#### Relationships

Municipal entity	Hibiscus Coast Development Agency
Members of key management	Refer to employee related costs note 30
Councillors	Refer to remuneration of councillors note 31

The Hibiscus Coast Development Agency is the wholly owned subsidiary of the Hibiscus Coast Municipality.

#### Related party transactions

##### Revenue of service charges paid by the related parties

Councillors	116,169	178,910
Senior management	(5,632)	124,266
	<b>110,537</b>	<b>303,176</b>

##### Outstanding amount of service charges from related parties

Councillors	14,002	2,418
Senior management	1,358	12,325
	<b>15,360</b>	<b>14,743</b>

##### Grants paid to municipal entity

Hibiscus Coast Development Agency	1,500,000	1,500,000
Hibiscus Coast Development Agency	2,100,000	-
	<b>3,600,000</b>	<b>1,500,000</b>

##### Compensation to accounting officer and other key management

Accounting officer and key management personnel	4,388,291	5,984,720
Remuneration of councillors	16,417,122	15,700,827
	<b>20,805,413</b>	<b>21,685,547</b>

Senior management refers to the municipal manager and all other managers that directly report to the municipal manager.

Grant amounting to R1.5 and R2.1 million was paid by the municipality to Hibiscus Coast Development Agency to ensure that the agency is able to run its operations during the year and for projects to be done by the municipal entity respectively. No conditions attached to the grant.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

Figures in Rand	2013	2012
-----------------	------	------

---

### 45. Prior period errors

The prior year figures of intangible assets have been restated to correctly account for other intangible in the previous year. The restatement has an effect on the accumulated surplus for and correction of error results in adjustment as follows:

#### Intangible assets

Balance previously published per AFS as at 30 June 2012	-	467,534
Correct accounting for intangible assets	-	302,095
<b>Balance now published per AFS as at 30 June 2012</b>	-	<b>769,629</b>

During the year it was discovered that certain items of property plant and equipment were not accounted previously in the accounting records of the municipality and some items of PPE were reclassified to Investment property . These items of property plant and equipment have now been included in the accounting records.

The prior year figures of property plant and equipment and accumulated surplus have been restated and the the adjustment is as follows:

Balance previously published as per AFS 30 June 2012	-	539,077,266
Reclassify items of PPE to Heritage assets(Change in accounting policy-GRAP 103 implementation)	-	(1,128,779)
Items of property plant and equipment not accounted for	-	27,048,869
<b>Balance now published as per AFS as at 30 June 2012</b>	-	<b>564,997,356</b>

During the year it was discovered that long-term debtors amounting to R205 214 were not correctly accounted for. This relates to amount owed by Ugu District Municipality that resulted in loan taken over by the municipality on behalf of Ugu to DBSA arising from transfers of powers and functions

The restatement has an effect on the accumulated surplus and the restatement is as follows:.

#### Long-term debtors

Balance as per AFS as at 30 June 2012	-	12,528,609
Ugu (DBSA) payments not properly accounted for	-	205,241
<b>Balance now published as per AFS as at 30 June 2012</b>	-	<b>12,733,850</b>

The accumulated surplus for the 30 June 2012 has been restated as a result of the above correction of errors and change in accounting policy(See note 2). The restatement of the accumulated surplus is as follows:

#### Restatement of accumulated surplus

Balance as per AFS as at 30 June 2012	-	454,243,447
GRAP 23 Implementation (See note 2 Change in accounting policy)	-	30,906,045
Ugu (DBSA) payments not properly accounted for	-	205,241
Intangible assets not properly accounted for	-	302,095
Items of PPE not accounted for previously	-	27,048,869
<b>Balance now published per AFS as at 30 June 2012</b>	-	<b>512,705,697</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

---

Figures in Rand	2013	2012
-----------------	------	------

---

### 46. Comparative figures

The prior year figures of payables from exchange transactions have been reclassified in order to correctly comply with GRAP 1 requirements regarding the operating lease payables that must be disclosed as part of the payables from exchange transactions if the operating lease is immaterial. The operating lease liability of the municipality is immaterial and has now been included as part of trade payables.

The reclassification of payables from exchange transactions and operating lease liability has no effect on the accumulated surplus.

The effects of the reclassification are as follows:

#### Trade payables

Balance previously published per AFS as at 30 June 2012	-	87,357,895
Operating lease liability	-	130,362
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>87,488,257</b>

During the year it was discovered that housing selling units have been incorrectly recognised under non-current assets where in fact is part of current assets under inventory. The reclassification has no effect on the accumulated surplus and the effect is as follows:

#### Inventory

Balance previously published as per AFS as at 30 June 2012	-	2,564,998
Housing selling units	-	46,892
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>2,611,890</b>

Revenue from exchange and non exchange transactions were restated due to the implementation of GRAP 23 that requires that consumer debtors be split between non-exchange and exchange transactions on the face of the statement of financial position. The details of the reclassification is as follows:

#### Revenue from non-exchange transactions

Balance previously published as per AFS as at 30 June 2012	-	3,020,125
Property rates now disclosed as part of revenue from non-exchange transactions	-	59,689,774
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>62,709,899</b>

#### Revenue from exchange transactions

Balance previously published as per AFS as at 30 June 2012	-	95,545,035
Property rates now disclosed as part of revenue from non-exchange transactions	-	(59,689,774)
<b>Balance now published as per AFS 30 June 2012</b>	-	<b>35,855,261</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 47. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

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

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At June 30,2013</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	97,124,562	-	-	-	97,124,562
Other financial liabilities	5,545,199	6,776,773	14,138,760	26,502,863	52,963,595
	<b>102,669,761</b>	<b>6,776,773</b>	<b>14,138,760</b>	<b>26,502,863</b>	<b>150,088,157</b>

<b>At June 30,2012</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	87,488,257	-	-	-	87,488,257
Other financial liabilities	4,217,010	5,516,029	6,776,773	40,432,645	56,942,457
	<b>91,705,267</b>	<b>5,516,029</b>	<b>6,776,773</b>	<b>40,432,645</b>	<b>144,430,714</b>

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 47. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2013	2012
Receivables from exchange transactions	38,529,263	35,855,261
Receivables from non-exchange transactions	76,912,129	62,709,129
Other financial assets	11,757,541	12,733,850
Bank balances and cash	150,124,127	177,206,251

### 48. Going concern

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

### 49. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

### 50. Unauthorised expenditure

Unauthorised expenditure	18,112,545	50,500,252
Less: Unauthorised expenditure condoned	-	(50,500,252)
	<b>18,112,545</b>	<b>-</b>

The adjusted budget has been exceeded by the following amounts:

- Employee related costs R776 750.
- Bulk purchases R 6119 441.
- Grants and subsidies R 127 736.
- Repairs and maintenance R 2 853 843.
- Contracted services R 528 188.
- Depreciation R4 000 508
- Impairment Expense R964 150
- Remuneration of councillors R151 099
- Transfers and grants paid R 2 590 830

A detailed report will be prepared and tabled to the next council for condonation of the unauthorised expenditure.

### 51. Fruitless and wasteful expenditure

Current year	62,820	-
--------------	--------	---

1. Fruitless and wasteful expenditure amounting to R24 140.23 were paid to employees for leave payout where incorrect leave payout rate was used. The detailed report will be forwarded to council for condonement and investigation will be done

2. Fruitless and wasteful expenditure amounting to R38 700.00 relates to payment for unused motor vehicle by the municipality.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>52. Irregular expenditure</b>		
Opening balance	5,810,102	1,972,147
Add: Irregular Expenditure - current year	17,262,747	7,245,020
Add : Irregular Expenditure - previous years	3,074,694	(3,407,065)
Less: Amounts condoned	(17,997,950)	-
	<b>8,149,593</b>	<b>5,810,102</b>

### Details of irregular expenditure – current year

	<b>Disciplinary steps taken/criminal proceedings</b>	
Three quotations were not obtained for payments amounting to R870 059.64 to various suppliers resulting in contravention of SCM Regulations .	The detailed report was submitted and condoned by the council.	870,060
The irregular expenditure amounting to R9 611 681 was paid to two suppliers for fuel supply in the absence of contract between the municipality and the suppliers.	The detailed reports was submitted and condoned by the council.	9,611,681
The irregular expenditure amounting to R202 010.00 for indigent burials were incurred without following proper SCM Policy.	A detailed report was submitted and condoned by the council.	202,010
Irregular expenditure amounting to R498 421 was paid to various suppliers without following adequate SCM Regulations.	A detailed report was submitted and condoned by the council.	498,421
Mini-tenders for similar for verge maintenance of R313 500.00 were split into lesser values to avoid compliance with the requirements of an open tender.	A detailed report was submitted and condoned by the council.	316,700
The various payments amounting to R 688 976.98 were made to persons in service of the state resulting in contravention of the Supply Chain Regulations 44	Some of the persons have resigned from supplier company listed in the database and suppliers have been removed from the database. the detailed report was submitted to council condoning the expenditure.	688,977
There were no original tax clearance certificates and declaration of interest signed for the procurement of goods and services amounting to R325 289.30.	A detailed report will be submitted to council for condonement	325,289
Various payments amounting to R413 609.77 were authorised by the accounting officer and there was no indication of under which section of the SCM regulations the condonement was done according to. These were previously classified as deviations in terms of section 36.	A detailed report will be submitted to council for condonement	413,610
Awards amounting to R 4 333 000 ( R3 074 694 Previous year) were made to a supplier whose spouse is in the employ of the municipality and there was no declaration of interest.	A detailed report will be submitted to council	7,407,694
Payment amounting to R3 000 was made to Falakhe Funeral Service where employee have an interest in the supplier resulting in contravention of the SCM Regulation 44.	A detailed report will be forwarded to council	3,000

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand 2013 2012

### 52. Irregular expenditure (continued)

**20,337,442**

### 53. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Amount paid - current year 1,888,000 754,543

#### Electricity losses

Electricity losses for the year 3,764,551 1,865,068

The municipality average electricity losses to be approximately 6.per cent( 6 014 307 units loss) . The loss is calculated by comparing quantity of electricity sold to quantity purchased.

#### Audit fees

Amount paid - current year 2,650,260 2,366,926

#### PAYE and UIF

Amount paid - current year 25,023,225 23,434,421

#### Pension and Medical Aid Deductions

Amount paid - current year 36,693,828 33,925,438

#### VAT

VAT receivable 6,012,737 1,691,343

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at June 30, 2013:

June 30, 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Tshomela GN	465	-	465

#### Supply chain management regulations

Section 45 of the Supply Chain Management (SCM) Regulations , the notes to the financial statements of the municipality must disclose particulars of any awards of more than R 2 000.00 to a person who is a spouse , child or parent of a person in the service of state, or has been in the service of state in the previous twelve months, including the name of a person, the capacity in which that person is in the service of the state and the amount of award. The following are the details

#### Details

Ms Msizazwe ( Procurement clerk)- Ezogu trading 4,333,000 -

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The deviations as listed hereunder have since been condoned by council.

1. Appointment of Celani Funeral Services to provide indigent burial amounting to R8 000.00 . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
2. Appointment of Bechoo's funeral , Patience and Freemans funeral services amounting to R4000.00 , R2000.00 and R2000.00 respectively .. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
3. Payments of R 47 790.69 and R7 789.39 to Independent Newspapers and South Coast Herald for various advertising were incurred in the year under review and the process followed for procuring deviated from from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
4. Payments to ELB equipment for various repairs to motor vehicles amounting to R 224 182.28 were incurred and the process followed for procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
5. Payments to Desmond Equipment for various repairs for R37 611.00 and the process followed for procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
6. Payments amounting to R 7 023.08 to Thompson Motors for various repairs for motor vehicles .The reasons for these deviations were documented as these were urgent matters and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
7. Payments amounting to R24 514.56 to Times Media for the advertisement of the post of the Director Community Services were incurred . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
8. The appointment of ISPACE for R1 419.30 for data lines in Albersville library .The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
9. Payments to ELB equipment for various repairs to motor vehicles amounting to R 224 182.28 were incurred and the process followed for procuring those servives deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
10. The appointment of Royal Haskoning for R67 328.00 for development and implementation of the environment management plan .The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
11. Payments to MJ Light and Heavy Duty amounting to R64 355.28 for various repairs to motor vehicles. The accounting officer deviated from normal supply chain regulations as these repairs were urgent.
12. Car hire for Madam Mayor from Avis rent a car amounting to R2 056.64 were incurred through deviation from normal supply chain management .The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

# Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 54. Deviation from supply chain management regulations (continued)

13. Payments to Smart Grafix amounting to R1 885.13 was incurred without following normal supply chain processes. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
14. Various motor vehicles repairs amounting to R141 258.00 were made to various suppliers through deviation from the normal supply chain regulations. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
15. The appointment of Royal Haskoning for R67 328.00 for development and implementation of the environment management plan. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
16. Payments amounting to R159 857 to various suppliers of goods and services were procured through deviation from normal supply chain regulations and the reasons for deviations were documented and reported.
17. The following suppliers payments amounting to R 321 544.48 were appointed without following adequate SCM processes .
18. The following payment amounting to R3 536 623.34 were made to various attorneys in terms of section 35 and 36.
19. The following payments were made to SA Chemical Technologies and Plus Plant Hire amounting to R36 750 and R106 000 in terms of section 36 appointment by the Accounting Officer. A detailed report will be submitted to the council for condonement.
20. The following payments were made to SA Chemical Technologies and Plus Plant Hire amounting to R36 750 and R106 000 in terms of section 36 appointment by the Accounting Officer. A detailed report will be submitted to the council for condonement.

# Hibiscus Coast Municipality

## Appendix A

June 2013

### Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at Saturday, June 30, 2012	Received during the period	Redeemed written off during the period	Balance at Sunday, June 30, 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Annuity loans</b>							
DBSA	61000011	30/09/2012	990,776	-	990,776	-	-
DBSA	61001233	30/09/2012	1,897,108	-	242,727	1,654,381	-
DBSA	61002326	30/09/2017	119,060	-	42,622	76,438	-
DBSA	61002330	31/12/2012	20,337	-	20,337	-	-
DBSA	61002332	31/12/2012	80,294	-	80,294	-	-
DBSA	61002409	30/06/2015	482,967	-	482,967	-	-
DBSA	61002140	30/06/2015	48,506	-	11,121	37,385	-
DBSA	61002518	30/06/2015	316,531	-	76,205	240,326	-
DBSA	61002519	31/12/2012	307,616	-	307,616	-	-
DBSA	61002559	31/12/2011	290,526	-	134,531	155,995	-
DBSA	61002560	31/12/2012	9,013	-	9,013	-	-
DBSA	61002563	30/06/2012	49,516	-	49,516	-	-
DBSA	61002905	30/06/2016	318,642	-	55,299	263,343	-
DBSA	61003180	31/12/2019	2,276,691	-	289,706	1,986,985	-
DBSA	61003298	31/12/2021	2,350,854	-	240,559	2,110,295	-
Planet Finance	7036153002	15/12/2013	49,758	-	20,588	29,170	-
INCA	HHIBI-00	31/12/2012	945,033	-	945,033	-	-
Standard Bank	252495690	07/10/2020	50,139,748	-	3,730,473	46,409,275	-
			<b>60,692,976</b>	<b>-</b>	<b>7,729,383</b>	<b>52,963,593</b>	<b>-</b>
Total external loans			<b>60,692,976</b>	<b>-</b>	<b>7,729,383</b>	<b>52,963,593</b>	<b>-</b>

**Hibiscus Coast Municipality**  
**Hibiscus Coast Municipality**  
**Appendix B**

June 2013

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	<b>93,975,490</b>	-	-	-	(5,005,110)	-	<b>(5,005,110)</b>	88,970,380
	<b>118,000,551</b>	<b>56,150</b>	<b>(1,012,000)</b>	<b>(23,069,211)</b>	-	-	<b>93,975,490</b>	-	-	-	<b>(5,005,110)</b>	-	<b>(5,005,110)</b>	<b>88,970,380</b>
<b>Infrastructure</b>														
Infrastructure	293,683,453	31,417,908	-	-	-	-	<b>325,101,361</b>	-	-	-	(29,739,688)	-	<b>(29,739,688)</b>	295,361,673
	<b>293,683,453</b>	<b>31,417,908</b>	-	-	-	-	<b>325,101,361</b>	-	-	-	<b>(29,739,688)</b>	-	<b>(29,739,688)</b>	<b>295,361,673</b>
<b>Community Assets</b>														
Community Assets	96,170,748	35,029,138	-	-	-	-	<b>131,199,886</b>	-	-	-	(5,115,397)	-	<b>(5,115,397)</b>	126,084,489
	<b>96,170,748</b>	<b>35,029,138</b>	-	-	-	-	<b>131,199,886</b>	-	-	-	<b>(5,115,397)</b>	-	<b>(5,115,397)</b>	<b>126,084,489</b>

Hibiscus Coast Municipality  
Hibiscus Coast Municipality

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012  
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Other	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
	<b>1,051,670</b>	<b>77,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,128,779</b>	<b>27,491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,491</b>	<b>1,128,779</b>
<b>Specialised vehicles</b>														
Refuse	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
	<b>2,538,587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,538,587</b>	<b>5,396,146</b>	<b>-</b>	<b>604,615</b>	<b>-</b>	<b>-</b>	<b>6,000,761</b>	<b>1,933,972</b>
<b>Other assets</b>														
Plant & equipment	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
	<b>27,700,590</b>	<b>8,643,303</b>	<b>(3,014,312)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,329,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,414,950)</b>	<b>(316,655)</b>	<b>(7,731,605)</b>	<b>25,597,976</b>

Hibiscus Coast Municipality  
Hibiscus Coast Municipality  
Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012  
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
	<b>539,145,599</b>	<b>75,223,608</b>	<b>(4,026,312)</b>	<b>(23,069,211)</b>	-	-	<b>587,273,684</b>	<b>5,423,637</b>	-	<b>604,615</b>	<b>(47,275,145)</b>	<b>(316,655)</b>	<b>(41,563,548)</b>	<b>539,077,269</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Other	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
	<b>679,777</b>	<b>69,943</b>	-	-	-	-	<b>749,720</b>	-	-	-	<b>(282,186)</b>	-	<b>(282,186)</b>	<b>467,534</b>
<b>Investment properties</b>														
Investment property	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
	<b>260,856,000</b>	-	<b>(1,290,000)</b>	<b>23,069,211</b>	-	<b>27,470,211</b>	<b>310,105,422</b>	-	-	-	-	-	-	<b>310,105,422</b>
<b>Total</b>														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
Intangible assets	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
Investment properties	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
	<b>800,681,376</b>	<b>75,293,551</b>	<b>(5,316,312)</b>	-	-	<b>27,470,211</b>	<b>898,128,826</b>	<b>5,423,637</b>	-	<b>604,615</b>	<b>(47,557,331)</b>	<b>(316,655)</b>	<b>(41,845,734)</b>	<b>849,650,225</b>

Hibiscus Coast Municipality  
Hibiscus Coast Municipality  
Appendix B

**Analysis of property, plant and equipment as at 30 June 2011**

<b>Cost/Revaluation</b>							<b>Accumulated depreciation</b>						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Hibiscus Coast Municipality  
Hibiscus Coast Municipality  
**Appendix B**

June 2013

**Analysis of property, plant and equipment as at 30 June 2011**

<b>Cost/Revaluation</b>						<b>Accumulated depreciation</b>							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

**Hibiscus Coast Municipality**  
**Hibiscus Coast Municipality**  
**Appendix B**

June 2013

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
-------------------------	-------------------	-------------------	-------------------	----------------------	-------------------------------------	----------------------------	----------------------------	-------------------	-------------------	----------------------	-------------------------	----------------------------	---------------------------

Investment properties  
Total



Hibiscus Coast Municipality

Appendix D

June 2013

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
-	-	-	Balance sheet	-	-	-
438,235,346	233,147,940	205,087,406	Finance & Admin/Finance	295,434,421	205,545,532	89,888,889
2,623,756	18,457,490	(15,833,734)	Planning and Development/Economic Development/Plan	2,543,442	19,636,553	(17,093,111)
3,575,707	14,748,393	(11,172,686)	Health/Clinics	555	2,035,355	(2,034,800)
15,130,422	38,948,517	(23,818,095)	Comm. & Social/Libraries and archives	35,433,329	41,636,553	(6,203,224)
8,334	5,476,859	(5,468,525)	Housing	-	4,543,432	(4,543,432)
-	37,107,926	(37,107,926)	Public Safety/Police	5,543,339	34,535,442	(28,992,103)
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
33,317,105	91,753,646	(58,436,541)	Waste Water Management/Sewerage	3,072,371	5,385,987	(2,313,616)
10,988,121	59,933,320	(48,945,199)	Road Transport/Roads	1,360,121	4,488,906	(3,128,785)
-	-	-	Water/Water Distribution	-	-	-
81,557,647	67,026,239	14,531,408	Electricity /Electricity Distribution	88,494,999	44,322,339	44,172,660
3,363,616	3,826,348	(462,732)	Other/Air Transport	310,189	291,153	19,036
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-				

**Hibiscus Coast Municipality**

**Appendix D**

June 2013

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>588,800,054</b>	<b>570,426,678</b>	<b>18,373,376</b>	<b>Total</b>	<b>432,192,766</b>	<b>362,421,252</b>	<b>69,771,514</b>

# Hibiscus Coast Municipality

## Appendix E(1)

June 2013

### Yearly

	Forecast # 1 2013 Act. Bal. Rand	Forecast # 1 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	121,991,710	132,887,119	(10,895,409)	(8.2)	
Rental of facilities and equipment	1,777,873	2,711,199	(933,326)	(34.4)	Insignificant increase in rental of facilities
Interest received	8,986,058	8,558,374	427,684	5.0	
Income from agency services	4,050,965	3,300,000	750,965	22.8	Under budgeted for
Licences and permits	5,964,970	5,788,403	176,567	3.1	
Property rates	264,332,125	301,714,835	(37,382,710)	(12.4)	Budget includes rebates
Other income	22,041,176	27,801,060	(5,759,884)	(20.7)	Clinic subsidies received
Interest received - investment	6,718,379	5,249,977	1,468,402	28.0	More investment made than anticipated
Grants	126,453,592	98,385,275	28,068,317	28.5	
	<u>562,316,848</u>	<u>586,396,242</u>	<u>(24,079,394)</u>	<u>(4.1)</u>	
Expenses					
Personnel	(249,062,804)	(248,353,250)	(709,554)	0.3	
Remuneration of councillors	(16,417,122)	(16,417,122)	-	-	
Depreciation	-	-	-	-	
Finance costs	(4,540,707)	(7,855,104)	3,314,397	(42.2)	Standard Bank interest not adequately budgeted for
Debt impairment	(668,744)	(4,460,957)	3,792,213	(85.0)	More debt written off
Repairs and maintenance - General	(37,200,805)	(34,411,000)	(2,789,805)	8.1	
Bulk purchases	(63,982,441)	(57,863,000)	(6,119,441)	10.6	
Contracted Services	(24,982,258)	(24,454,070)	(528,188)	2.2	
Grants and subsidies paid	(6,065,509)	(5,938,000)	(127,509)	2.1	
General Expenses	(102,717,256)	(211,718,941)	109,001,685	(51.5)	Housing and electricity expenditure not budgeted for
	<u>(505,637,646)</u>	<u>(611,471,444)</u>	<u>105,833,798</u>	<u>(17.3)</u>	
Other revenue and costs					
Net surplus/ (deficit) for the year	56,679,202	(25,075,202)	81,754,404	(326.0)	