

**UHLABISA UMASIPALA WASEKHAYA
HLABISA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2016**

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

Mayor	V.F. Hlabisa
Deputy Mayor	H.T. Nkosi
Speaker	G.R. Mchunu
Exco Member	S.F. Mdaka
Member	B.B. Ntombela
Member	M.B. Sithole
Member	B.I. Zungu
Member	B.W. Manqele
Member	T.Z. Nkosi
Member	B.J. Langa
Member	T.T. Kunene
Member	O.Z. Simelane
Member	Z.P. Ndlovu
Member	B.A. Mokoena
Member	P.P. Nhlenyama
Member	T.H. Zungu

Capacity of Municipality

Medium Capacity Municipality
Grade 2

Auditors

The Auditor-General of South Africa
Private Bag X9034
PIETERMARITZBURG
3200

Attorneys

Truter James de Ridder

Bankers

First National Bank of South Africa
ABSA

Registered office: Municipal Building, Hlabisa

Physical address: Lot 808 Masson Street
Hlabisa
3937

Postal address: P.O. Box 387
Hlabisa
3937

Telephone Number: 035 - 838 8500

Fax Number: 035 - 838 1015

Municipal Manager

Dr VJ Mthembu

Acting Chief Financial Officer

KWG Thusi

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL

HLABISA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting and is responsible for the content and integrity of the annual financial statement and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statement 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 responsible for reporting on the fair presentation of the annual financial statements.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment 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 loss 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 control 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 are 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 behaviours 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 1 to 39 which have been prepared on the going concern basis, were approved by accounting officer.

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Dr VJ Mthembu
Municipal Manager

31 AUGUST 2016

HLABISA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2016

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) , including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 1 22(3) of the Municipal Finance Management Act(Act No 56 of 2003).

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

The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated. The details of any changes in Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and the figures are rounded off to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 BUDGET INFORMATION & COMPARATIVE INFORMATION

1,4,1 Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

1,4,2 When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts restated. The nature and reason for reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 107 - Mergers - issued November 2010

Compliance with this standard will not have an impact on the current financial information as no transactions relating to merger exists in the current year

1.6 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.

1,6,1 INITIAL RECOGNITION

The cost of an items of property, plant and equipment are recognised as assets when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the cost thereof can be measured reliably.

On acquisition date assets are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

1,6,1 INITIAL RECOGNITION (CONTINUED)

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

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

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.

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

1,6,2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

1,6,3 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets

Roads and Paving	30 years
Roads and Water	30 years

Community Assets

Recreational Facility	20-30 years
Security	5 years
Community Halls	30 years
Libraries	30 years
Parks and gardens	10 years

Finance Lease Assets

Office equipment	5 years
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Other Assets

Buildings	30 years
Specialist vehicles	10 years
Other vehicles	5 years
Office equipment	3-7 years
Furniture and fittings	7-10 years
Specialised plant and equipment	10-15 years
Landfill sites	30 years
Computer equipment	3-7 years

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

1,6,4 IMPAIRMENT OF ASSETS

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, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

1,6,4 IMPAIRMENT OF ASSETS (CONTINUED)

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

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

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

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

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

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

1,6,5 CASH GENERATING ASSETS

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

1,6,6 NON- CASH GENERATING ASSETS

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

1,6,7 DERECOGNITION

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

1.7 INTANGIBLE ASSETS

1,7,1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

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

1,7,2 SUBSEQUENT MEASUREMENT - COST MODEL

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

1,7,3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

3-5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives 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 an intangible asset 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.

1,7,4 DERECOGNITION

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

1.8 INVESTMENT PROPERTY

1,8,1 INITIAL RECOGNITION

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

1,8,1 INITIAL RECOGNITION (CONTINUED)

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

The cost of self-constructed investment property is the cost at date of completion.

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

1,8,2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

The municipality shall revalue its investment property that are under revaluation with measured using fair value.

1,8,3 DERECOGNITION

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1,8,4 DIRECTIVE 7 - DEEMED COST

Use of deemed cost for property, plant and equipment, investment property, intangible assets and heritage assets

When an entity initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

An entity may have determined a deemed cost for an asset under another basis of accounting where information about the acquisition cost of the asset was unavailable. A deemed cost determined for an asset under another basis of accounting is acceptable for purposes of this Directive if it represents the fair value of the asset as or its cost or depreciated historical cost.

The Hlabisa Municipality did not apply Directive 7 for Property, Plant & Equipment identified after the adoption of GRAP. These assets were identified in the current financial year and a correction of error is to be applied retrospectively

a description of whether deemed cost was determined:

(i) using fair value or depreciated replacement cost for items of property, plant and equipment and investment properties; and

1.9 FINANCIAL INSTRUMENTS

1,9,1 INITIAL RECOGNITION

Financial instruments are recognised as either financial assets or financial liabilities. Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, cost or amortized cost. Financial liabilities are categorised as either at fair value through profit or loss, cost or amortized cost.

1,9,2 SUBSEQUENT MEASUREMENT

The subsequent measurement of financial assets and liabilities depends on this categorisation and, in accordance with GRAP 104.

1,9,3 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1,9,4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets. Loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of

1,9,5 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

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

1,9,6 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 purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1,9,7 DERECOGNITION

Financial assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal of a financial asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Financial liabilities are derecognised when the liability is settled or when it is not probable that an outflow of economic benefits will occur. The gain or loss arising on the settlement of a financial liability is determined as the difference between the settlement value and the carrying value of the liability. This is recognised in the Statement of Financial Performance.

1,10 UNAUTHORISED EXPENDITURE

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

1.11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality'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.

1.12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Provisions are derecognised when it is no longer probable that an outflow of resources will be occur.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

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

1.14 LEASES

1,14,1 MUNICIPALITY AS LESSEE

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

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1,14,2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is

1.15 REVENUE

1,15,1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

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

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

1,15,2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the spot fine and summonses are issued.

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

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

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

1,15,3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16 EMPLOYEE BENEFITS

The municipality provides retirement contributions for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

1,16,1 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 are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

1,16,2 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

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

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

1,16,2 Defined contribution plans (continued)

sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to

1,16,3 Long Service Awards

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

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

1.17 BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- ☐ the approved and final budget amounts;
- ☑ actual amounts and final budget amounts;

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

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

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.18 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 national 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.

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

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.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same Municipality (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 Municipality 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 Municipality or an entity related to the Municipality. 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).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of

1.18 RELATED PARTIES (CONTINUED)

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- © any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

1.19 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATING UNCERTAINTY

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

1,19,1 TRADE AND OTHER RECEIVABLES/LOANS RECEIVABLES

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity 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 and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, 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.

1,19,2 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 entity 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 entity 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 carrying values of trade receivables and payables are assumed to approximate their fair values.

1,19,3 IMPAIRMENT TESTING

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1,19,4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

1,19,5 ALLOWANCES FOR IMPAIRMENT

On receivables 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 receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial

1,19,6 PROVISION FOR STAFF LEAVE

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

1,19,7 PROVISION FOR PERFORMANCE BONUS

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to evaluation by Council.

1,20 COMMITMENTS (CAPITAL AND OPERATING)

Commitments are future expenses and liabilities to be incurred on a contractual basis that have been entered into at reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date and which have been recognised as liabilities are disclosed by way of note

Capital commitments are disclosed in the Annual Financial Statements when the letter of award is accepted by the contractor for capital commitments and when the order is issued for operating commitments

1,20 COMMITMENTS (CAPITAL AND OPERATING) CONTINUED

Operational commitments disclosed in the annual financial statements represent only the contractual balance committed to operating expenditure.

1.21 EVENTS AFTER REPORTING DATE

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

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date): and

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

2. CHANGES IN ACCOUNTING POLICY

The unaudited annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. There were no changes to the accounting policy during the current year.

3. Mergers

3.1 Accounting policy adopted for the merger

Mergers are accounted for in accordance with GRAP 107. The combining entities derecognise their assets and liabilities at their carrying amounts at the date of the merger.

Any difference between the assets and liabilities derecognised and the consideration received, if any, is recognised in accumulated surplus or deficit.

3.2 Merging Entities

The entities undertaking the merger are hereto recognised as Hlabisa municipality and The Big Five False bay municipality.

The merger arose as a result of the decision taken by the municipal demarcation board.

The new merged entity is to be known as the Big 5 Hlabisa Municipality

3.3 The Merger date

The Local government election was held on the 3rd of August 2016 and the merger date has been determined appropriately

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position

Figures in Rand

Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget
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Non-current assets	118 732 577		118 732 577
Property, plant and equipment	96 841 840	-	96 841 840
Investment property	19 471 200	-	19 471 200
Intangible assets	402 783	-	402 783
Other	2 016 754	-	2 016 754
			-
Current assets	14 482 930	(7 686 500)	6 796 430
Trade and Receivable from exchange transactions	1 741 930	1 336 000	3 077 930
Trade and Receivable from non exchange transactions	-	-	-
VAT Receivables	-	-	-
Cash and cash equivalents	12 741 000	(9 022 500)	3 718 500
Total assets	133 215 507	(7 686 500)	125 529 007

Liabilities

Non- Current Liabilities	-	-	-
Finance Lease Obligation	-	-	-
Non-Current Provisions - Long Service Award			-
Non-Current Provisions - Landfill Site			-
Current liabilities	9 968 574	(5 784 000)	4 184 574
Trade and other payables from exchange transactions	8 272 374	(5 784 000)	2 488 374
Trade and other payables from non-exchange transactions			-
Unspent Conditional Grants			-
Current portion of lease liability			-
Other Creditors	1 696 200	-	1 696 200
Total liabilities	9 968 574	(5 784 000)	4 184 574

Accumulated Surplus/Net assets

123 246 933

(1 902 500)

121 344 433

Current assets			
Cash		5 571	(3 847)
Call investment deposits	1	7 170	(5 176)
Consumer debtors	1	349	1 336
Other debtors		2	-
Current portion of long-term receivables		1 385	-
Inventory		6	-
Total current assets		14 483	(7 687)
Non current assets			-
Long-term receivables			-
Investments			-
Investment property		19 471	-
Investment in Associate			-
Property, plant and equipment	1	96 842	-
Agricultural			-
Biological			-
Intangible		403	-
Other non-current assets		2 017	-
Total non current assets		118 733	-
TOTAL ASSETS		133 216	(7 687)
LIABILITIES			-
Current liabilities			-
Bank overdraft			-
Borrowing		1 125	-
Consumer deposits		16	-
Trade and other payables		8 272	(5 784)
Provisions		555	-
Total current liabilities		9 969	(5 784)
Non current liabilities			-
Borrowing	1	-	-
Provisions	1	-	-
Total non current liabilities		-	-
TOTAL LIABILITIES		9 969	(5 784)
NET ASSETS	2	123 247	(1 903)
			-
			-

Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome	Variance	Actual outcome as % of final budget
--------------------------------------	--	--------------	----------------	----------	-------------------------------------

-	-	118 732 577	121 817 775	3 085 198	2.53%
-	-	96 841 840	121 197 649		
-	-	19 471 200	293 000		
-	-	402 783	312 926		
-	-	2 016 754	14 200		
-	-	-	-		
-	-	6 796 430	8 653 872	1 857 442	21.46%
-	-	3 077 930	493 391		
-	-	-	1 783 420		
-	-	-	4 405 983		
-	-	3 718 500	1 971 078		
-	-	125 529 007	130 471 647	4 942 640	3.79%

-	-	-	3 317 929	3 317 929	100.00%
-	-	-	-		
-	-	-	1 574 804		
-	-	-	1 743 125		

-	-	4 184 574	20 468 046	16 283 472	79.56%
-	-	2 488 374	8 200 011		
-	-	-	3 532 756		
-	-	-	7 761 773		
-	-	-	973 506		
-	-	1 696 200	-		
-	-	4 184 574	23 785 975	19 601 401	82.41%

- - 121 344 433 106 685 671 (14 658 762) -13.74%

9 019

1 724	1 724
1 995	1 995
1 685	1 685
2	2
1 385	1 385
6	6
6 796	6 796
-	-
-	-
19 471	19 471
-	-
96 842	96 842
-	-
-	-
403	403
2 017	2 017
118 733	118 733
125 529	125 529
-	-
1 125	1 125
16	16
2 488	2 488
555	555
4 185	4 185
-	-
-	-
-	-
4 185	4 185
121 344	121 344

Reason for Material Variance

The variance is due additional PPE that was purchased/donated as compared to the budgeted amount. The budgeted amount did not take the effect of the landfill site that formed part of the correction of error in the prior year

The variance is the following reasons:

1. Increase in vat receivable raised that was not taken into account in the budget
2. Decrease in debtors due to incorrect billing not taken into account in the budget

The variance is the provision for long service award and landfill site not taken into account in the budget

The variance is the following reasons:

1. Increase in payables from exchange transactions not envisaged in the budget.
2. Increase in payables from non exchange transactions not envisaged in the budget.
3. Unspent conditional grants not envisaged in the budget.

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	23 495 737	(7 153 909)	16 341 828			16 341 828	14 014 413	2 327 415	86%	60%
Net cash from (used) investing	(16 452 000)	-	(16 452 000)			(16 452 000)	(15 808 099)	(643 901)	96%	96%
Net cash from (used) financing	(1 125 000)	-	(1 125 000)			(1 125 000)	(1 175 523)	50 523	104%	104%
Net increase/(decrease) in cash and cash equivalents	5 918 737	(7 153 909)	(1 235 172)	-	-	(1 235 172)	(2 969 209)	1 734 037	240%	-50%
Cash and cash equivalents at the beginning of the year	4 954 028	-	4 954 028			4 954 028	4 940 287	13 741	100%	100%
Cash and cash equivalents at the end of the year	10 872 765	(7 153 909)	3 718 856	-	-	3 718 856	1 971 078	1 747 778	53%	18%

HLABISA LOCAL MUNICIPALITY

Statement of financial position as at 30 June 2016

	Notes	2016	2015
		R	R
Assets			
Non-current assets		121 817 775	112 907 335
Property, plant and equipment	<u>7</u>	121 197 649	112 161 504
Investment property	<u>6</u>	293 000	293 000
Intangible assets	<u>8</u>	312 926	438 631
Deposits	<u>9</u>	14 200	14 200
Current assets		8 653 872	6 658 551
Trade and Receivable from exchange transactions	<u>4.1</u>	493 391	479 669
Trade and Receivable from non exchange transactions	<u>4.2</u>	1 783 420	1 131 589
VAT Receivables	<u>12</u>	4 405 983	107 007
Cash and cash equivalents	<u>5</u>	1 971 078	4 940 287
Total assets		130 471 647	119 565 886
Liabilities			
Non- Current Liabilities		3 317 929	7 707 230
Finance Lease Obligation	<u>10</u>	-	973 506
Non-Current Provisions - Long Service Award	<u>28</u>	1 574 804	1 287 358
Non-Current Provisions - Landfill Site	<u>14</u>	1 743 125	5 446 366
Current liabilities		20 468 046	17 135 148
Trade and other payables from exchange transactions	<u>11.1</u>	8 200 011	6 104 695
Trade and other payables from non-exchange transactions	<u>11.2</u>	3 532 756	3 479 046
Unspent Conditional Grants	<u>13</u>	7 761 773	6 375 881
Current portion of lease liability	<u>10</u>	973 506	1 175 526
Total liabilities		23 785 975	24 842 378
Net assets		106 685 671	94 723 509
Accumulated surplus		106 685 671	94 723 509
Total net assets		106 685 671	94 723 509

HLABISA LOCAL MUNICIPALITY

Statement of financial performance for the year ended 30 June 2016

	Notes	2016	2015
		R	R
Revenue			
Revenue from non-exchange transactions			
Property rates	<u>19</u>	986 523	364 465
Property rates penalties	<u>19</u>	576 205	164 525
Interest earned Investment	<u>16.1</u>	893 729	443 257
Traffic Fines		279 932	598 400
Licences and permits		1 901 061	1 691 398
Government grants and subsidies	<u>20</u>	76 942 884	58 711 898
Gain on assets donated		815 260	-
Revenue from exchange transactions			
Service charges	<u>15</u>	78 148	227 469
Interest earned Main bank	<u>16.2</u>	204 911	128 949
Rental revenue	<u>18</u>	394 864	197 218
Commission received	<u>17</u>	6 428	5 249
Sundry income	<u>17</u>	122 279	223 814
Total Revenue (A)		83 202 225	62 756 642
Expenditure (classified by nature)			
Employee related costs	<u>21</u>	29 335 381	21 852 006
Councillor remunerations	<u>22</u>	5 069 046	3 936 605
Depreciation	<u>23</u>	6 728 139	6 669 340
Asset Impairment Loss	<u>9</u>	-	550 139
Repairs and maintenance		3 811 557	491 879
Provision for doubtful debts		765 574	526 704
Provision for Site Rehabilitation	<u>14</u>	(3 814 047)	-
Finance Charges	<u>24</u>	449 310	621 099
Contracted Services	<u>25</u>	186 368	277 500
General expenses	<u>26</u>	28 555 737	23 851 686
Total Expenditure (B)		71 087 065	58 776 956
Loss on sale of assets		152 997	1 438 344
Total expenditure (A) plus loss on sale		71 240 062	60 215 300
Surplus/(Deficit) for the year (A-B)		11 962 162	2 541 341

HLABISA LOCAL MUNICIPALITY

Cash flow statement for the year ended 30 June 2016

	Note	2016	2015
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services	<u>42</u>	196 170	2 733 142
Effect of assets donated		(815 260)	-
Grants	<u>20</u>	76 942 884	58 711 898
Interest Receipts	<u>16</u>	1 098 640	572 206
		77 422 435	62 017 246
Payments			
Employee related costs	<u>42</u>	(34 286 665)	(25 685 164)
Suppliers	<u>42</u>	(28 908 315)	(23 753 878)
Interest paid		(213 043)	(404 761)
		(63 408 022)	(49 843 803)
Net cash flow from operating activities	<u>27</u>	14 014 413	12 173 443
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	<u>7</u>	(15 724 021)	(8 205 010)
Additions to intangible assets	<u>10</u>	(84 078)	-
Net cash flow from investing activities		(15 808 099)	(8 205 010)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of lease liability	<u>10</u>	(1 175 523)	(745 911)
Net cash flow from financing activities		(1 175 523)	(745 911)
Net cash flows for the year		(2 969 209)	3 222 522
Cash and cash equivalents beginning of year		4 940 287	1 717 765
Cash and cash equivalents end of year	<u>5</u>	1 971 078	4 940 287

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance

Figures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reason for Material Variance
Property rates	2 180 562	-	2 180 562	-	-	2 180 562	1 562 728		617 834	-40%	The variance is due to incorrect billing that was charged to Ingonyama Trust (effectively the owner of land, who should not be billed). The budget included billing for Ngoyama trust.
Service charges	80 000	5 716	85 716	-	-	86 000	78 148		7 852	-10%	
Investment revenue	372 000	441 199	813 199	-	-	813 199	1 098 640		(285 441)	26%	The variance is due to municipality maintaining cash within short term deposits for a longer period during the year and therefore earning higher interest (Total interest earned for the year of R 893 K)
Transfers recognised operational	65 952 000	-	65 952 000	-	-	65 952 000	76 942 884		(10 990 884)	14%	The variance is due to municipality receiving additional equitable share (per DORA) of income than that budgeted for.
Other own revenue	3 427 748	(1 069 036)	2 358 712	-	-	2 358 712	3 519 825		(1 161 113)	33%	The variance is due to municipality recognising income totalling R815K relating to a donation of asset received from the Department of Sports & Recreation
Total Revenue (excluding capital transfers and contributions)	72 012 310	(622 121)	71 390 189	-	-	71 390 189	83 202 225		(11 811 752)		
Employee related costs	27 948 848	(1 049 682)	26 899 166	-	-	26 899 166	29 335 381	2 436 215	(2 436 215)	8%	The variance is due to municipality employing additional permanent staff as compared to budgeted
Remuneration of Councillors	5 306 595	(900 000)	4 406 595	-	-	4 406 595	5 069 046	662 451	(662 451)	13%	The variance is due to municipality paying additional remuneration and allowances to the mayor, deputy mayor, speaker and councillors of the municipality
Provision for doubtful debts	325 500	200 204	525 704	-	-	525 704	765 574	239 870	(239 870)	31%	The variance is due to the increase in the movement of the provision for bad debts relating to property rates, refuse and traffic fines. The percentage of Business and residential customers who are aged more than 180 days in the debtors age analysis has increased and the percentage provided for traffic fines has increased
Depreciation and asset impairment	4 715 160	2 000 000	6 715 160	-	-	6 715 160	6 728 139	12 979	(12 979)	0%	
Finance Charges	250 000	50 000	300 000	-	-	300 000	449 310	149 310	(149 310)	33%	The variance is due to the increase on the interest charge on the provision for the landfill site rehabilitation (total charge of R 125K) and the provision for long service award (total charge of R 111K)
Transfers, Grants and other expenditure	27 008 878	4 139 532	31 148 410	-	-	31 148 410	28 892 612	(2 255 798)	2 255 798	-8%	The variance is due to the effect of the movement in the landfill site prvision. An amount of -R3.8 M was recognised as part of expenses
Total expenditure	65 554 981	4 440 054	69 995 035	-	-	69 995 035	71 240 062	1 245 027	(1 245 027)		
Surplus/(Deficit)	6 457 329	(5 062 175)	1 395 154	-	-	1 395 154	11 962 162	(1 245 027)	(10 566 725)		
Capital expenditure and funds sources											
Total capital expenditure	16 452 000	-	16 452 000			16 452 000	15 808 099		643 901	-4%	The variance is due to capital projects that were included in the 15/16 budget and council resolution being delayed or commencing later in the financial year than that was anticipated. As a result less expenditure was incurred during the financial year on these projects.

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

4.1 Trade and Receivable from exchange transactions	2016	Restated 2015	Previously Reported 2015
Refuse	575 855	739 802	739 999
Allowance for debt impairment on refuse	(299 349)	(260 133)	(260 133)
Trade Creditors with a debit balance	216 885	-	-
	493 391	479 669	479 866

Refuse	2016	Restated 2015	Previously Reported 2015
Current (0-30 days)	6 968	21 613	21 616
31 - 60 days	6 344	14 929	14 931
61 - 90 days	5 984	14 419	14 422
91 - 120 days	5 659	14 358	14 361
121 - 365 days	550 899	674 482	674 669
	575 855	739 802	739 999

Summary of trade receivables by customer classification

Refuse	2016	Restated 2015	Previously Reported 2015
Government			
Current (0-30 days)	1 910	3 920	3 923
31 - 60 days	1 910	2 974	2 977
61 - 90 days	1 910	2 896	2 898
91 - 120 days	1 910	3 085	3 087
121 - 365 days	50 721	120 334	120 521
	58 363	133 209	133 407

Industrial/ Commercial	2016	Restated 2015	Previously Reported 2015
Current (0-30 days)	2 884	13 688	13 688
31 - 60 days	2 379	9 219	9 219
61 - 90 days	2 163	8 853	8 853
91 - 120 days	1 983	8 567	8 567
121 - 365 days	270 461	463 636	463 636
	279 869	503 962	503 962

Residential	2016	2015
Current (0-30 days)	2 174	4 005
31 - 60 days	2 055	2 736
61 - 90 days	1 910	2 671
91 - 120 days	1 766	2 707
121 - 365 days	229 717	90 513
	237 622	102 630

4.2 Trade and other receivables from non-exchange transactions	2016	Restated 2015	Previously Reported 2015
Gross Balances			
Rates	2 465 323	1 302 634	1 903 456
Debtors: Traffic Fines	1 124 882	941 325	941 325
Salary suspense	4 142	4 127	4 127
VAT output	-	130 609	130 609
Sundry Debt	-	9 727	9 727
Staff Debt	229 348	75 339	75 339
Creditor Suspense	18 257	-	-
Less: Allowances for impairment			
Rates	(944 579)	(528 149)	(528 149)
Debtors: Traffic Fines	(1 113 952)	(804 024)	(804 024)
Net Balance	1 783 420	1 131 589	1 732 410

Summary of other receivables by customer classification

Rates	2016	Restated 2015	Previously Reported 2015
Government			
Current (0-30 days)	9 698	16 827	16 827
31 - 60 days	9 628	12 106	12 106
61 - 90 days	9 553	12 537	12 537
91 - 120 days	15 206	11 159	11 159

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

121 - 365 days	541 946	387 820	988 640
	<u>586 032</u>	<u>440 448</u>	<u>1 041 268</u>

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Industrial/ Commercial	2016	2015
Current (0-30 days)	60 885	18 588
31 - 60 days	59 576	14 053
61 - 90 days	56 867	16 870
91 - 120 days	58 685	12 275
121 - 365 days	876 742	576 344
	1 112 755	638 129

Residential	2016	2015
Current (0-30 days)	11 392	4 546
31 - 60 days	11 206	2 846
61 - 90 days	10 908	4 212
91 - 120 days	14 004	2 698
121 - 365 days	719 026	209 754
	766 535	224 057

4.2 Trade and other receivables from non-exchange transactions (continued)

Total	2016	Restated 2015	Previously Reported 2015
Current (0 - 30 days)	81 975	39 960	39 960
31 - 60 days	80 410	29 004	29 004
61 - 90 days	77 328	33 619	33 619
91 - 120 days	87 895	26 132	26 132
121 - 365 days	2 137 714	1 173 918	1 774 740
	2 465 323	1 302 634	1 903 456
Less: Allowance for debt impairment	(944 579)	(528 149)	(528 149)
	1 520 744	774 485	1 375 307

4.3 Reconciliation of allowance for impairment of trade receivables

	2016	2015
Opening balance	(528 149)	(269 421)
Contribution to allowance	(416 430)	(258 728)
	(944 579)	(528 149)

4.4 Trade and other receivables pledged as security

No portion of accounts receivables was pledged as security for any financial liabilities.

No security is held for any accounts receivables.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other enhancement

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

5 Cash and Cash equivalent	2016	2015
ABSA	46 136	988 623
FNB (62205724174)	255 606	218 139
Investment - FNB (74107649045)	10 874	10 874
Investment - NedBank (9998)	81 535	77 232
Investment - Mercantile (4100167725)	15 159	14 262
Investment-FNB (Housing)(74332463674)	86 335	1 838 069
Investment - FNB (Cond Gra-62333315952)	285 280	11 538
Investment - FNB (Money Mar 62333317594)	1 779	15 654
Cash at Bank - FNB (Prim Acc 62331260240)	1 370 750	1 856 049
Over / Under Banking	(19)	2 941
Cash on hand	1 946	-
Cashiers collection account	(184 305)	(93 094)
	1 971 078	4 940 287

ABSA	2016	2015
Cash book balance at beginning of year	988 623	(90 645)
Cash book balance at end of period	46 136	988 623
Bank statement balance at beginning of year	988 623	(90 654)
Bank statement balance at end of period	56 136	988 623

FNB (62205724174)	2016	2015
Cash book balance at beginning of year	218 139	46 196
Cash book balance at end of period	255 606	218 139
Bank statement balance at beginning of year	218 145	46 196
Bank statement balance at end of period	255 612	218 145

Investment - FNB (74107649045)	2016	2015
Cash book balance at beginning of year	10 874	10 874
Cash book balance at end of period	10 874	10 874
Bank statement balance at beginning of year	10 874	10 874
Bank statement balance at end of period	10 874	10 874

5 Cash and Cash equivalent (continued)

Investment - NedBank (9998)	2016	2015
Cash book balance at beginning of year	77 232	73 665
Cash book balance at end of period	81 535	77 232
Bank statement balance at beginning of year	77 232	73 665
Bank statement balance at end of period	81 535	77 232

Investment - Mercantile (4100167725)	2016	2015
Cash book balance at beginning of year	14 262	13 535
Cash book balance at end of period	15 159	14 262
Bank statement balance at beginning of year	14 262	13 535
Bank statement balance at end of period	15 159	14 262

Investment-FNB (Housing)(74332463674)	2016	2015
Cash book balance at beginning of year	1 838 069	2 427 973
Cash book balance at end of period	86 335	1 838 069
Bank statement balance at beginning of year	1 838 069	2 427 973
Bank statement balance at end of period	86 335	1 838 069

Investment - FNB (Cond Gra-62333315952)	2016	2015
Cash book balance at beginning of year	11 538	11 718
Cash book balance at end of period	285 280	11 538
Bank statement balance at beginning of year	11 538	11 718
Bank statement balance at end of period	285 280	11 538

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Investment - FNB (Money Mar 62333317594)

	2016	2015
Cash book balance at beginning of year	15 654	18 758
Cash book balance at end of period	<u>1 779</u>	<u>15 654</u>
Bank statement balance at beginning of year	15 654	18 758
Bank statement balance at end of period	<u>1 779</u>	<u>15 654</u>

Cash at Bank - FNB (Prim Acc 62331260240)

	2016	2015
Cash book balance at beginning of year	1 856 049	(720 035)
Cash book balance at end of period	<u>1 370 750</u>	<u>1 856 049</u>
Bank statement balance at beginning of year	3 422 294	143 533
Bank statement balance at end of period	<u>1 371 729</u>	<u>3 422 294</u>

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

6 Investment Property	2016	2015
Cost	293 000	293 000
Devaluation	-	-
Carrying value	<u>293 000</u>	<u>293 000</u>

Reconciliation of investment property

Opening balance	293 000	293 000
Impairment	-	-
Revaluation	-	-
	<u>293 000</u>	<u>293 000</u>

Investment property consists of land in the name of the municipality that had been leased out

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Other information

Amounts recognised in surplus and deficit for the year		
Rental revenue for investment property	<u>108 215</u>	<u>149 801</u>

Pledged as security

No investment properties were pledged as security for overdraft facilities during the year

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

7 Property, plant and equipment - 2016

	2016			
	COST	ACCUMULATED DEPRECIATION & IMPAIRMENT	CARRYING VALUE	COST
Land	25 377 866	-	25 377 866	25 377 866
Buildings	20 606 342	(4 389 899)	16 216 443	20 439 342
Plant & Machinery	2 843 722	(1 477 597)	1 366 126	2 025 684
Furniture & Fixtures	1 241 711	(627 296)	614 414	1 094 810
Motor Vehicles	6 424 294	(3 368 524)	3 055 770	5 871 896
Office Equipment	213 058	(80 854)	132 204	129 726
IT Equipment	1 031 970	(534 246)	497 724	852 590
Infrastructure	45 196 074	(14 411 964)	30 784 110	41 800 016
Community Assets	44 394 000	(5 365 533)	39 028 466	25 016 168
WIP	3 622 318	-	3 622 318	13 300 299
Finance Leased Asset	2 811 276	(2 309 068)	502 208	3 196 306
Total	153 762 631	(32 564 982)	121 197 649	139 104 705

Reconciliation of Property, Plant and Equipment Carrying Values/NBV -2016

	Restated Opening Balance	Additions	Disposals/Scrapping	Transfers
Land	25 377 866	-	-	-
Buildings	16 758 152	167 198	-	-
Plant & Machinery	900 944	820 112	(168)	-
Furniture & Fixtures	613 379	181 855	(7 008)	-
Motor Vehicles	2 926 848	982 129	(110 774)	-
Office Equipment	63 374	105 033	(4 564)	-
IT Equipment	351 015	320 414	(26 184)	-
Infrastructure	29 850 014	-	-	3 396 058
Community Assets	20 875 137	-	(20 549)	19 429 204
WIP	13 300 299	13 147 281	-	(22 825 262)
Finance Leased Asset	1 144 475	-	-	-
Total	112 161 504	15 724 021	(169 247)	(0)

Reconciliation of Property, Plant and Equipment Carrying Values/NBV -2015 Restated

	Opening Balance	Additions	Disposals/Scrapping	Transfers
Land	25 377 866	-	-	-
Buildings	14 342 054	-	-	3 117 578
Plant & Machinery	2 090 316	144 841	(763 277)	-
Furniture & Fixtures	791 798	414 806	(308 151)	-
Motor Vehicles	3 808 976	-	(134 215)	-
Office Equipment	98 230	50 088	(34 849)	-
IT Equipment	665 168	156 113	(201 493)	-
Infrastructure	27 674 681	-	-	4 318 218
Community Assets	17 071 181	-	-	5 204 100
WIP	18 325 722	7 563 150	-	(12 588 573)
Finance Leased Asset	1 844 497	-	-	-
Total	112 090 489	8 328 999	(1 441 986)	51 323

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Reconciliation of Property, Plant and Equipment Carrying Values/NBV -2015 Previously Reported

	Opening	Additions	Disposals/ Scrapping	Transfers
Land	25 377 866	-	-	-
Buildings	14 342 054	-	-	3 117 578
Plant & Machinery	2 090 316	144 841	(763 277)	-
Furniture & Fixtures	791 798	303 477	(308 151)	-
Motor Vehicles	3 808 976	-	(134 215)	-
Office Equipment	98 230	37 954	(34 849)	-
IT Equipment	665 168	155 588	(201 493)	-
Infrastructure	22 491 858	-	-	4 318 218
Community Assets	17 071 181	-	-	2 689 783
WIP	18 325 722	7 563 150	-	(10 074 256)
Finance Leased Asset	1 844 497	-	-	-
Total	106 907 666	8 205 010	(1 441 986)	51 323

Work In Progress/WIP:

Additions to WIP: are disclosed under the additions column in the reconciliation above and are recognised in the financial statement when the invoice is received from the contractor.

Transfer out of WIP: are disclosed under the Transfers column in the reconciliation above and represent transfers out from WIP to Community and Infrastructure assets. These transfer occurs on the date that the contractor has certified the completion of the project.

A Fixed Asset Register that is compliant with the requirement of GRAP 17 is maintained by the municipality

Leased assets recorded in the Fixed Asset Register serve as security for the finance lease liability

8 Intangible Assets

2016

	Cost/valuation	Accumulated Amortisation	Carrying value
Computer software	760 162	(447 236)	312 926
Total	760 162	(447 236)	312 926

Reconciliation of intangible assets

	Opening balance	Additions	Amortisation	NBV
Computer software	438 631	84 078	(209 783)	312 926
Total	438 631	84 078	(209 783)	312 926

2015

	Cost/valuation	Accumulated depreciation	Carrying value
Computer software	676 084	(237 454)	438 631
Total	676 084	(237 454)	438 631

Reconciliation of intangible assets

	Opening balance	Additions	Amortisation	NBV
Computer software	562 322	69 648	(193 339)	438 631
Total	562 322	69 648	(193 339)	438 631

9 Deposits

Deposits	14 200	14 200
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HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

**10 Finance lease obligations
2016**

Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	1 024 710	(51 204)	973 506
Within two to five years	-	-	-
	1 024 710	(51 204)	973 506

The average lease term is 5 years and the average effective borrowing rate is 12% pa.

2015 - Restated

Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	1 373 434	(197 912)	1 175 526
Within two to five years	1 024 710	(51 204)	973 506
	2 398 144	(249 116)	2 149 032

2015 - Previously Reported

Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	991 561	(163 360)	828 201
Within two to five years	830 329	(46 853)	783 477
	1 821 891	(210 213)	1 611 678

The nature of the Finance lease liabilities are agreements in place with the supplier Nashua Zululand for the supply of photo copier machines. Finance lease liabilities are secured with lease assets that are located at the municipality

The average lease term is 5 years and the average effective borrowing rate is 12% pa.

11 Payables

11.1 Payables from exchange transactions

	2016	2015
Trade payables	5 259 189	4 121 549
Deposits received	13 426	8 926
Retentions	2 918 725	1 968 739
Debtors with Credit balance	8 671	5 481
	8 200 011	6 104 695

11.2 Payables from non-exchange transactions

	2016	2015
Leave accruals	1 905 654	1 786 846
Annual bonus accrual	716 427	555 512
Sundry payables	389 302	640 972
Trade receivables with credit balances	348 970	435 814
Other creditors	172 403	59 903
	3 532 756	3 479 046

12 Value Added Tax

	2016	2015
VAT receivable from SARS	4 405 983	107 007

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016	2015
13 Unspent conditional grants and receipts		
Hlabisa Sewerage System Project	1 798 319	1 798 319
National Electrification Program	337 628	-
Corridor Development	652 752	652 752
MIG	3 010 800	1 605 917
DOH - Disaster Management Grant	1 267 785	1 267 785
DPLG - MSIG	15 847	13 844
Library Grant	324 692	727 286
Sports Grants	-	-
FMG	45 929	45 929
EPWP	282 546	264 049
LGSETA	25 475	-
	7 761 773	6 375 881

Movement during the year

Grant Description	Unspent Grant 2015	Receipts	Expenditure	2016
Hlabisa Sewerage System Project	1 798 319	-	-	1 798 319
National Electrification Program	-	10 000 000	(9 662 372)	337 628
Corridor Development	652 752	-	-	652 752
MIG	1 605 917	14 345 300	(12 940 417)	3 010 800
DOH - Disaster Management Grant	1 267 785	-	-	1 267 785
DPLG - MSIG	13 844	930 000	(927 997)	15 847
Library Grant	727 286	997 000	(1 399 594)	324 692
Sports Grants	-	-	-	-
FMG	45 929	1 800 000	(1 800 000)	45 929
EPWP	264 049	1 000 000	(981 504)	282 546
LGSETA	-	25 475	-	25 475
	6 375 881	29 097 775	(27 711 884)	7 761 773

	2016	2015
14 Provision for rehabilitation of landfill site		
Opening balance	5 446 366	5 361 541
Current year movement: Interest Charge	110 806	84 825
Current year movement: Movement in Provision	(3 814 047)	0
Closing balance	1 743 125	5 446 366

	2016	Restated 2015	Previously Reported 2015
15 Service charges			
Refuse removal	78 148	62 082	62 280
Penalties	-	165 387	165 387
	78 148	227 469	227 667

	2016	2015
16 Interest earned - external investments		
16.1 Interest earned - non exchange transaction		
Short-term deposits	893 729	443 257
16.2 Interest earned - exchange transaction		
Bank	204 911	128 949

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016	2015	
17 Other revenue			
Sundry income	122 279	223 814	
Commission earned	6 428	5 249	
	128 707	229 063	
18 Rental of facilities and equipment			
Rental of facilities	391 291	171 731	
Rental of equipment	3 573	25 487	
	394 864	197 218	
19 Property rates		Restated 2015	Previously Reported 2015
Municipal rates	986 523	364 465	965 287
Property rates penalties	576 205	164 525	164 525
	1 562 728	528 990	1 129 812
20 Government grants and subsidies			
Equitable share	49 231 000	36 879 000	
Government grant operating	27 711 884	21 832 898	
	76 942 884	58 711 898	

	2016	2015
21 Employee related costs		
Basic	20 325 545	14 978 210
Bonus	1 484 294	967 005
Medical Aid	814 103	658 141
UIF	179 572	148 320
SDL	257 333	194 942
Pension	1 834 572	1 318 466
Travel and all other travelling allowances	1 881 254	1 401 907
Group Life	-	3 990
Overtime	744 982	606 078
Housing benefits and allowances	416 074	217 418
Telephone allowance	1 046 231	729 922
Industrial Council	9 191	6 171
Leave	55 234	240 994
Personal Facility	114 000	36 000
Contribution to long service award	172 996	344 441
	29 335 381	21 852 006

21 Employee related costs (continued)

	2016	2015
Remuneration of Municipal Manager		
Annual remuneration	589 920	396 667
Travel allowance and travel claims	47 398	120 000
Cell phone allowance	24 000	12 000
Housing allowance	129 282	38 000
Contributions to UIF, Medical aid and pension funds	63 975	6 616
	854 575	573 283

	2016	2015
Remuneration of Chief Finance Officer		
Annual remuneration, including acting allowance	447 527.31	381 006
Travel allowance and travel claims	82 446	91 056
Cell phone allowance	6 000	7 000
Contributions to UIF, Medical aid and pension funds	25 211	18 528
Back Pay	4 667	11 290
	565 850	508 880

There has not been a permanent appointment of the Chief Finance Officer. The Chief Financial Officer is currently acting.

	2016	2015
Remuneration of Director Corporate Services		
Annual remuneration	495 096	470 400

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Travel allowance and travel claims	41 938	75 942
Cell phone allowance	13 202	12 544
Housing allowance	75 460	50 176
Contributions to UIF,Medical aid and pension funds	10 368	9 880
Back Pay	13 720	5 667
Mobility allowance	227 290	211 432
	877 074	836 041

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Remuneration of Director Planning and Infrastructure	2016	2015
Annual remuneration	384 693	76 667
Travel allowance and travel claims	190 472	27 024
Cell phone allowance	20 960	2 000
Housing allowance	78 207	14 000
Contributions to UIF,Medical aid and pension funds	7 998	1 383
	682 330	121 073

Remuneration of Director Community Services	2016	2015
Annual remuneration	446 556	318 206
Travel allowance and travel claims	204 209	115 266
Cell phone allowance	18 500	-
Housing allowance	70 238	41 935
Contributions to UIF,Medical aid and pension funds	10 420	9 903
Back Pay	30 081	-
Advance	25 473	-
	805 478	485 311

22 Councillors remuneration	2016	2015
Mayor	425 832	330 666
Deputy Mayor	376 580	255 373
Executive Committee	344 181	315 206
Speaker	640 064	464 268
Councillors allowances	3 282 389	2 571 092
	5 069 046	3 936 605

In-Kind Benefits

The Mayor, Deputy Mayor, and Mayoral Committee Members are part-time employees. Only Speaker is a full-time employee. The Mayor, Deputy Mayor and Speaker have offices and secretarial support at the cost of the Council.

The Mayor, has the use of separate Council owned vehicle for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor and the Speaker has one full-time bodyguard.

23 Depreciation and amortisation	2016	Restated 2015	Previously Reported 2015
PPE	6 518 356	7 026 140	6 771 142
Intangible assets	209 783	193 339	193 339
	6 728 139	7 219 479	6 964 481

24 Interest paid	2016	2015
Finance leases	213 043	459 290
Long Service Award - interest	125 462	76 984
Interest - Land fill site	110 806	84 825
	449 310	621 099

25 Contracted services	2016	2015
Contracted services	186 368	277 500

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

26 General Expenses	2016	2015
Administration expenses	439 114	443 000
Advertising	462 639	456 635
Auditors Remuneration	3 051 080	1 397 955
Bank Charges	117 514	85 604
Bursary	329 660	407 768
Library Grant Expenditure (Library oprational - Training, Cleaning, Repairs)	124 722	25 050
Cleaning Expenses	242 098	45 435
Consulting and professional fees	2 486 058	3 326 231
Consumables	33 584	12 947
Donations	-	106 276
Electricity	7 791 994	8 390 568
Solid waste	(2 800)	2 800
Extended Public Works Grant Expenditure (Salaries, admin cost)	955 060	1 597 631
Poverty Alleviation (Groceries, donations, sponsorship for communities)	855 716	474 602
Fines and penalties	-	433 628
Fuel and Oil	745 666	794 968
General	26 404	21 921
Special programs expenditure (Trasnsport, venue hire, Functions cost)	843 298	406 459
Insurance	183 692	401 699
Legal Fees	1 751 776	-
office machine rental	653 284	423 819
Postage and telephone	410 318	411 907
Printing & stationary	373 959	327 200
Promotions: Arts & Culture events	710 347	146 388
Public Participation (Catering, Road shows expenditure)	163 332	146 941
Security	1 716 107	1 449 425
Sports and Recreation	58 089	231 045
Subsistence and travel	1 257 676	604 169
Training	1 378 194	956 088
Uniform	131 641	29 020
Utilities	378 575	227 369
Youth Support (Trasnsport, venue hire, Functions cost)	240 838	67 138
Memberships and subscriptions	160 981	-
IDP Planning Expenditure (Trasnsport, venue hire, Functions cost)	485 123	-
	28 555 737	23 851 686

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

27 Cash generated from operations	2016	2015
Surplus for the year	11 962 162	3 451 888
Adjustment for:		
Depreciation and amortisation	6 728 139	6 414 343
Impairment loss	-	550 139
Loss on sale of assets	152 997	1 438 344
Finance cost	236 268	161 809
Provision for doubtful debts	765 574	526 704
Other non-cash items	228 192	(283 264)
Provision for Site Rehabilitation	(3 814 047)	-
Gain on assets donated	(815 260)	-
Change in working capital:		
Trade and other receivables from exchange transactions	(13 722)	128 782
Trade and other receivables from non-exchange transactions	(651 832)	(1 279 439)
Payables from exchange transactions	2 095 316	(171 366)
Payables from non-exchange transactions	53 710	171 162
VAT	(4 298 977)	(189 758)
Unspent conditional grant	1 385 891	1 254 101
	14 014 413	12 173 443

28 Long Service Awards

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 as at 30 June 2016 by Onepangaea , a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate per annum	9.65%	8.89%
General Inflation	7.24%	6.43%
Salary inflation	8.24%	7.43%
Real rate	1.30%	1.36%

Examples of mortality rates used were as follows:

Average retirement age	63	63
Mortality during employment	SA85-90	SA85-90

29 Long Service Awards (continued)

The amounts recognised in the Statement of Financial Position were determined as follows:

	2016	2015
Present value of funded obligations	1 574 804	1 287 358
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	1 574 804	1 287 358

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	1 287 358	865 933
Interest cost	114 450	76 984
Current service	312 394	375 245
Benefit payments	(31 619)	(30 804)
Actuarial (gains)/losses	(107 779)	-
Miscellaneous	-	-
Balance at end of year	1 574 804	1 287 358

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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

Interest cost	114 450	76 984
Current service cost	312 394	375 245
Benefit payments	(31 619)	(30 804)
Actuarial (gains)/losses	(107 779)	-
Total Employee Benefit included in Employee Related Costs	287 446	421 425

In conclusion:

Statement of Financial Position obligation for:

Post-employment : medical benefits	-	-
Post-employment : Pension benefits	1 574 804	1 287 358
Long Services Award.	1 574 804	1 287 358

Statement of Financial performance obligation for:

Post-employment medical benefits loss	287 446	421 425
Long Service Award loss	287 446	421 425
Additional retirement costs.	-	-
	287 446	421 425

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016	2015
30 Fruitless and wasteful expenditure		
Opening balance	1 225 359	923 894
Current year	136 594	301 466
Less: condoned	-	-
	1 361 953	1 225 359
Nature of fruitless and wasteful expenditure		
Interest and penalties on late payments(SARS, Auditor General, Telkom & Eskom)	48 504	301 466
Cell phone Contracts paid to Vodacom for ex-employees	88 090	-
	136 594	301 466
31 Irregular Expenditure		
Opening balance	92 838 201	62 232 559
Current year	22 895 929	30 605 642
	115 734 131	92 838 201
32 Unauthorised		
Opening balance	35 074 049	25 016 632
Over expenditure	1 245 027	9 212 727
Conditional grants not cash backed	5 790 695	844 690
	42 109 772	35 074 049
33 Additional disclosure in terms of Municipal Finance Management Act		
Auditors remuneration		
Current year charge	1 549 571	2 292 175
Amount paid	(1 984 804)	(1 676 689)
	(435 232)	615 486
33 Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE AND UIF		
Current year charge	4 941 583	3 388 327
Amount paid	(5 205 313)	(3 124 595)
	(263 731)	263 731
Pension and Medical Aid Contribution		
Current year charge	4 344 032	3 191 370
Amount paid	(4 297 132)	(2 902 009)
	46 900	289 361
VAT		
VAT Receivable	4 405 983	107 007

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

34 Commitments

Authorised capital expenditure	2016	2015
Approved and contracted for		
Capital		
Property, plant and equipment	12 846 736	13 165 467
Operating		
Open orders	70 017	511 080
	<u>12 916 753</u>	<u>13 676 547</u>
Approved but not yet contracted for		
Property, plant and equipment	<u>4 449 000</u>	<u>6 868 899</u>

35 Events after reporting date

Merger

The Hlabisa Local municipality has merged with the Big 5 False Bay municipality. The merged entity is to be known as the Big 5 Hlabisa municipality. The Local government election was held on the 3rd of August 2016 and the merger date has been determined as the 10th of August 2016.

Nature of effect of Merger

The Merger is accounted for in accordance with GRAP 107. The financial effect on the Hlabisa Local municipality is as follows:

1. Assets and liabilities will be derecognised at their carrying amounts on the date of the merger being the 09th of August 2016
2. Any difference between the assets and liabilities derecognised and the consideration received, if any, is recognised in accumulated surplus or deficit.

The financial effect on the merged entity being the Big 5 Hlabisa Municipality is as follows:

1. Assets and liabilities of the Hlabisa Local municipality and the The Big Five False bay municipality will be recognised at their carrying amounts on the date establishment of the new municipality, being the 10th of August 2016
2. Any difference between the assets and liabilities recognised and the consideration received, if any, is recognised in accumulated surplus or deficit of the new merged entity

36 Key Sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant and equipment
- Recoverable amount of property, plant and equipment
- Provision for doubtful debts
- Impairment of assets

37 Risk Management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash and cash equivalents and trade debtors. The only cash with major banks with high quality credit standing and limits exposure to any one co 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 otherwise, if there is no financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major Credit guarantee insurance is purchased when deemed appropriate.

Liquidity risk

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 facilities.

Interest rate risk

As municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

38 Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2016	
Trade and receivables from exchange transactions	493 391
Trade and receivables from non - exchange transactions	1 783 420
Cash and cash equivalents	1 971 078
VAT receivables	4 405 983
	<u>8 653 872</u>

38 Financial assets by category (continued)

2015	
Trade and receivables from exchange transactions	479 866
Trade and receivables from non - exchange transactions	1 732 410
Cash and cash equivalents	4 940 287
VAT receivables	107 007
	<u>7 259 571</u>

39 Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2016	
Payables from exchange transactions	8 200 011
Payables from non-exchange transactions	3 532 756
Unspent Conditional Grants	7 761 773
Bank overdraft	-
Lease liability	973 506
Provisions	3 317 929
	<u>23 785 975</u>

2015	
Payables from exchange transactions	6 104 695
Bank overdraft	3 419 143
Unspent conditional grants	6 375 881
VAT	-
Lease liability	1 611 678
Provisions	6 818 549
	<u>24 329 946</u>

40 Contingent liabilities & Assets

40.1 Contingent liabilities

Current Year Litigation:

Nashua Zululand -The municipality is currently in litigation with the supplier Nashua Zululand over the cancellation of the lease agreements relating to photocopier machines. The municipality cancelled the agreement due to the fact that the municipality is to merge with the Big 5 False Bay municipality and as a consequence the Hlabisa Local municipality will cease to exist as a legal entity after the 10th of August 2016.

The potential liability confirmed by the legal representatives on the 08th of November 2016 is as follows:

- 1. Contingent liability relating to legal cost: R 110 653
- 2. Contingent liability relating to settlement: Unknown

As disclosed by the legal representatives, the reason for the potential settlement being "unknown", is that when the application was made in court no amount of money was being claimed by Nashua

40.2 Contingent Assets

Current Year Litigation:

Land invasion claims -The municipality is currently in litigation with various residence of Hlabisa. The dispute relates to the illegal invasion and occupation of land owned by the Hlabisa Local municipality.

Managements best estimate of the potential asset to be realised

- 1. Contingent asset relating to settlement: R 315 571

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

2. Contingent liability relating to legal cost: (20 412)
R 295 159.32

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

41 Prior period Error

Property Plant & Equipment	2015
Previously reported	106 934 547
Landfill Site - Not capitalised	5 361 541
Incorrect Accumulated depreciation on IT Equip and Infrastructure	(3 574)
Depreciation Charge on Cwakame Sports field which should have been capitalis	(46 383)
Cost of moveable assets brought in at fair value	123 989
Depreciation Charge on assets brought in at fair value	(29 898)
Depreciation Charge: Landfill Site	(178 718)
Restated balance as at 30 June 2015	112 161 504

Finance Lease	2015
Previously reported	1 611 678
Increase in the short term portion of the finance lease - Document Manager leas	347 324
Increase in the long term portion of the finance lease - Document Manager leas	190 029
Restated balance as at 30 June 2015	2 149 032

Trade and other payables from non-exchange transactions	2015
Previously reported	3 419 143
Increase in accrual due to document management finance lease interest not pai	59 903
Restated balance as at 30 June 2015	3 479 046

Statement of Financial Performance	
Previously reported Surplus in 2014/2015 Financial Year	3 451 888
Depreciation Charge on Landfill Site	(178 718)
Depreciation Charge on Cwakame Sports field which should have been capitalis	(46 383)
Depreciation Charge on assets brought in at fair value	(29 898)
Finance Charges on document manager finance leases assets not previously re	(54 529)
Incorrect billing on Rates in 2014	(600 822)
Incorrect billing on Refuse	(198)
Restated Surplus	2 541 340

Accumulated Surplus	
Opening Balance 01 July 2014	87 242 936
Effect of Landfill Site - Not capitalised	5 361 541
Effect of Document Manager finance lease not previously capitalised	(542 724)
Incorrect Accumulated depreciation on IT Equip and Infrastructure	(3 574)
Effect of moveable assets brought in at fair value	123 989
Restated Opening Balance 01 July 2014	92 182 168
Restated surplus for the 14/15 financial year	2 541 340
Restated Closing Balance 30 June 2015	94 723 509

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

42 Cash flows from operating activities	2016	2015
Receipts: Sale of goods and services		
Total revenue as per Statement of Financial Performance	83 202 225	62 756 642
Less: Interest received	(1 098 640)	(572 206)
Less: Government grants and subsidies received	(76 942 884)	(58 711 898)
Movement in receivables from non-exchange transactions	(13 722)	128 980
Movement in receivables from exchange transactions	(651 832)	(678 617)
Movement in VAT receivables	(4 298 977)	(189 758)
	<u>196 170</u>	<u>2 733 142</u>
Payables: Suppliers		
Total expenditure as per Statement of Financial Performance	(71 087 065)	(58 776 956)
Employee costs	34 286 665	25 685 164
Non-cash item	228 192	(283 264)
Interest paid	449 310	621 099
Depreciation and amortisation	6 728 139	7 219 479
Contribution to landfill site	(3 814 047)	-
Provision for doubtful debts	765 574	526 704
Movement in payables	2 149 026	59 698
Movement in accrual - unpaid finance lease	-	(59 903)
Movement in unspent conditional grants	1 385 891	1 254 101
	<u>(28 908 315)</u>	<u>(23 753 878)</u>

43 Accumulated surplus	2016	Restated 2015
Opening balance	94 723 509	92 182 168
Net profit for the year	11 962 162	2 541 340
Closing balance	<u>106 685 671</u>	<u>94 723 509</u>

44 Going Concern

We draw attention to the fact that at 30 June 2016 the municipality had an accumulated surplus of R 106 685 671. The current liabilities exceeded its current assets by R11.8M (2016) R10,4m (2015), certain unspent conditional grants are not cash backed.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government continue funding for the ongoing operations for the municipality to restore the solvency of the municipality.

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

45 Deviations

	DEVIATION PURCHASE DETAILS	DATE OF AWARD	AWARDED TO	AMOUNT	APPROVED BY ACCOUNTING OFFICER
1	advertising of bylaws	21/07/2015	Government Printing Works	13 720.77	Yes
2	blue lights for traffic vehicle	08/07/2015	Paprenax Trading 3cc	49 910.00	Yes
3	repairs to electricity	22/07/2015	ND Manandi	2 000.00	Yes
4	emptying of septic tank	27/07/2015	Cebe Jele	4 500.00	Yes
5	RFID Compliant system for library	27/07/2015	Tagtron Quality Label	108 237.30	Yes
6	RFID Compliant system for library	27/07/2015	Tagtron solutions Quality	12 021.47	Yes
7	Hire of sound system and tent	27/07/2015	Lubela Pty Ltd	15 900.00	Yes
8	Alcohol Screening Device	27/07/2015	Quantzmed Personal Health	32 854.80	Yes
9	annual license for Trafman System	30/07/2015	Magna Business Consulting	58 983.60	Yes
10	Alluminium assets bars	04/08/2015	Price water coopers	5 568.90	Yes
11	building of castle dam	03/09/2015	Thembeihle Mhlongo	3 000.00	Yes
12	transport for Siphosamadletshe	03/09/2015	Upper Hlabisa Taxi Owners Ass	17 500.00	Yes
13	coffin and transportfor burial-Zulu family	03/09/2015	Makhathini Building Holdings	1 900.00	Yes
14	Transport for youth summit	04/09/2015	Upper Hlabisa Taxi Owners Ass	30 500.00	Yes
15	100 cheeks for povery alleviation project	22/09/2015	Meadow feeds Natal	6 033.29	Yes
16	Accomodatoin for councillors	12/10/2015	Protea Hotel	7 800.00	Yes
17	placing notice on the ordinary government gazette	01/10/2015	Government Printing Works	3 430.19	Yes
18	accommodation for staff members attending SCOA Training	23/11/2015	Jozini Tiger Lodge	15 600.00	Yes
19	Publicity for Council Meeting to be held on the 14/12/15	14/12/2015	Lisulesazi Trading Enterprise	17 950.00	Yes
20	Repairs for fire pump	15/01/2016	Megaflow	35 274.71	Yes
21	Supply for certificate flames	01/02/2016	Select Sports	2 145.00	Yes
22	Accomodation for attending MFMP	11/02/2016	Protea hotel Waterfront	90 256.00	Yes
23	Supply for uniform for traffic Department	12/02/2016	Spark & Ellis	46 551.90	Yes
24	Supply the petrol and the Diesel	16/02/2016	Jabula Service Station	3 697.00	Yes
25	Supply for Transports	03/03/2016	Upper Hlabisa Taxi	9 500.00	Yes
26	Supply of two pole Tent to Mthethwa family	23/03/2016	Esheni contracting and Trading	4 800.00	Yes
27	Supply the competency assessment	23/03/2016	Gijima Trading	5 750.00	Yes
28	Supply the media for IDP Roadshow	06/04/2016	Lisulesazi Trading	17 950.00	Yes
29	Supply grocery for IDP	07/04/2016	Hlabisa Spar	24 219.71	Yes
30	Supply the plastic spoons and tumble ,fomo packs	06/04/2016	Arizona Wholesales	2 238.16	Yes
31	Supply the emergency medical services	07/04/2016	Sunrise EMS	4 490.00	Yes
32	Supply the grocery for Library spelling Bee	11/04/2016	Hlabisa Spar	2 083.52	Yes
33	Supply the microphone repairs in chamber	13/04/2016	Digital Voice processing	26 624.84	Yes
34	Supply for the Transports	15/04/2015	Hluhluwe tax association	10 000.00	Yes
35	Supply the maskandi music IDP Roadshow	04/04/2016	Inokozani Langa music production	22 000.00	Yes
36	Supply of maskandi music IDP Roadshow	04/04/2016	Mthandeni music production	15 000.00	Yes
37	Supply for the soccer kits and 2 balls	12/04/2016	Selects Sports	15 936.05	Yes
38	Supply the toilets for two weeks	06/04/2016	Beings Brothers	10 000.00	Yes
39	Supply the Transports	24/04/2016	Hluhluwe Local Taxi Association	13 000.00	Yes
40	Repairs for greader	01/05/2016	Induna Logistic	269 040.00	Yes
41	Fummigation for coakrosh	03/05/2016	Mtuba Pest Control	3 807.60	Yes
42	Refreshment for HIV/Aids	10/05/2016	Hlabisa Spar	2 345.88	Yes
43	Flight for Mayoral Hon	15/05/2016	Harvey world Travel	6 603.00	Yes
44	300 IDP VIP water	25/05/2016	Hlabisa Spar	2 247.00	Yes
45	Grid chicken,Rolls,Juice,meat platters	24/06/2016	Hlabisa Spar	11 891.11	Yes
46	Taxis Transport	01/01/2016	upper Hlabisa	10 000.00	Yes
47	Taxis Transport	01/01/2016	Hluhluwe Tax Association	22 000.00	Yes
48	Jumping castle	01/01/2016	Sathisa Solution	10 500.00	Yes
49	Grocery	14-Aug-15	Hlabisa Spar	2 756.84	Yes
50	Grocery	14-Aug-15	Hlabisa Spar	2 498.62	Yes
51	Diesel	01-Oct-15	Jabula Service Station	3 909.00	Yes

45 Deviations (continued)

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	DEVIATION PURCHASE DETAILS	DATE OF AWARD	AWARDED TO	AMOUNT	APPROVED BY ACCOUNTING OFFICER
52	Septick Tank	01-Oct-15	M.Zulu	4 500.00	Yes
53	Wetland water, valper water	16-Apr-16	Hlabisa Spar	6 960.00	Yes
54	Grocery Political CMC	21-Jan-16	Hlabisa Spar	2 484.10	Yes
55	Grocery	17-Jul-15	Hlabisa Spar	4 168.80	Yes
56	Grocery for funeral (Nyoni)	23-Dec-15	Hlabisa Spar	3 000.00	Yes
57	water, drinks & Platters	02-Feb-16	Hlabisa Spar	2 849.20	Yes
58	Grocery for seniur cetizen	23-Dec-15	Dube SS	59 457.70	Yes
59	Grocery for Mayoral awards	01-Oct-15	Hlabisa Spar	2 396.00	Yes
60	Accomm for Mayor	17-May-16	Humewood Hotel	2 143.10	Yes
61	Cleaning of Sceptic tank	27-Jul-15	Cebo Jele	2 250.00	Yes
62	Perfomance	22-Jan-16	Zulu Messagers	14 000.00	Yes
63	Accomm for Exco & Manco	27-Jan-16	Protea hotel Empangeni	48 950.00	Yes
64	Advertisement	18-Jan-16	Lonanjinji Media	36 500.00	Yes
65	Transport	15-Jan-16	Upper Hlabisa Taxi association	5 000.00	Yes
66	Transport	15-Jan-16	Upper Hlabisa Taxi assicciation	7 400.00	Yes
67	Chairs for IDP Roadshow	31-Mar-16	Zerofi Enterprise	760.00	Yes
68	Mobile toilets	15-Apr-16	Bhengs Brothers	8 900.00	Yes
69	16 Wheelchairs	26-Jun-16	CE Mobility	66 445.81	Yes
70	Accommodation	23 jun16	Garden Court South beach	1 400.00	Yes
71	Refund	01-Jan-15	SS Dube	5 891.74	Yes
72	Brush cutters	14-Jul-15	HAIGS Mower & Chainsaws	12 000.00	Yes
73	Advert for IDP	08-Jul-16	Paarl Media	2 799.49	Yes
74	VIP & Bublic toilets	17-Jul-15	Bhengs Brothers	6 200.00	Yes
75	Soccer kits	23-Oct-15	SollyM Sports	5 813.00	Yes
76	Petrol for brush cutters	18-Aug-15	Jabula Service Station	3 909.00	Yes
77	Transport to mayoral meeting	27-Jul-15	Hluhluwe Local Taxi Association	7 800.00	Yes
78	Tent and chairs	08-Jul-16	Danito Trading	4 560.00	Yes
79	Attornys	09-Jun-16	UYS Matyeka	15 000.00	Yes
80	Local government set	25-Sep-15	Lexis Nexis	2 340.19	Yes
81	Grocery for youth day	28-Jun-16	Hlabisa Spar	29 144.95	Yes
82	Transport for funeral	25-Sep-15	T P Ndwandwe	5 600.00	Yes
83	2 pole tent & chairs	25-Sep-15	Esheni contracting and Trading	1 900.00	Yes
84	Transport for goldern games	09-Oct-15	upper hlabisa taxi ass	24 000.00	Yes
85	Two pole tent	09-Nov-15	Bengs Brothers	1 000.00	Yes
86	50 Wheelchairs	04-Dec-15	CE Mobility	37 171.98	Yes
87	Advert	15-Dec-15	Lisulesazi Trading Enterprise	17 950.00	Yes
88	Refund	17-Nov-15	Mr SS Dube	1 000.00	Yes
89	Refund	09-Oct-15	Mr SS Dube	2 500.00	Yes
90	DANITO - Hire of Tent	15-Dec-15	DANITO	130 000.00	Yes

HLABISA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016			
	NOTE	Accumulated surplus	Previously Reported
		R	R
Balance as at 1 July 2014		87 242 936	87 242 936
Correction of error effect on retained earning		4 939 231.88	-
Restated Balance as at 1 July 2014		92 182 168	87 242 936
Restated Surplus for the 14/15 year		2 541 340	3 451 888
Restated Balance as at 30 June 2015	<u>42</u>	94 723 509	90 694 824
Surplus for the period		11 962 162	
Balance as at 30 June 2016	<u>44</u>	106 685 671	