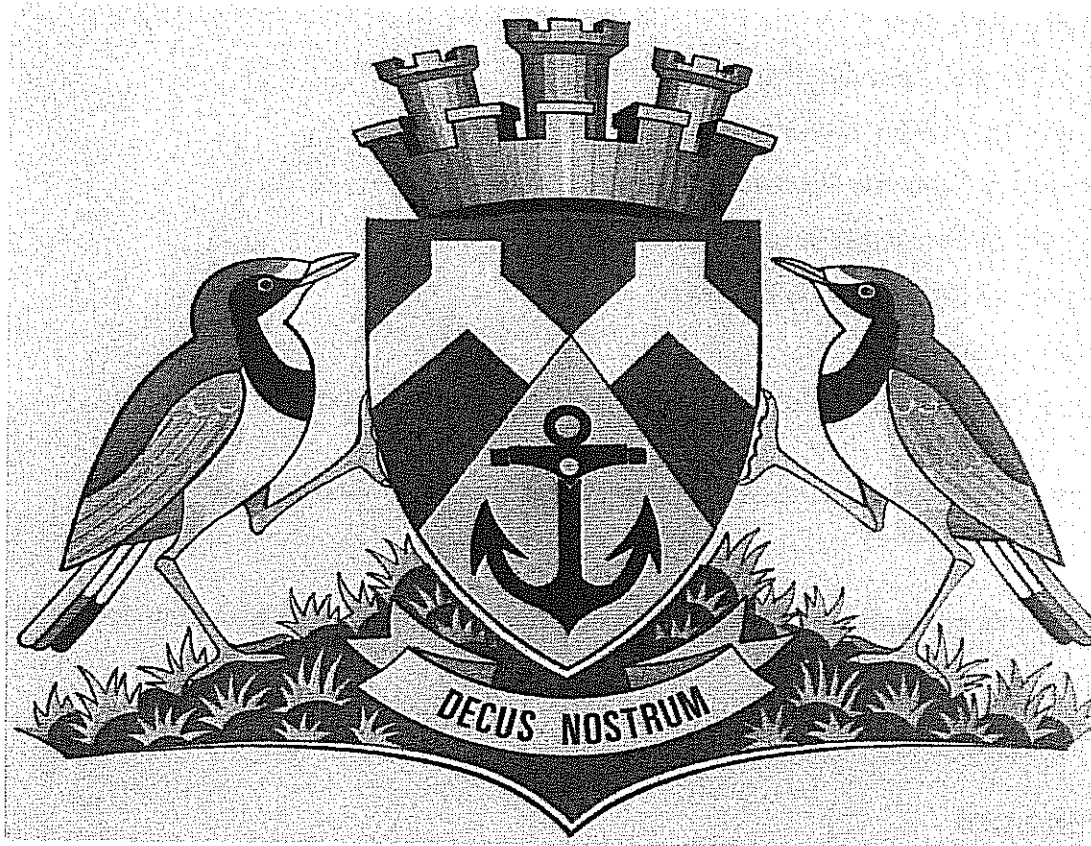


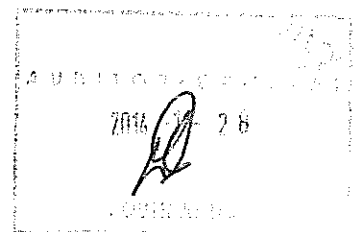
OVERBERG

DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

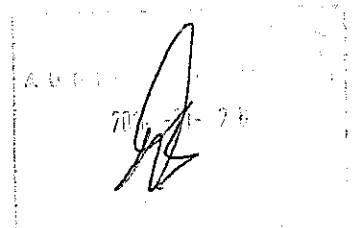
30 JUNE 2014



OVERBERG DISTRICT MUNICIPALITY

Index

| <i>Contents</i> | <i>Page</i> |
|---|-------------|
| General Information | 1 |
| Approval of the Financial Statements | 2 |
| Report of the Auditor General | |
| Statement of Financial Position | 3 |
| Statement of Financial Performance | 4 |
| Statement of Changes In Net Assets | 5 |
| Cash Flow Statement | 6 |
| Statement of comparison of budget and actual amounts - Statement of financial position | 7 - 8 |
| Statement of comparison of budget and actual amounts - Statement of financial performance | 9 - 10 |
| Statement of comparison of budget and actual amounts - Cash flow statement | 11 - 12 |
| Accounting Policies | 13 - 41 |
| Notes to the Financial Statements | 42 - 69 |
| APPENDICES | |
| A Schedule of External Loans | 70 |
| B Segmental Statement of Financial Performance - Municipal Votes | 71 |
| C Segmental Statement of Financial Performance - GFS Votes | 72 |
| D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003 | 73 |



OVERBERG DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Overberg Municipality is a district municipality performing the functions as set out in the Constitution, 1996. (Act no 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act, 1998. (Act no 117 of 1998)

JURISDICTION

The Overberg Municipality includes the following areas:

*Cape Agulhas
Overstrand
Swellendam
Theewaterskloof*

MUNICIPAL MANAGER

D P BERETTI

CHIEF FINANCIAL OFFICER

J C P TESSELAAR

REGISTERED OFFICE

26 Long Street, Bredasdorp, 7280

AUDITORS

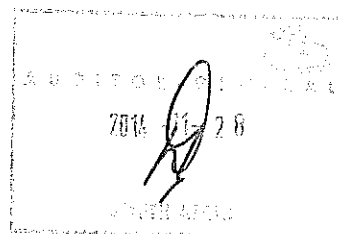
Auditor General South Africa (AGSA)

PRINCIPLE BANKERS

Absa Bank

RELEVANT LEGISLATION

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

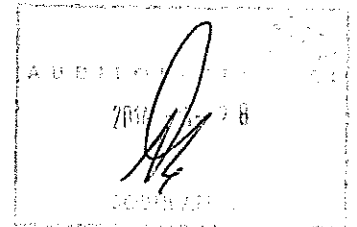


OVERBERG DISTRICT MUNICIPALITY

MEMBERS OF THE OVERBERG DISTRICT MUNICIPALITY

COUNCILLORS

| | |
|-----------------|--------------------------|
| Theewaterskloof | <i>CD November</i> |
| Overstrand | <i>NM Sapepa</i> |
| Cape Agulhas | <i>PN Atyhosi</i> |
| Overstrand | <i>PJ May</i> |
| Theewaterskloof | <i>UT Sipunzi</i> |
| Overstrand | <i>DP Coetzee</i> |
| Theewaterskloof | <i>IM Sileku</i> |
| Cape Agulhas | <i>JG Nieuwoudt</i> |
| Theewaterskloof | <i>KJ Tiemie</i> |
| Theewaterskloof | <i>ML Hector</i> |
| Overstrand | <i>A Coetzee</i> |
| Swellendam | <i>J Du Toit Loubser</i> |
| Proportional | <i>A J Appel</i> |
| Proportional | <i>S Tebele</i> |
| Proportional | <i>J Gelderblom</i> |
| Proportional | <i>L De Bruyn</i> |
| Proportional | <i>A Franken</i> |
| Proportional | <i>D Oosthuizen</i> |
| Proportional | <i>D Du Toit</i> |
| Proportional | <i>J Kriel</i> |
| Proportional | <i>DC Ruiters</i> |



APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2014, which are set out on pages 1 to 78 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and am satisfied that the Municipality can continue its operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



D P BERETTI
Municipal Manager

26.8.2014
Date

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

| | Notes | 2014 (Actual) R | 2013 (Restated) R |
|--|-------|-----------------------|-------------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | (23 691 881) | (21 216 602) |
| Accumulated Deficit | | (23 691 881) | (21 216 602) |
| Non-Current Liabilities | | 63 972 471 | 60 322 253 |
| Long-term Liabilities | 2 | 1 478 990 | 1 876 157 |
| Employee benefits | 3 | 54 654 766 | 51 235 312 |
| Non-Current Provisions | 4 | 7 838 715 | 7 210 784 |
| Current Liabilities | | 19 843 703 | 20 417 087 |
| Consumer Deposits | 5 | 11 820 | 17 590 |
| Current Employee benefits | 6 | 8 005 540 | 7 335 489 |
| Payables from exchange transactions | 7 | 2 270 014 | 1 227 217 |
| Unspent Conditional Government Grants and Receipts | 8 | 8 773 564 | 10 945 303 |
| Current Portion of Long-term Liabilities | 2 | 782 765 | 891 489 |
| Total Net Assets and Liabilities | | 60 124 293 | 59 522 738 |
| ASSETS | | | |
| Non-Current Assets | | 42 222 180 | 42 328 360 |
| Property, Plant and Equipment | 10 | 40 245 133 | 40 341 158 |
| Investment Property | 11 | 111 000 | - |
| Intangible Assets | 12 | 274 895 | 342 978 |
| Capitalised Restoration Cost | 13 | 1 591 152 | 1 644 223 |
| Current Assets | | 17 789 980 | 15 445 891 |
| Inventory | 14 | 1 039 175 | 924 616 |
| Receivables from exchange transactions | 15 | 501 432 | 442 162 |
| Receivables from non-exchange transactions | 16 | 1 340 572 | 1 457 221 |
| Taxes | 9.3 | 199 251 | 134 665 |
| Cash and Cash Equivalents | 17 | 14 709 550 | 12 487 228 |
| Non-Current Assets Held for Sale | | 112 133 | 1 748 488 |
| Non-current Assets held for sale | 10 | 112 133 | 1 748 488 |
| Total Assets | | 60 124 293 | 59 522 738 |

Municipal Manager
 2014 06 30

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

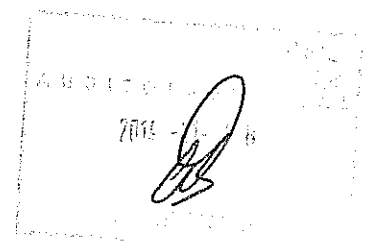
| | Notes | 2014 (Actual) R | 2013 (Restated) R | Correction of error R | 2013 (Previously reported) R |
|---|-------|-----------------------|-------------------------|-----------------------------|------------------------------------|
| REVENUE | | | | | |
| Revenue from Non-exchange Transactions | | 51 144 477 | 47 986 370 | 102 894 | 47 883 477 |
| Transfer Revenue | | 51 124 301 | 47 244 520 | 102 894 | 47 141 626 |
| Government Grants and Subsidies | 18 | 51 124 301 | 47 244 520 | 102 894 | 47 141 626 |
| Public Contributions and Donations | | - | - | - | - |
| Other Revenue | | 20 176 | 741 851 | - | 741 851 |
| Actuarial Gains | 3 | 16 421 | 741 851 | - | 741 851 |
| Impairments Recovered | 25 | 3 755 | - | - | - |
| Revenue from Exchange Transactions | | 68 821 419 | 62 349 045 | 656 132 | 61 692 912 |
| Government Grants and Subsidies | 18 | 50 621 904 | 41 089 556 | (96 887) | 41 186 443 |
| Service Charges | 19 | 645 663 | 621 345 | - | 621 345 |
| Rental of Facilities and Equipment | | 10 718 124 | 11 144 665 | - | 11 144 665 |
| Interest Earned - external investments | | 1 290 199 | 484 647 | - | 484 647 |
| Interest Earned - outstanding debtors | | 4 780 | 3 918 | - | 3 918 |
| Licences and Permits | | 75 938 | 45 040 | - | 45 040 |
| Agency Services | | 4 489 097 | 3 873 146 | - | 3 873 146 |
| Other Income | 20 | 568 233 | 4 428 147 | 753 019 | 3 675 127 |
| Fair Value Gains | | - | 42 288 | - | 42 288 |
| Gain on disposal of Property, Plant and Equipment | 10 | 407 482 | 616 292 | - | 616 292 |
| Total Revenue | | 119 965 896 | 110 335 415 | 759 026 | 109 576 389 |
| EXPENDITURE | | | | | |
| Employee related costs | 21 | 58 992 022 | 53 300 096 | 1 023 700 | 52 276 396 |
| Employee related costs (Roads) | 21 | 13 512 802 | 12 570 495 | 12 570 495 | - |
| Remuneration of Councillors | 22 | 5 144 455 | 3 979 297 | - | 3 979 297 |
| Debt Impairment | 23 | 330 327 | 753 019 | 753 019 | - |
| Depreciation and Amortisation | 24 | 2 117 020 | 2 436 873 | - | 2 436 873 |
| Impairments | 25 | 539 626 | 9 992 | - | 9 992 |
| Repairs and Maintenance | | 13 387 755 | 7 782 286 | (12 258 515) | 20 040 801 |
| Actuarial losses | 3 | 476 288 | - | - | - |
| Fair Value losses | | - | 15 310 | - | 15 310 |
| Finance Charges | 26 | 861 226 | 1 392 464 | - | 1 392 464 |
| Contracted services | | 125 583 | 255 754 | - | 255 754 |
| Operating Grant Expenditure | | - | - | (2 031 226) | 2 031 226 |
| General Expenses | 27 | 26 954 071 | 25 227 039 | 689 887 | 24 537 151 |
| Loss on disposal of Property, Plant and Equipment | | - | 641 213 | - | 641 213 |
| Total Expenditure | | 122 441 176 | 108 363 838 | 747 361 | 107 616 477 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | (2 475 279) | 1 971 577 | 11 665 | 1 959 913 |

2014/07/08

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

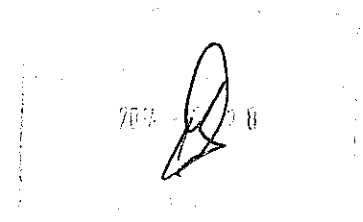
| | Accumulated Surplus/ (Deficit) | Total |
|---|--------------------------------------|----------------------------|
| | R | R |
| Balance at 1 JULY 2012 | (23 276 498) | (23 276 498) |
| Correction of error - Refer to note 28.10 | 88 319 | 88 319 |
| Restated balance on 1 JULY 2012 | <u>(23 188 179)</u> | <u>(23 188 179)</u> |
| Net Surplus for the year | 1 971 577 | 1 971 577 |
| Balance at 30 JUNE 2013 | <u>(21 216 602)</u> | <u>(21 216 602)</u> |
| Net Deficit for the year | (2 475 279) | (2 475 279) |
| Balance at 30 JUNE 2014 | <u><u>(23 691 881)</u></u> | <u><u>(23 691 881)</u></u> |



OVERBERG DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | 30 JUNE 2014 R | 30 JUNE 2013 R |
|--|-----------|--------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Ratepayers and other | | 16 179 696 | 18 544 425 |
| Government - operating | | 99 574 466 | 97 397 982 |
| Interest | | 1 294 979 | 488 565 |
| Payments | | | |
| Suppliers and employees | | (113 578 988) | (101 640 355) |
| Finance charges | 26 | (233 295) | (306 133) |
| Cash generated by operations | 30 | 3 236 857 | 14 484 483 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 10 | (2 119 367) | (1 384 260) |
| Proceeds on Disposal of Fixed Assets | | 2 131 736 | 1 704 337 |
| Purchase of Intangible Assets | | - | (61 045) |
| Proceeds on Disposal of Non-Current Investments | | - | 357 810 |
| Net Cash from Investing Activities | | 12 369 | 616 842 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loans repaid | | (1 021 134) | (643 269) |
| Increase(Decrease) in Consumer Deposits | | (5 770) | (2 490) |
| Net Cash from Financing Activities | | (1 026 904) | (645 759) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 2 222 322 | 14 455 565 |
| Cash and Cash Equivalents at the beginning of the year | | 12 487 228 | (1 968 338) |
| Cash and Cash Equivalents at the end of the year | 17 | 14 709 550 | 12 487 228 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 2 222 322 | 14 455 565 |



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OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

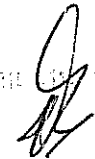
| | 2014 R Actual | 2014 R Final Budget | 2014 R Variance | Explanations for material variances |
|--------------------------------------|---------------------|---------------------------|-----------------------|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 7 016 521 | 3 269 590 | 3 746 930 | Variance due to additional grants received for the roads function |
| Call investment deposits | 7 693 030 | - | 7 693 030 | Financial position of the municipality improved due to improved financial control |
| Consumer debtors | 501 432 | 439 560 | 61 872 | Increase due to reduction in payment levels by consumers |
| Other Receivables | 1 539 823 | 2 008 363 | (468 540) | Decrease due to outstanding amounts written off by Council |
| Inventory | 1 039 175 | 2 968 461 | (1 929 287) | Decrease due to selling of property previously recognised as non-current assets held for sale |
| Total current assets | <u>17 789 980</u> | <u>8 685 974</u> | <u>9 104 005</u> | |
| Non current assets | | | | |
| Long-term receivables | - | - | - | |
| Investments | - | - | - | |
| Property, plant and equipment | 40 245 133 | 43 531 356 | (3 286 222) | Decrease due to financial lease assets being much cheaper than anticipated |
| Intangible Assets | 274 895 | 377 279 | (102 384) | Less expenditure incurred on intangible assets than budgeted for |
| Total non current assets | <u>40 520 029</u> | <u>43 908 635</u> | <u>(3 388 606)</u> | |
| TOTAL ASSETS | <u>58 310 008</u> | <u>52 594 610</u> | <u>5 715 399</u> | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | - | 0 | (0) | |
| Borrowing | 782 765 | 785 689 | (2 924) | Not material |
| Consumer deposits | 11 820 | 17 590 | (5 770) | Number of consumers reduced due to partial closure of the Dennehof Resort |
| Trade and other payables | 11 043 578 | 3 152 975 | 7 890 604 | Additional funding for roads function increased the unspent conditional grants significantly |
| Provisions and Employee Benefits | 8 005 540 | 7 335 489 | 670 050 | Adjustments due to actuarial calculations |
| Total current liabilities | <u>19 843 703</u> | <u>11 291 743</u> | <u>8 551 960</u> | |
| Non current liabilities | | | | |
| Borrowing | 1 478 990 | 1 096 702 | 382 288 | Increased due to liabilities raised for financial leases |
| Provisions and Employee Benefits | 62 493 481 | 64 965 950 | (2 472 479) | Adjustments due to actuarial calculations |
| Total non current liabilities | <u>63 972 471</u> | <u>66 062 652</u> | <u>(2 090 191)</u> | |
| TOTAL LIABILITIES | <u>83 816 174</u> | <u>77 354 405</u> | <u>6 461 769</u> | |
| NET ASSETS | <u>(25 506 165)</u> | <u>(24 759 795)</u> | <u>(746 370)</u> | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | (23 691 881) | (24 759 795) | 1 067 914 | Realised smaller deficit for the year under review than anticipated |
| TOTAL COMMUNITY WEALTH/EQUITY | <u>(23 691 881)</u> | <u>(24 759 795)</u> | <u>1 067 914</u> | |

Municipal Manager

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

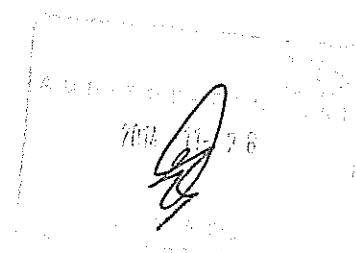
| | 2014 R | 2014 R | 2014 R | |
|--------------------------------------|---------------------|---------------------|---------------------|--|
| | Approved Budget | Adjustments | Final Budget | Explanations for material adjustments |
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 1 584 469 | 1 685 121 | 3 269 590 | Financial position of the municipality improved due to improved financial control |
| Consumer debtors | 2 345 817 | (1 906 257) | 439 560 | Corrections between exchange and non-exchange debtors as well as debtors written off |
| Other Receivables | 581 091 | 1 427 272 | 2 008 363 | Corrections between exchange and non-exchange debtors |
| Inventory | 1 138 542 | 1 829 919 | 2 968 461 | Corrections done to include non-current assets held for sale as part of inventory |
| Total current assets | <u>5 649 919</u> | <u>3 036 056</u> | <u>8 685 974</u> | |
| Non current assets | | | | |
| Investments | - | - | - | PPE reduced due to municipality's inability to raise an external loan for the expansion of the Karwyderskraal Regional Landfill Site |
| Property, plant and equipment | 51 124 051 | (7 592 696) | 43 531 356 | Budget for capital expenditure adjusted to provide for the purchase of software |
| Intangible Assets | 249 061 | 128 218 | 377 279 | |
| Total non current assets | <u>51 373 112</u> | <u>(7 464 477)</u> | <u>43 908 635</u> | |
| TOTAL ASSETS | <u>57 023 031</u> | <u>(4 428 422)</u> | <u>52 594 610</u> | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | - | 0 | 0 | |
| Borrowing | 3 808 179 | (3 022 490) | 765 689 | Decreased due to Karwyderskraal Regional Landfill site not being expanded |
| Consumer deposits | 20 080 | (2 490) | 17 590 | Not material |
| Trade and other payables | 2 340 360 | 812 615 | 3 152 975 | Increased due to rise in supplier prices |
| Provisions and Employee Benefits | 7 204 176 | 131 313 | 7 335 489 | Not material |
| Total current liabilities | <u>13 372 795</u> | <u>(2 081 052)</u> | <u>11 291 743</u> | |
| Non current liabilities | | | | |
| Borrowing | 12 482 855 | (11 386 153) | 1 096 702 | Decreased due to Karwyderskraal Regional Landfill site not being expanded |
| Provisions and Employee Benefits | 63 713 805 | 1 252 155 | 64 965 960 | Not material |
| Total non current liabilities | <u>76 196 660</u> | <u>(10 133 998)</u> | <u>66 062 662</u> | |
| TOTAL LIABILITIES | <u>89 569 454</u> | <u>(12 215 050)</u> | <u>77 354 405</u> | |
| NET ASSETS | <u>(32 546 423)</u> | <u>7 786 628</u> | <u>(24 759 795)</u> | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | (32 546 423) | 7 786 628 | (24 759 795) | Adjusted due to improved financial management |
| TOTAL COMMUNITY WEALTH/EQUITY | <u>(32 546 423)</u> | <u>7 786 628</u> | <u>(24 759 795)</u> | |

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OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2014 R Actual | 2014 R Final Budget | 2014 R Variance | Explanations for material variances |
|---|---------------------|---------------------------|-----------------------|---|
| REVENUE BY SOURCE | | | | |
| Service charges | 645 663 | 651 180 | (5 517) | Not material |
| Rental of facilities and equipment | 10 718 124 | 10 644 000 | 74 124 | Not material |
| Interest earned - external investments | 1 290 199 | 1 300 000 | (9 801) | Not material |
| Interest earned - outstanding debtors | 4 780 | 4 100 | 680 | Increase due to improved credit control measures being implemented |
| Actuarial Gains | 16 421 | - | 16 421 | Adjustments due to actuarial calculations |
| Licences and permits | 75 938 | 45 000 | 30 938 | Increase due to permits being issued by Municipal Health |
| Agency services | 4 488 097 | 4 489 090 | 7 | Not material |
| Government Grants and Subsidies - Operating | 101 746 205 | 106 146 060 | (4 399 875) | Decrease due to additional funding for the roads function not spent at year end |
| Other revenue | 568 233 | 447 590 | 120 643 | Increase due to revenue being more than anticipated |
| Gains on disposal of PPE | 407 462 | - | 407 462 | Increase due to properties being sold during the year |
| Total Operating Revenue | 119 952 141 | 123 727 040 | (3 764 899) | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 58 992 022 | 56 755 960 | 2 236 062 | Increase due to settlement with previous MM and acting allowances paid for vacant positions |
| Remuneration of councillors | 5 144 455 | 4 862 460 | 281 975 | Reduced due to Councillors claiming less for travel claims than anticipated |
| Depreciation & asset impairment | 2 117 020 | 2 067 110 | 49 910 | Decreased due to extending of economic useful lives of assets |
| Finance charges | 661 226 | 645 670 | 15 556 | Not material |
| Impairments | 539 626 | - | 539 626 | Redundant assets being written off |
| Contracted services | 125 583 | 140 000 | (14 417) | Reduced due to Karwyderskraal landfill site still being closed |
| Other expenditure | 40 818 114 | 62 498 630 | (21 680 716) | Decrease due to additional funding for the roads function not spent at year end |
| Loss on disposal of PPE | - | - | - | |
| Total Operating Expenditure | 108 928 374 | 127 170 250 | (18 241 876) | |
| Operating Surplus/(Deficit) for the year | 11 033 768 | (3 443 210) | 14 476 978 | |
| Government Grants and Subsidies - Capital | (353 740) | - | (353 740) | Assets bought from government grants not budgeted for as capital expenditure |
| Net Surplus/(Deficit) for the year | 10 680 027 | (3 443 210) | 14 123 237 | |



 Accounting Officer

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R Approved Budget | 2014 R Adjustments | 2014 R Final Budget | 2014 R Final Virements | 2014 R Final Year End Budget | Reasons for material adjustments |
|---|---------------------------------|--------------------------|---------------------------|---------------------------------|---------------------------------------|---|
| REVENUE BY SOURCE | | | | | | |
| Service charges | 510 480 | 140 700 | 651 180 | 9 890 | 651 070 | Increased due to permanent residents at resorts being charged for services |
| Rental of facilities and equipment | 11 285 380 | (641 380) | 10 644 000 | 20 000 | 10 664 000 | Reduced due to weaker economic climate and less usage of the resorts |
| Interest earned - external investments | 500 000 | 800 000 | 1 300 000 | - | 1 300 000 | Increased due to improved cash flow position of the municipality |
| Interest earned - outstanding debtors | 4 100 | - | 4 100 | - | 4 100 | |
| Dividends received | - | - | - | - | - | |
| Licences and permits | 60 000 | (15 000) | 45 000 | - | 45 000 | Decrease due to revenue being less than anticipated |
| Agency services | 3 959 770 | 530 320 | 4 489 090 | - | 4 489 090 | Increased due to additional funding received for roads function |
| Government Grants and Subsidies - Operating | 91 288 580 | 14 857 500 | 106 146 080 | 914 976 | 107 061 056 | Increased due to additional funding received for roads function |
| Other revenue | 557 750 | (110 160) | 447 590 | - | 447 590 | Decrease due to revenue being less than anticipated |
| Gains on disposal of PPE | - | - | - | - | - | |
| Total Operating Revenue | 108 165 050 | 15 561 980 | 123 727 040 | 944 866 | 124 671 906 | |
| EXPENDITURE BY TYPE | | | | | | |
| Employee related costs | 54 956 540 | 1 799 420 | 56 755 960 | 13 310 350 | 70 066 310 | Increased due to vacant positions being filled |
| Remuneration of councillors | 4 739 740 | 122 740 | 4 862 480 | - | 4 862 480 | Increased due to approval of increase for Councillors |
| Debt impairment | 300 000 | (300 000) | - | - | - | Reduced due to improved credit control measures implemented |
| Depreciation & asset impairment | 2 558 390 | (491 280) | 2 067 110 | - | 2 067 110 | Decreased due to financial lease assets being much cheaper than anticipated |
| Finance charges | 1 274 460 | (428 590) | 845 870 | - | 845 870 | Decreased due to decrease in long term liabilities |
| Contracted services | 400 000 | (260 000) | 140 000 | - | 140 000 | Reduced due to Karwyderskraal landfill site still being closed |
| Other expenditure | 47 805 040 | 14 693 790 | 62 498 830 | -12 365 484 | 50 133 346 | Increased due to additional grants received for the roads function |
| Total Operating Expenditure | 112 034 170 | 15 136 080 | 127 170 250 | 944 866 | 128 115 116 | |
| Operating Surplus/(Deficit) for the year | (3 869 110) | 425 900 | (3 443 210) | - | (3 443 210) | |
| Net Surplus/(Deficit) for the year | (3 869 110) | 425 900 | (3 443 210) | - | (3 443 210) | |


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OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

| | 2014 R Actual | 2014 R Final Budget | 2014 R Variance | Explanations for material variances |
|--|---------------------|---------------------------|-----------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ralepayers and other | 16 179 696 | 16 280 860 | (101 264) | Not material |
| Government - operating | 99 574 466 | 97 048 656 | 2 525 810 | Additional allocations received for the roads function |
| Interest | 1 294 979 | 1 300 000 | (5 021) | Not material |
| Payments | | | | |
| Suppliers and Employees | (113 578 988) | (121 321 360) | 7 742 372 | Reduced due to cut down on expenditure levels |
| Finance charges | (233 295) | (232 950) | (345) | Not material |
| Transfers and Grants | - | - | - | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | <u>3 236 657</u> | <u>-6 924 694</u> | <u>10 161 551</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | 2 131 736 | 1 288 646 | 842 890 | Actual proceeds more than originally anticipated |
| Proceeds on Disposal of Non-Current Investments | - | - | - | |
| Payments | | | | |
| Purchase of Intangible Assets | - | - | - | |
| Capital assets | (2 119 367) | (2 710 360) | 590 993 | Less capital expenditure incurred than budgeted for |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | <u>12 369</u> | <u>(1 421 514)</u> | <u>1 433 883</u> | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | - | - | - | |
| Increase/(decrease) in consumer deposits | (5 770) | - | (5 770) | Number of consumers reduced due to partial closure of the Dennehof Resort |
| Payments | | | | |
| Repayment of borrowing | (1 021 134) | (871 430) | (149 704) | Increase due to raising of long-term liability for financial leases |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | <u>(1 026 904)</u> | <u>(871 430)</u> | <u>(155 474)</u> | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>2 222 322</u> | <u>(9 217 638)</u> | <u>11 439 960</u> | |
| NET INCREASE/(DECREASE) IN CASH HELD | | | | |
| Cash and Cash Equivalents at the beginning of the year | 12 487 228 | 12 487 228 | - | |
| Cash and Cash Equivalents at the end of the year | 14 709 550 | 3 269 590 | 11 439 960 | Increase due to roads funding received not spent at year end |

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OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

| | 2014 R | 2014 R | 2014 R | |
|--|---------------------|---------------------|--------------------|--|
| | Approved Budget | Adjustments | Final Budget | Reasons for material adjustments |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 17 272 380 | (991 420) | 16 280 960 | No revenue collected at Karwyderskraal landfill site |
| Government - operating | 90 238 580 | 6 810 076 | 97 048 656 | Increased allocation for performing the roads function |
| Interest | 504 100 | 795 900 | 1 300 000 | Increased due to improved cash flow position of the municipality |
| Dividends | - | - | - | |
| Payments | | | | |
| Suppliers and Employees | (104 313 802) | (17 007 558) | (121 321 360) | Additional allocation received for the roads function also increases expenditure |
| Finance charges | (1 263 100) | 1 030 150 | (232 950) | Adjusted due to liability not raised for Karwyderskraal Regional Landfill Site |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | <u>2 438 158</u> | <u>-9 362 852</u> | <u>-6 924 694</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | 1 779 026 | (490 180) | 1 288 846 | Decrease due to properties not being sold |
| Payments | | | | |
| Capital assets | (17 692 000) | 14 961 640 | (2 710 360) | Reduced due to inability to raise external funding for Karwyderskraal and financial lease assets being much cheaper than anticipated |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | <u>(15 912 974)</u> | <u>14 491 460</u> | <u>(1 421 514)</u> | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | 15 300 000 | (15 300 000) | - | External funding for Karwyderskraal Regional Landfill Site could not be raised |
| Increase/(decrease) in consumer deposits | - | - | - | |
| Payments | | | | |
| Repayment of borrowing | (1 794 428) | 922 988 | (871 430) | External funding for Karwyderskraal Regional Landfill Site could not be raised |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | <u>13 505 572</u> | <u>(14 377 002)</u> | <u>(871 430)</u> | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>30 756</u> | <u>(9 248 394)</u> | <u>(9 217 638)</u> | |
| NET INCREASE/(DECREASE) IN CASH HELD | <u>30 756</u> | <u>(9 248 394)</u> | <u>(9 217 638)</u> | |
| Cash and Cash Equivalents at the beginning of the year | 1 553 713 | 10 933 515 | 12 487 228 | Provided for improved financial position of municipality |
| Cash and Cash Equivalents at the end of the year | 1 584 469 | 1 685 122 | 3 269 590 | Provided for improved financial position of municipality |

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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

| Standard | Description | Effective Date |
|-----------------------------|-----------------|----------------|
| GRAP 5 (Revised – Feb 2013) | Borrowing Costs | 1 April 2014 |

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

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

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

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of assets could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

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

1.7. PRESENTATION OF 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 separate additional financial statements, namely the 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 2013 to 30 June 2014. 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 Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.



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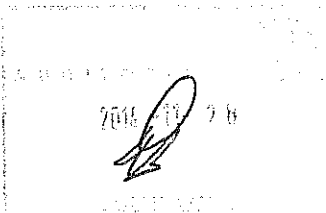
OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.8. 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:


| Standard | Description | Effective Date |
|--|---|----------------------------|
| <p>GRAP 6 (Revised – Nov 2010)</p> | <p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p> | <p>Unknown</p> |
| <p>GRAP 8 (Revised – Nov 2010)</p> | <p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p> | <p>Unknown</p> |
| <p>GRAP 18 (Original – Feb 2011)</p> | <p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p> | <p>1 April 2015</p> |
| <p>GRAP 20 (Original – June 2011)</p> | <p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p> | <p>Unknown</p> |

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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | |
|---|--|----------------------------|
| <p>GRAP 32 (Original – Aug 2013)</p> | <p>Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p> | <p>Unknown</p> |
| <p>GRAP 100 (Revised – Feb 2013)</p> | <p>Discontinued operation (formerly known as Non-current assets held for sale and Discontinued Operations)</p> <p>The amendment resulted in that non-current assets held for sale no longer need to be reclassified. Only disclosure will be made in the financial statements relating to the decision to dispose of non-current assets.</p> | <p>1 April 2014</p> |
| <p>GRAP 105 (Original – Nov 2010)</p> | <p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | <p>1 April 2015</p> |
| <p>GRAP 106 (Original – Nov 2010)</p> | <p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | <p>1 April 2015</p> |
| <p>GRAP 107 (Original – Nov 2010)</p> | <p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p> | <p>1 April 2015</p> |
| <p>GRAP 108 (Original – Sept 2013)</p> | <p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> | <p>Unknown</p> |

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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | |
|-----------------|---|----------------|
| | No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment. | |
| IGRAP 11 | <p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p> | Unknown |
| IGRAP 12 | <p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p> | Unknown |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Accumulated Surplus/Deficit

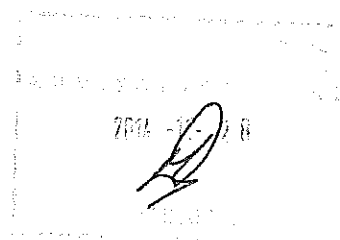
The accumulated surplus/deficit represents the net difference between the total assets and the total liabilities of the Municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income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

1.10. LEASES

1.10.1 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 (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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 and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method.



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

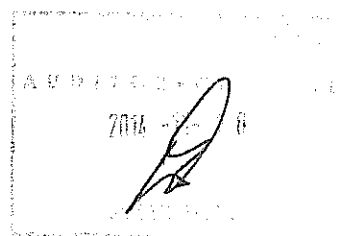
Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (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 possible.

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:



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.15. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

1.15.1 Post-Retirement Medical Obligations

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

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.15.2 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.

1.15.3 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund.

1.15.4 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the basic salary of the employee.

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

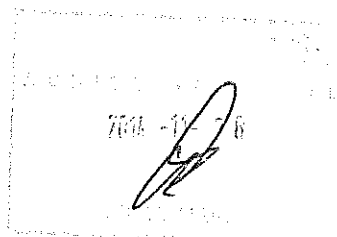
Accumulated leave is vesting.

1.15.5 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.15.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.



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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.15.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and 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.

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 assets acquired are 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.



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.17.2 Subsequent Measurement – Cost Model

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

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

1.17.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

| <u>Infrastructure</u> | <u>Years</u> | <u>Other</u> | <u>Years</u> |
|-----------------------------|--------------|---------------------------|--------------|
| Roads and Paving | 30 | Computer equipment | 5-15 |
| Electricity | 20-30 | Other vehicles | 20 |
| Water | 20-30 | Office equipment | 6-25 |
| Sewerage | 30 | Furniture and fittings | 7-30 |
| Housing | 100 | Watercraft | 25 |
| | | Bins and containers | 25-50 |
| <u>Community</u> | | Specialised plant and | |
| Buildings | 50-100 | Equipment | 5-35 |
| Recreational Facilities | 30-100 | Other plant and | |
| Security | 5-20 | Equipment | 5-35 |
| Halls | 100 | Landfill sites | 15-120 |
| Libraries | 100 | Emergency equipment | 5-35 |
| Parks and gardens | 30-100 | | |
| Other assets | 5-35 | | |
| <u>Finance lease assets</u> | | <u>Land and Buildings</u> | |
| Office equipment | 3 | Buildings | 50-100 |
| Other assets | 3 | | |

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.17.4 De-recognition

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

1.18. INTANGIBLE ASSETS

1.18.1 Initial Recognition

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

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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.

1.18.2 Subsequent Measurement – Cost Model

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


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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.18.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| <u>Intangible Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Computer Software | 10 |
| Computer Software Licenses | 10 |

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

1.18.4 De-recognition

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

1.19. INVESTMENT PROPERTY

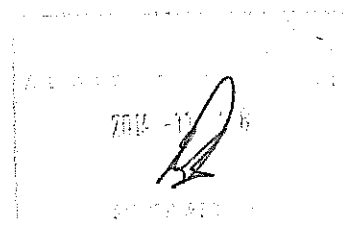
1.19.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

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

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

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 measured at cost.



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

1.19.2 Subsequent Measurement – Cost Model

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

1.19.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| <u>Investment Property</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings | 30 |

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

1.19.4 De-recognition

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.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.20. NON-CURRENT ASSETS HELD FOR SALE

1.20.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

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

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

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 Cash-generating assets

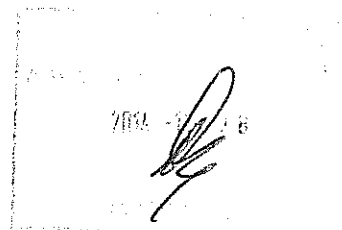
Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur

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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

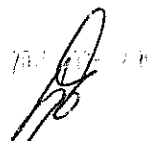
1.21.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's 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 is recognised in the Statement of Financial Performance.

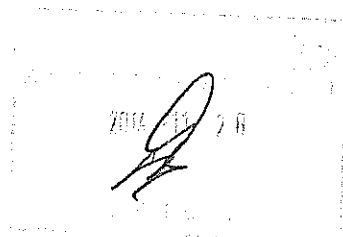
The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

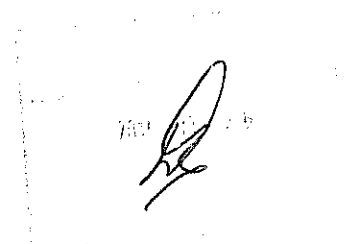
1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

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

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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 carried at amortised cost.

1.23.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

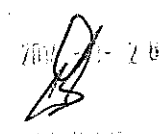
Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:


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OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

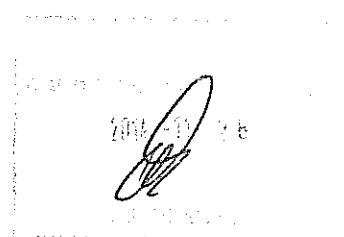
1.23.4 ***Offsetting of Financial Instruments***

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

1.24. REVENUE

1.24.1 ***Revenue from Non-Exchange Transactions***

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



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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, it is recognised as an unspent public contribution (liability).

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

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.

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

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.

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

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

1.24.2 Revenue from Exchange Transactions

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Interest revenue is recognised using the effective interest rate method.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

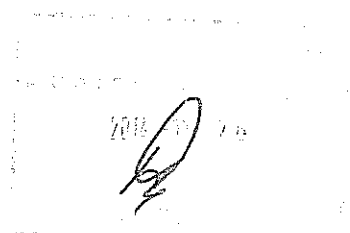
The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

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

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

2014 07 16



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

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 economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the 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


2014-06-28

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

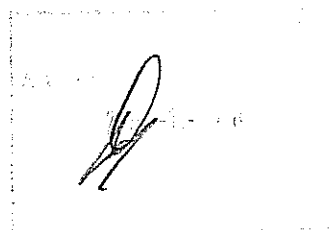
Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.30.1 *Post-retirement medical obligations and Long service awards.*

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.30.2 Impairment of Receivables

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

1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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

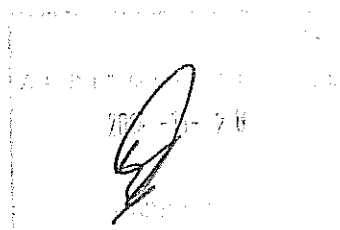
The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

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

1.30.4 Intangible Assets

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



OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

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

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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

1.30.6 Provisions and Contingent Liabilities

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


1.30.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the



11-78

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.30.9 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.

1.30.10 Componentisation of Infrastructure assets

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

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

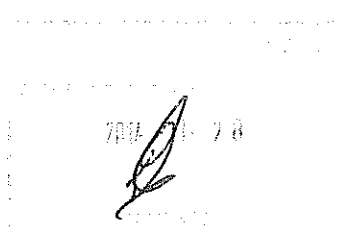
Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

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

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

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



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2

LONG-TERM LIABILITIES

| | 2014 R | 2013 R |
|---|------------------|------------------|
| Annuity Loans - At amortised cost | 1 235 231 | 1 958 300 |
| Capitalised Lease Liability - At amortised cost | 1 026 524 | 809 345 |
| | 2 261 755 | 2 767 645 |
| Current Portion transferred to Current Liabilities | 782 765 | 891 489 |
| Annuity Loans - At amortised cost | 455 287 | 723 069 |
| Capitalised Lease Liability - At amortised cost | 327 478 | 168 419 |
| Total Long-term Liabilities - At amortised cost using the effective interest rate method | 1 478 990 | 1 876 157 |

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

| | Minimum annuity payments | |
|---|-----------------------------|------------------|
| Amounts payable under annuity loans: | | |
| Payable within one year | 553 655 | 890 438 |
| Payable within two to five years | 867 490 | 1 204 273 |
| Payable after five years | 108 436 | 325 309 |
| | 1 529 581 | 2 420 019 |
| Less: Future finance obligations | 294 350 | 461 719 |
| Present value of annuity obligations | 1 235 231 | 1 958 300 |

Annuity loans at amortised cost is calculated at 13.22% interest rate, with a maturity date of 30 June 2015. The loan is unsecured .

The obligations under finance leases are scheduled below:

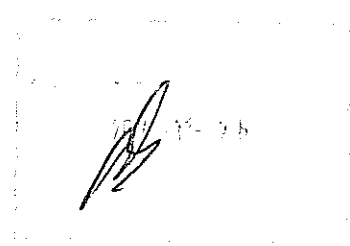
| | Minimum lease payments | |
|---|---------------------------|----------------|
| Amounts payable under finance leases: | | |
| Payable within one year | 375 231 | 200 022 |
| Payable within two to five years | 716 499 | 663 875 |
| | 1 091 730 | 863 898 |
| Less: Future finance obligations | 65 206 | 54 553 |
| Present value of lease obligations | 1 026 524 | 809 345 |

Leases are secured by property, plant and equipment - Note 10

The capitalised lease liability consists of the following contracts:

| Supplier | Description of leased item | Effective Interest rate | Annual Escalation | Lease Term | Maturity Date |
|----------|----------------------------|-------------------------|-------------------|------------|------------------------------|
| Assatech | Copiers | 8.5% to 10.16% | 0% | 3 Years | 01 Sep 2013 - 31 Aug 2016 |
| Amasondo | Vehicles | 8.5% to 10.16% | 0% | 3 Years | 03 Apr 2013 - 03 Apr 2016 |

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.



13/07/2014

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|---|---|-------------------|-------------------|
| 3 | EMPLOYEE BENEFITS | | |
| | Post Retirement Benefits - Refer to Note 3.1 | | |
| | Long Service Awards - Refer to Note 3.2 | 50 742 798 | 47 522 303 |
| | | 3 911 968 | 3 713 009 |
| | Total Non-current Employee Benefit Liabilities | 54 654 766 | 51 235 312 |
| | <u><i>Post Retirement Benefits</i></u> | | |
| | Balance 1 July | | |
| | Current service cost | 50 173 979 | 48 166 771 |
| | Interest Cost | 1 114 169 | 1 484 626 |
| | Expenditure for the year | 4 012 319 | 3 490 883 |
| | Actuarial Loss / (Gain) | (2 323 733) | (2 352 755) |
| | | 476 288 | (615 546) |
| | Total post retirement benefits 30 June | 53 453 022 | 50 173 979 |
| | Less: Transfer of Current Portion - Note 6 | (2 710 224) | (2 651 676) |
| | Balance 30 June | 50 742 798 | 47 522 303 |
| | <u><i>Long Service Awards</i></u> | | |
| | Balance 1 July | | |
| | Current service cost | 4 116 067 | 3 886 091 |
| | Interest Cost | 418 217 | 423 602 |
| | Expenditure for the year | 283 760 | 238 093 |
| | Actuarial Loss / (Gain) | (431 550) | (305 415) |
| | | (16 421) | (126 304) |
| | Total long service 30 June | 4 370 073 | 4 116 067 |
| | Less: Transfer of Current Portion - Note 6 | (458 105) | (403 058) |
| | Balance 30 June | 3 911 968 | 3 713 009 |
| | <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u> | | |
| | Balance 1 July | | |
| | Contribution for the year | 54 290 046 | 52 052 862 |
| | Interest cost | 1 532 386 | 1 908 228 |
| | Expenditure for the year | 4 296 079 | 3 728 976 |
| | Actuarial Loss / (Gain) | (2 755 283) | (2 658 170) |
| | | 459 867 | (741 851) |
| | Total employee benefits 30 June | 57 823 095 | 54 290 046 |
| | Less: Transfer of Current Portion - Note 6 | (3 168 329) | (3 054 734) |
| | Balance 30 June | 54 654 766 | 51 235 312 |

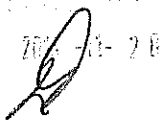
3.1 **Post Retirement Benefits**

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

| | | |
|---|------------|------------|
| In-service (employee) members | 115 | 107 |
| Continuation members (e.g. Retirees, widows, orphans) | 84 | 89 |
| Total Members | 199 | 196 |

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

| | 2014 R | 2013 R |
|------------------------|-------------------|-------------------|
| In-service members | 18 182 623 | 14 448 503 |
| Continuation members | 35 270 399 | 35 725 476 |
| Total Liability | 53 453 022 | 50 173 979 |


 2014-06-28

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2012 R | 2011 R | 2010 R |
|------------------------|-------------------|-------------------|-------------------|
| In-service members | 13 165 926 | 10 271 948 | 8 971 495 |
| Continuation members | 35 000 645 | 32 199 354 | 25 920 761 |
| Total Liability | 48 166 771 | 42 471 302 | 34 892 256 |

Experience adjustments were calculated as follows:

| | 2014 R | 2013 R | 2012 R |
|----------------------------|-----------|-----------|-----------|
| Liabilities: (Gain) / loss | 349 000 | 491 000 | (7 000) |
| Assets: Gain / (loss) | - | - | - |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health;
Samwumed; and
Keyhealth.

2014 2013

Key actuarial assumptions used:

i) Rate of interest

| | | |
|---------------------------------|-------|-------|
| Discount rate | 8.72% | 8.21% |
| Health Care Cost Inflation Rate | 7.99% | 7.42% |
| Net Effective Discount Rate | 0.67% | 0.74% |

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

ii) Mortality rates

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

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

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

| | 2014 R | 2013 R |
|-----------------------------------|-------------------|-------------------|
| Present value of fund obligations | 50 742 798 | 47 522 303 |
| Net liability/(asset) | 50 742 798 | 47 522 303 |

The fund is wholly unfunded.

Reconciliation of present value of fund obligation:

| | | |
|---|--------------------|--------------------|
| Present value of fund obligation at the beginning of the year | 50 173 979 | 48 166 771 |
| Total expenses | 2 802 755 | 2 622 754 |
| Current service cost | 1 114 169 | 1 484 626 |
| Interest Cost | 4 012 319 | 3 490 883 |
| Benefits Paid | (2 323 733) | (2 352 755) |
| Actuarial losses | 476 288 | (615 546) |
| Present value of fund obligation at the end of the year | 53 453 022 | 50 173 979 |
| Less: Transfer of Current Portion - Note 6 | (2 710 224) | (2 651 676) |
| Balance 30 June | 50 742 798 | 47 522 303 |

7/13

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity Analysis on the Accrued Liability

| Assumption | Change | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|--|---------|-----------------------------------|-------------------------------------|----------------------|----------|
| Central Assumptions | | 18.183 | 35.270 | 53.453 | |
| The effect of movements in the assumptions are as follows: | | | | | |
| Health care inflation | 1% | 22.151 | 38.781 | 60.932 | 14% |
| Health care inflation | -1% | 15.047 | 32.218 | 47.265 | -12% |
| Discount rate | 1% | 15.090 | 32.261 | 47.351 | -11% |
| Discount rate | -1% | 22.164 | 38.793 | 60.957 | 14% |
| Post-retirement mortality | -1 year | 18.829 | 36.809 | 55.638 | 4% |
| Average retirement age | -1 year | 19.699 | 35.270 | 54.969 | 3% |
| Continuation of membership at retirement | -10% | 16.492 | 35.270 | 51.762 | -3% |

| Assumption | Change | Current-service Cost (Rm) | Interest Cost (Rm) | Total (Rm) | % change |
|--|---------|---------------------------|--------------------|------------|----------|
| Central Assumptions | | 1.114 | 4.012 | 5.127 | |
| The effect of movements in the assumptions are as follows: | | | | | |
| Health care inflation | 1% | 1.376 | 4.585 | 5.961 | 16% |
| Health care inflation | -1% | 0.910 | 3.538 | 4.448 | -13% |
| Post-retirement mortality | -1 year | 1.152 | 4.178 | 5.329 | 4% |
| Average retirement age | -1 year | 1.226 | 4.111 | 5.337 | 4% |
| Withdrawal rate | -50% | 1.256 | 4.120 | 5.376 | 5% |

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

| | 279 | 283 |
|--|-------|-------|
| | 2014 | 2013 |
| Key actuarial assumptions used: | | |
| i) Rate of interest | | |
| Discount rate | 7.90% | 7.24% |
| General Salary Inflation (long-term) | 7.08% | 6.78% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.76% | 0.44% |

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

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

| | 2014 R | 2013 R |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 3 911 968 | 3 713 009 |
| Net liability | <u>3 911 968</u> | <u>3 713 009</u> |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2012 R | 2011 R | 2010 R |
|-----------------|------------------|------------------|------------------|
| Total Liability | <u>3 886 091</u> | <u>3 417 827</u> | <u>2 455 178</u> |

Experience adjustments were calculated as follows:

| | 2014 R | 2013 R | 2012 R | 2011 R |
|----------------------------|-----------|-----------|-----------|-----------|
| Liabilities: (Gain) / loss | 60 179 | (46 194) | 9 744 | 254 596 |
| Assets: Gain / (loss) | - | - | - | - |

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|------------------|------------------|
| Reconciliation of present value of fund obligation: | | |
| Present value of fund obligation at the beginning of the year | 4 116 067 | 3 886 091 |
| Total expenses | 270 427 | 356 280 |
| Current service cost | 418 217 | 423 602 |
| Interest Cost | 283 760 | 238 093 |
| Benefits Paid | (431 550) | (305 415) |
| Actuarial losses | (16 421) | (126 304) |
| Present value of fund obligation at the end of the year | 4 370 073 | 4 116 067 |
| Less: Transfer of Current Portion - Note 6 | (458 105) | (403 058) |
| Balance 30 June | 3 911 968 | 3 713 009 |

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Change | Liability (Rm) | % change |
|--|--------|----------------|----------|
| Central assumptions | | 4.370 | |
| The effect of movements in the assumptions are as follows: | | | |
| General salary inflation | 1% | 4.648 | 6% |
| General salary inflation | -1% | 4.118 | -6% |
| Discount rate | 1% | 4.105 | -6% |
| Discount rate | -1% | 4.667 | 7% |
| Average retirement age | -2 yrs | 3.606 | -17% |
| Average retirement age | 2 yrs | 5.072 | 16% |
| Withdrawal rates | -50% | 4.999 | 14% |

| Assumption | Change | Current-service Cost (Rm) | Interest Cost (Rm) | Total (Rm) | % change |
|--|---------|---------------------------|--------------------|------------|----------|
| Central Assumption | | 0.418 | 0.284 | 0.702 | |
| The effect of movements in the assumptions are as follows: | | | | | |
| General Salary Inflation | 1% | 0.443 | 0.304 | 0.746 | 6% |
| General Salary Inflation | -1% | 0.397 | 0.266 | 0.663 | -6% |
| Average retirement age | -2 year | 0.374 | 0.236 | 0.610 | -13% |
| Average retirement age | +2 year | 0.459 | 0.328 | 0.787 | 12% |
| Withdrawal Rates | -50% | 0.505 | 0.328 | 0.833 | 19% |

3.3 Retirement funds

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

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

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

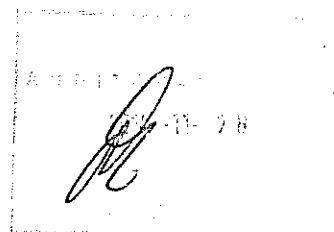
The contribution rate payable is 9% by members and 23.06% by Council. The latest available actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.7% (30 June 2012 - 99.4%).

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The latest available actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, Cape Joint Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | | |
|---|--|------------------|------------------|
| 4 | NON-CURRENT PROVISIONS | 2014 R | 2013 R |
| | Provision for Rehabilitation of Landfill-sites | 7 838 715 | 7 210 784 |
| | <u>Landfill Sites</u> | | |
| | Balance 1 July | 7 210 784 | 6 644 290 |
| | Unwinding of discounted interest | 627 931 | 566 494 |
| | Balance 30 June | <u>7 838 715</u> | <u>7 210 784</u> |

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

| | | 2014 R | 2013 R |
|--|--|---|------------------|
| <u>Location</u> | <u>Estimated decommission date</u> | <u>Cost of rehabilitation at the end of the useful life</u> | |
| Karwyderskraal | 2042 | | |
| Provision for Rehabilitation of Landfill-sites | | 7 838 715 | 7 210 784 |
| Total Non-current Provisions | | <u>7 838 715</u> | <u>7 210 784</u> |

| | | | |
|---|--------------------------------|---------------|---------------|
| 5 | CONSUMER DEPOSITS | | |
| | Electricity | 11 820 | 17 590 |
| | Total Consumer Deposits | <u>11 820</u> | <u>17 590</u> |

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

The decline in deposits can be attributed to the fact that a number of residents at Dennehof Resort did not renew their rental agreements.

| | | | |
|---|--|------------------|------------------|
| 6 | CURRENT EMPLOYEE BENEFITS | | |
| | Current Portion of Post Retirement Benefits - Note 3 | 2 710 224 | 2 651 676 |
| | Current Portion of Long-Service Provisions - Note 3 | 458 105 | 403 058 |
| | Staff Leave | 3 430 708 | 2 987 959 |
| | Bonuses | 1 406 502 | 1 292 796 |
| | Total Current Employee Benefits | <u>8 005 540</u> | <u>7 335 489</u> |


The movement in current employee benefits are reconciled as follows:

| | | | |
|---------------------------------|--|------------------|------------------|
| <u>Staff Leave</u> | | | |
| Balance at beginning of year | | | |
| Contribution to current portion | | 2 987 959 | 2 770 862 |
| Expenditure incurred | | 599 013 | 414 541 |
| Balance at end of year | | <u>(156 264)</u> | <u>(197 443)</u> |
| | | <u>3 430 708</u> | <u>2 987 959</u> |

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

| | | | |
|---------------------------------|--|--------------------|--------------------|
| <u>Bonuses</u> | | | |
| Balance at beginning of year | | | |
| Contribution to current portion | | 1 292 796 | 1 198 833 |
| Expenditure incurred | | 3 067 098 | 2 826 698 |
| Balance at end of year | | <u>(2 953 391)</u> | <u>(2 732 736)</u> |
| | | <u>1 406 502</u> | <u>1 292 796</u> |

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

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7001-2014


OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|----------|--|------------------|------------------|
| 7 | PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| | Trade Payables | 632 211 | 614 890 |
| | Balance Previously Reported | | 608 883 |
| | Correction of error - Refer to Note 28.01 | | 6 007 |
| | | 442 575 | 468 021 |
| | Payments received in advance | 1 039 740 | - |
| | Retentions and Guarantees | 30 735 | 41 270 |
| | Sundry Deposits | 124 753 | 103 036 |
| | Suspense Accounts | | |
| | Total Trade Payables | 2 270 014 | 1 227 217 |

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

The municipality received a financial guarantee of R 1 039 740 (2013 - R nul) from the Department of Transport and Public Works for the rehabilitation of land.

Sundry deposits represents housing rent deposits.

The municipality did not default on any of their payables.

| | | | |
|----------|---|------------------|-------------------|
| 8 | UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | |
| | Unspent Grants | 8 773 564 | 10 945 303 |
| | Provincial Government Grants | 8 773 564 | 10 945 303 |
| | Total Conditional Grants and Receipts | 8 773 564 | 10 945 303 |
| | Balance Previously Reported | | 10 951 310 |
| | Correction of error - Refer to Note 28.02 | | (6 007) |
| | | | 10 945 303 |

See appendix "D" for reconciliation of grants from other spheres of government. The municipality recognised revenue to the extent of conditions attached to all grants complied with. No grants were withheld.

| | | | |
|------------|-------------------------------------|----------------|----------------|
| 9 | TAXES | | |
| 9.1 | VAT PAYABLE | | |
| | VAT Payable | 113 105 | 136 742 |
| | Total Vat payable | 113 105 | 136 742 |
| 9.2 | VAT RECEIVABLE | | |
| | VAT Receivable | 312 356 | 271 407 |
| | Total VAT receivable | 312 356 | 271 407 |
| 9.3 | NET VAT RECEIVABLE/(PAYABLE) | 199 251 | 134 665 |

VAT is receivable/payable on the cash basis.

OVERBERG DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014


10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

| Reconciliation of Carrying Value | Land and Buildings R | Infrastructure R | Community R | Leased Assets R | Other Assets R | Total R |
|---|-------------------------|---------------------|----------------|--------------------|-------------------|--------------|
| Carrying value at 1 July 2013 | 10 793 701 | 14 215 237 | 1 325 792 | 784 204 | 13 222 225 | 40 341 158 |
| Cost | 12 312 853 | 24 398 399 | 1 507 112 | 821 872 | 21 359 503 | 60 399 738 |
| Original Cost | 12 312 853 | 24 398 399 | 1 507 112 | 821 872 | 21 359 503 | 60 399 738 |
| Accumulated Depreciation | (1 519 152) | (10 183 162) | (181 320) | (37 669) | (8 137 277) | (20 058 580) |
| Original Cost | (1 519 152) | (10 183 162) | (181 320) | (37 669) | (8 137 277) | (20 058 580) |
| Acquisitions | - | 170 978 | 14 800 | 515 244 | 1 279 634 | 1 980 657 |
| Capital under Construction | - | - | - | - | - | - |
| Committed for fire truck R 696046. | - | - | - | - | 653 954 | 653 954 |
| Transfers from/(to) Investment Properties | (111 000) | - | - | - | - | (111 000) |
| Cost | (111 000) | - | - | - | - | (111 000) |
| Impairments | - | - | - | - | (539 626) | (539 626) |
| Cost | - | - | - | - | (539 626) | (539 626) |
| Accumulated Depreciation | - | - | - | - | (1 068 124) | (1 068 124) |
| Depreciation | (77 091) | (793 728) | (135 271) | (298 344) | (687 677) | (1 992 111) |
| Normal Depreciation | (77 091) | (793 728) | (135 271) | (298 344) | (687 677) | (1 992 111) |
| Carrying value of disposals | (87 898) | - | - | - | - | (87 898) |
| Cost | (87 898) | - | - | - | - | (87 898) |
| Carrying value at 30 June 2014 | 10 517 712 | 13 592 487 | 1 205 320 | 1 001 104 | 13 928 511 | 40 245 133 |
| Cost | 12 113 955 | 24 569 377 | 1 521 912 | 1 337 117 | 23 293 091 | 62 835 451 |
| Original Cost | 12 113 955 | 24 569 377 | 1 521 912 | 1 337 117 | 23 293 091 | 62 835 451 |
| Accumulated Impairments | - | - | - | - | (539 626) | (539 626) |
| Original Cost | - | - | - | - | (539 626) | (539 626) |
| Accumulated Depreciation | - | - | - | - | (1 068 124) | (1 068 124) |
| Original Cost | - | - | - | - | (1 068 124) | (1 068 124) |
| Accumulated Depreciation | (1 596 243) | (10 976 890) | (316 592) | (336 013) | (8 824 954) | (22 050 691) |
| Original Cost | (1 596 243,20) | (10 976 890) | (316 592) | (336 013) | (8 824 954) | (22 050 691) |

The leased property, plant and equipment are secured as set out in note 2

AUDITOR
2014/15/16



30 June 2013

| Reconciliation of Carrying Value | Land and Buildings R | Infrastructure R | Community R | Leased Assets R | Other Assets R | Total R |
|--|-------------------------|---------------------|----------------|--------------------|-------------------|----------------|
| Carrying value at 30 June 2012 | 11 188 573 | 15 026 660 | 1 309 032 | 1 024 194 | 14 015 872 | 42 564 332 |
| Cost | 12 645 853 | 24 392 732 | 1 473 492 | 1 163 569 | 21 554 648 | 61 230 294 |
| Original Cost | 12 645 853 | 24 392 732 | 1 473 492 | 3 883 077 | 21 030 646 | 63 425 799.70 |
| Correction of Error - Refer to Note 28.09 | - | - | - | (2 719 508) | 524 002 | (2 195 506.05) |
| Accumulated Depreciation | (1 457 280) | (9 366 071) | (164 460) | (139 375) | (7 538 776) | (18 665 962) |
| Original Cost | (1 457 280) | (9 366 071) | (164 460) | (2 681 413) | (7 306 061) | (20 975 285) |
| Correction of Error - Refer to Note 28.09 | - | - | - | 2 542 038 | (232 715) | 2 309 323 |
| Acquisitions | - | 5 667 | 33 620 | 821 872 | 523 101 | 1 384 260 |
| Transfers from/(to) Non-current Assets Held for Sale - Note | (317 833) | - | - | - | (62 128) | (379 961) |
| Cost | (333 000) | - | - | - | (120 727) | (453 727) |
| Accumulated Depreciation | 15 167 | - | - | - | 58 599 | 73 766 |
| Depreciation | (77 039) | (817 090) | (16 861) | (630 423) | (776 396) | (2 317 809) |
| Normal Depreciation | (77 039) | (817 090) | (16 861) | (630 423) | (776 396) | (2 317 809) |
| Carrying value of disposals | - | - | - | (431 440) | (478 223) | (909 663) |
| Cost | - | - | - | (1 163 569) | (597 519) | (1 761 088) |
| Accumulated Depreciation | - | - | - | 732 129 | 119 296 | 851 424 |
| Carrying value at 30 June 2013 | 10 793 701 | 14 215 237 | 1 325 792 | 784 204 | 13 222 225 | 40 341 158 |
| Cost | 12 312 853 | 24 398 399 | 1 507 112 | 821 872 | 21 359 503 | 60 399 738 |
| Original Cost | 12 312 853 | 24 398 399 | 1 507 112 | 821 872 | 21 359 503 | 60 399 738 |
| Accumulated Depreciation | (1 519 152) | (10 183 162) | (181 320) | (37 669) | (8 137 277) | (20 058 580) |
| Original Cost | (1 519 152) | (10 183 162) | (181 320) | (37 669) | (8 137 277) | (20 058 580) |

| Reconciliation of non-current assets transferred to assets held for sale | Land and Buildings R | Infrastructure R | Community assets R | Lease assets R | Other assets R | Total R |
|--|-------------------------|---------------------|-----------------------|-------------------|-------------------|------------|
| Total value of non-current assets held for sale as at 30 June 2013 - Balance previously reported | 1 711 858 | - | - | - | 62 128 | 1 773 986 |
| Correction of error - Refer to Note 28.10 | (25 498) | - | - | - | - | (25 498) |
| Total value of non-current assets held for sale as at 30 June 2013 - Restated balance | 1 686 360 | - | - | - | 62 128 | 1 748 488 |
| Less: Sold during 2013/14 | 1 636 355 | - | - | - | - | 1 636 355 |
| Total value of non-current assets held for sale as at 30 June 2014 | 50 005 | - | - | - | 62 128 | 112 133 |

| Reconciliation of gains on disposal of PPE | Land and Buildings | Infrastructure | Community assets | Lease assets | Other assets | Total |
|---|--------------------|----------------|------------------|--------------|--------------|-----------|
| Carrying value of assets sold during 2013/14 | 1 724 253 | - | - | - | - | 1 724 253 |
| Proceeds on sale of non-current assets held for sale | 2 138 007 | - | - | - | - | 2 138 007 |
| Advertising costs and costs of value on properties | 6 271 | - | - | - | - | 6 271 |
| Gains on disposal of non-current assets held for sale | 407 482 | - | - | - | - | 407 482 |

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|----|--|----------------|-----------|
| 11 | INVESTMENT PROPERTY | | |
| | Net Carrying amount at 1 July | - | - |
| | Transfers from Property, Plant and equipment - Note 10 | 111 000 | - |
| | Net Carrying amount at 30 June | <u>111 000</u> | - |
| | Cost | <u>111 000</u> | - |

The property transferred from Property, Plant and Equipment relates to the Buffeljachts resort. Due to the fact that the property is totally covered by sand dunes, the property was classified as Investment Property with unidentified use.

No rental revenue was derived from any investment properties in the current year.

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

| | | 2014 R | 2013 R |
|----|--------------------------------|----------------|----------------|
| 12 | INTANGIBLE ASSETS | | |
| | Computer Software | | |
| | Net Carrying amount at 1 July | 342 978 | 344 300 |
| | Cost | 788 520 | 727 475 |
| | Accumulated Amortisation | (445 542) | (383 175) |
| | Additions | - | 61 045 |
| | Amortisation | (68 083) | (62 367) |
| | Net Carrying amount at 30 June | <u>274 895</u> | <u>342 978</u> |
| | Cost | 788 520 | 788 520 |
| | Accumulated Amortisation | (513 624) | (445 542) |

The following material intangible assets are included in the carrying value above

| <u>Description</u> | <u>Remaining Amortisation Period</u> | <u>Carrying Value</u> | |
|---------------------------------------|--------------------------------------|-----------------------|-----------|
| | | 2014 R | 2013 R |
| Microsoft Office and Windows software | 5 | 274 895 | 342 978 |

No intangible assets were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

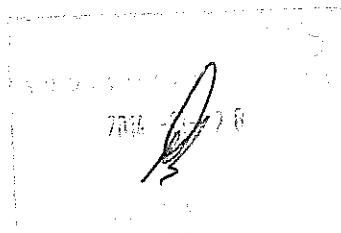
There are no contractual commitments for the acquisition of intangible assets.

| | | 2014 R | 2013 R |
|----|-------------------------------------|------------------|------------------|
| 13 | CAPITALISED RESTORATION COST | | |
| | Net Carrying amount at 1 July | 1 644 223 | 1 710 913 |
| | Cost | 2 402 151 | 2 402 151 |
| | Accumulated Depreciation | (652 176) | (595 479) |
| | Accumulated Impairments | (105 752) | (95 760) |
| | Depreciation | (56 827) | (56 697) |
| | Impairment | 3 755 | (9 992) |
| | Net Carrying amount at 30 June | <u>1 591 152</u> | <u>1 644 223</u> |
| | Cost | 2 402 151 | 2 402 151 |
| | Accumulated Depreciation | (709 003) | (652 176) |
| | Accumulated Impairments | (101 996) | (105 752) |

Capitalised restoration costs relates to the rehabilitation of landfill sites which forms part of Land & Buildings as part of Property, Plant & Equipment.

| | | 2014 R | 2013 R |
|----|---------------------------------|------------------|----------------|
| 14 | INVENTORY | | |
| | Maintenance Materials - At cost | 1 039 175 | 924 616 |
| | Printing & Stationary | 17 262 | 28 763 |
| | Fuel & Oil | 873 329 | 744 820 |
| | Spare Parts | 28 468 | 32 247 |
| | Grader Blades | 99 883 | 65 744 |
| | Cleaning Materials | 9 605 | 21 125 |
| | Other | 10 328 | 31 915 |
| | Total Inventory | <u>1 039 175</u> | <u>924 616</u> |

788 520



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|----|---|------------------|------------------|
| 15 | RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| | Electricity | 44 984 | 62 379 |
| | Water | 17 729 | 11 555 |
| | Refuse | 9 619 | 11 373 |
| | Housing rental | 222 862 | 337 067 |
| | Sewerage | 6 604 | 867 |
| | Creditors paid in advance | 387 591 | 363 007 |
| | Balance Previously Reported | | 351 342 |
| | Correction of error - Refer to Note 28.03 | | 11 665 |
| | Provincial health function | | |
| | Balance Previously Reported | | 9 063 |
| | Correction of error - Refer to Note 28.03 | | (9 063) |
| | Total Receivables from Exchange Transactions | 689 390 | 786 247 |
| | Less: Allowance for Doubtful Debts | (187 958) | (344 085) |
| | Total Net Receivables from Exchange Transactions | 501 432 | 442 162 |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

| | | |
|-----------------------|---------------|---------------|
| Current (0 - 30 days) | 10 241 | 16 669 |
| 31 - 60 Days | 5 869 | 9 429 |
| 61 - 90 Days | 3 145 | 2 453 |
| + 90 Days | 25 729 | 33 828 |
| Total | 44 984 | 62 379 |

(Water): Ageing

| | | |
|-----------------------|---------------|---------------|
| Current (0 - 30 days) | 3 575 | 2 939 |
| 31 - 60 Days | 2 851 | 1 798 |
| 61 - 90 Days | 1 806 | 563 |
| + 90 Days | 9 497 | 6 254 |
| Total | 17 729 | 11 555 |

(Refuse): Ageing

| | | |
|-----------------------|--------------|---------------|
| Current (0 - 30 days) | 1 947 | 2 246 |
| 31 - 60 Days | 1 388 | 1 618 |
| 61 - 90 Days | 1 105 | 530 |
| + 90 Days | 5 179 | 6 979 |
| Total | 9 619 | 11 373 |

(Sewerage): Ageing

| | | |
|-----------------------|--------------|------------|
| Current (0 - 30 days) | 737 | 460 |
| 31 - 60 Days | 737 | 241 |
| 61 - 90 Days | 491 | 166 |
| + 90 Days | 4 640 | - |
| Total | 6 604 | 867 |

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(Housing rental): Ageing

| | 2014 R | 2013 R |
|-----------------------|----------------|----------------|
| Current (0 - 30 days) | | |
| 31 - 60 Days | 29 100 | 30 035 |
| 61 - 90 Days | 19 850 | 20 164 |
| + 90 Days | 21 500 | 9 000 |
| Total | 152 412 | 277 867 |
| | 222 862 | 337 067 |

Creditors paid in advance

| | | |
|-----------------------|----------------|----------------|
| Current (0 - 30 days) | 387 591 | 363 007 |
| | 387 591 | 363 007 |

(Total): Ageing

| | | |
|-----------------------|----------------|----------------|
| Current (0 - 30 days) | | |
| 31 - 60 Days | 433 192 | 415 356 |
| 61 - 90 Days | 30 695 | 33 251 |
| + 90 Days | 28 048 | 12 712 |
| Total | 197 456 | 324 929 |
| | 689 390 | 786 247 |

Reconciliation of Provision for Bad Debts

| | | |
|---|----------------|----------------|
| Balance at beginning of year | | |
| Contribution to provision/(Reversal of provision) | 344 085 | 4 256 639 |
| Bad Debts Written Off | 61 095 | (3 879 554) |
| | (217 221) | (33 000) |
| Balance at end of year | 187 958 | 344 085 |

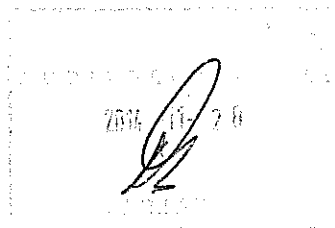
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables

| | 1 968 735 | 2 332 209 |
|---|------------------|------------------|
| Provincial health function | 39 906 | 9 063 |
| Balance Previously Reported | - | - |
| Correction of error - Refer to Note 28.04 | - | 9 063 |
| Electricity Deposits - Provincial clinics | 3 874 | 3 874 |
| Legal fees | 81 416 | 34 035 |
| Sundry Debtors | 1 550 937 | 1 835 247 |
| Suspense Debtors | 292 602 | 449 990 |
| Total Receivables from Non-Exchange Transactions | 1 968 735 | 2 332 209 |
| Less: Allowance for Doubtful Debts | (628 163) | (874 987) |
| Total Net Receivables from Non-Exchange Transactions | 1 340 572 | 1 457 221 |



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|----------------|----------------|
| Reconciliation of Provision for Bad Debts | | |
| Balance at beginning of year | 874 987 | 224 637 |
| Contribution to provision/(Reversal of provision) | 269 232 | 753 019 |
| Bad Debts Written Off | (516 056) | (102 669) |
| | 628 163 | 874 987 |
| Balance at end of year | 628 163 | 874 987 |

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 CASH AND CASH EQUIVALENTS

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| Assets | | |
| Call Investments and Other Deposits | 7 693 030 | - |
| Bank Accounts | 7 012 571 | 12 483 278 |
| Cash Floats | 3 950 | 3 950 |
| | 14 709 550 | 12 487 228 |
| Total Cash and Cash Equivalents - Assets | 14 709 550 | 12 487 228 |

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

| | | |
|--|------------------|-------------------|
| Cash book balance at beginning of year | 12 483 278 | - |
| Cash book balance at end of year | 7 012 571 | 12 483 278 |
| | 7 012 571 | 12 483 278 |

ABSA - Account Number 1780000062
 Bank statement balance at beginning of year
 Bank statement balance at end of year

| | | |
|--|------------------|----------------|
| | 213 944 | 656 214 |
| | 7 059 622 | 213 944 |
| | 7 059 622 | 213 944 |

FNB - Account Number 62270787412
 Bank statement balance at beginning of year
 Bank statement balance at end of year

| | | |
|--|----------------|-------------------|
| | 12 356 430 | (2 740 429) |
| | 237 129 | 12 356 430 |
| | 237 129 | 12 356 430 |

Call Investments and Other Deposits

Call investments and other deposits consist out of the following accounts:

| | | |
|---|------------------|----------|
| ABSA Depositor Plus - Account Number 92 8755 1045 | 6 566 087 | - |
| ABSA Depositor Plus - Account Number 92 8755 0641 | 1 126 942 | - |
| | 7 693 030 | - |

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| 18 | GOVERNMENT GRANTS AND SUBSIDIES | 2014 R | 2013 R |
|----|--|-------------|------------|
| | Unconditional Grants | | |
| | Equitable Share | 46 637 000 | 43 926 000 |
| | Conditional Grants | 46 637 000 | 43 926 000 |
| | Grants and donations | 55 109 205 | 44 408 076 |
| | Subsidies | 4 372 646 | 3 112 733 |
| | | 50 736 559 | 41 295 343 |
| | Total Government Grants and Subsidies | 101 746 205 | 88 334 076 |
| | <u>Disclosed as:</u> | | |
| | Revenue from non-exchange transactions | 51 124 301 | 47 244 520 |
| | Revenue from exchange transactions (Road Subsidy) | 50 621 904 | 41 089 556 |
| | Total Government Grants and Subsidies | 101 746 205 | 88 334 076 |
| | Balance previously reported (revenue from non-exchange transactions) | | 47 141 626 |
| | Correction of error - Refer to Note 29 | | 102 894 |
| | | | 47 244 520 |
| | Balance previously reported (revenue from exchange transactions) | | 41 186 443 |
| | Correction of error - Refer to Note 29 | | (96 887) |
| | | | 41 089 556 |

The municipality does not expect any significant changes to the level of grants.

18.1 Equitable share

| | | |
|----------------------------|--------------|--------------|
| Opening balance | - | - |
| Grants received | - | - |
| Conditions met | 46 637 000 | 43 926 000 |
| Conditions still to be met | (46 637 000) | (43 926 000) |
| | - | - |

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

18.2 Health and Road Subsidy

| | | |
|----------------------------|--------------|--------------|
| Opening balance | 8 153 997 | - |
| Grants received | - | - |
| Conditions met | 48 645 080 | 49 449 341 |
| Conditions still to be met | (50 736 559) | (41 295 343) |
| | 6 062 518 | 8 153 997 |

Health subsidies was used to fund expenditure incurred for continued benefits of primary health care personnel previously employed by the municipality. The road subsidy is utilised to upgrade the provincial road network in the municipal area.

18.3 Local Government Financial Management Grant (FMG)

| | | |
|------------------------------------|-------------|-------------|
| Opening balance | - | (32 422) |
| Grants received | - | - |
| Conditions met | 1 250 000 | 1 250 000 |
| Grants repaid to National Treasury | (1 250 000) | (1 007 578) |
| Conditions still to be recovered | - | (210 000) |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

OVERBERG DISTRICT MUNICIPALITY
 2014 06 30
 Financial Management Internship Programme

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|------------------|-------------------|
| 18.4 Municipal Systems Improvement Grant | | |
| Opening balance | 890 000 | (9 110) |
| Grants received | (890 000) | 1 000 000 |
| Conditions met | | (963 890) |
| Grants repaid to National Treasury | | (27 000) |
| Conditions still to be recovered | <u>-</u> | <u>-</u> |
| <p>The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.</p> | | |
| 18.5 Other Grants | | |
| Opening balance | 2 791 306 | 2 111 705 |
| Grants received | 2 152 387 | 1 772 641 |
| Interest received | - | 48 224 |
| Conditions met | (2 232 646) | (1 141 265) |
| Conditions still to be met | <u>2 711 046</u> | <u>2 791 306</u> |
| <p>Various grants were received from other spheres of government.</p> | | |
| 18.6 Total Grants | | |
| Opening balance | 10 945 303 | 2 070 173 |
| Grants received | 99 574 466 | 97 397 982 |
| Interest received | - | 48 224 |
| Conditions met | (101 746 205) | (88 334 076) |
| Grants repaid to National Treasury | | (237 000) |
| Conditions still to be met/(Grant expenditure to be recovered) | <u>8 773 564</u> | <u>10 945 303</u> |
| <p><u>Disclosed as follows:</u></p> | | |
| Unspent Conditional Government Grants and Receipts | <u>8 773 564</u> | <u>10 945 303</u> |
| | <u>8 773 564</u> | <u>10 945 303</u> |
| 19 SERVICE CHARGES | | |
| Refuse removal | 27 798 | 33 259 |
| Water, Electricity and Sewerage | 617 865 | 588 086 |
| | <u>645 663</u> | <u>621 345</u> |
| Total Service Charges | <u>645 663</u> | <u>621 345</u> |
| 20 OTHER INCOME | | |
| Sundry income | 568 233 | 548 593 |
| Reversal of debt impairment | - | 3 879 554 |
| Total Other Income | <u>568 233</u> | <u>4 428 147</u> |
| Balance previously reported | | 3 675 127 |
| Correction of error - Refer to Note 28.05 | | 753 019 |
| | | <u>4 428 147</u> |

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014


| 21 | EMPLOYEE RELATED COSTS | 2014 R | 2013 R |
|----|---|-------------------|-------------------|
| | Salaries and Wages | | |
| | Bargaining Council Levy | 44 989 563 | 41 441 081 |
| | Bonus | 22 162 | 21 313 |
| | Contributions for UIF, pensions and medical aids | 3 067 098 | 2 826 698 |
| | Group Life Insurance | 9 749 232 | 9 009 323 |
| | Housing Subsidy | 871 226 | 807 374 |
| | Leave Reserve Fund | 162 153 | 192 289 |
| | Long service awards | 599 013 | 414 541 |
| | Overtime | 701 977 | 661 695 |
| | Post Employment Health | 1 364 977 | 1 009 612 |
| | Skills development levy | 5 126 488 | 4 975 509 |
| | Travel, motor car, telephone, assistance and other allowances | 491 762 | 437 422 |
| | Workmen's Compensation Contributions | 4 942 414 | 3 686 761 |
| | Total Employee Related Costs | 72 504 824 | 65 870 591 |
| | Balance previously reported | | |
| | Operating Grant Expenditure incorrectly not disclosed in line with the nature of the item - Refer to Note 29 | | 52 276 396 |
| | Reclassification of Employee Related Costs from Repairs and Maintenance of Roads - Refer to Note 28.07 | | 1 023 700 |
| | | | 12 570 495 |
| | | | 65 870 591 |
| | KEY MANAGEMENT PERSONNEL | | |
| | Municipal Manager and all other Directors are appointed on fixed term contracts. | | |
| | REMUNERATION OF KEY MANAGEMENT PERSONNEL | | |
| | <i>Remuneration of the Municipal Manager - Mr MP Du Plessis (1 July 2013 - 13 November 2013)</i> | | |
| | Annual Remuneration | 324 639 | 845 700 |
| | Lump sum : Settlement | 369 364 | - |
| | Housing Subsidy | 849 | 1 907 |
| | Travelling , car and other allowances | 7 285 | 34 455 |
| | Contributions to UIF, Medical, Pension Funds and Bargaining Council | 87 150 | 195 424 |
| | Total | 789 286 | 1 077 486 |
| | <i>Remuneration of the Municipal Manager - Mr DP Beretti (18 November 2013 - 30 June 2014)</i> | | |
| | Annual Remuneration | 647 375 | - |
| | Travelling , car and other allowances | 42 899 | - |
| | Contributions to UIF, Medical, Pension Funds and Bargaining Council | 8 055 | - |
| | Total | 698 329 | - |
| | <i>Remuneration of the Manager Municipal Health - Mr WA Du Toit</i> | | |
| | Annual Remuneration | 331 092 | 309 114 |
| | Acting allowance as Director Community Services and Municipal Manager | 124 056 | 135 038 |
| | Annual Bonus | 27 591 | 25 824 |
| | Travelling , car and other allowances | 169 190 | 176 874 |
| | Contributions to UIF, Medical, Pension Funds and Bargaining Council | 103 620 | 96 107 |
| | Total | 755 550 | 742 957 |
| | <i>Remuneration of the Director Management Services / CFO - Mr JCP Tesselaar (1 February 2014 - 30 June 2014)</i> | | |
| | Annual Remuneration | 343 000 | - |
| | Travelling , car and other allowances | 34 920 | - |
| | Contributions to UIF, Medical, Pension Funds and Bargaining Council | 4 492 | - |
| | Total | 382 412 | - |

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22

REMUNERATION OF COUNCILLORS

| | 2014 R | 2013 R |
|--|------------------|------------------|
| Mayor | 832 546 | 632 094 |
| Deputy Mayor | 452 134 | 347 265 |
| Speaker | 697 340 | 544 619 |
| Mayoral Committee Members | 1 443 314 | 1 356 090 |
| Councillors | 1 719 121 | 1 099 228 |
| Total Councillors' Remuneration | 5 144 455 | 3 979 297 |
| <i>In-kind Benefits</i> | | |
| The Executive Mayor and all the committee members are full-time. The Mayoral Committee Members are provided with secretarial support and an office at the cost of the Council. | | |
| <i>Remuneration of the Mayor - Mr L De Bruyn</i> | | |
| Annual Remuneration | 608 128 | 428 240 |
| Travelling , car and other allowances | 121 766 | 121 666 |
| Cellphone and Data | 23 388 | 17 952 |
| Contributions to Medical, Pension Funds | 79 264 | 64 236 |
| Total | 832 546 | 632 094 |
| <i>Remuneration of the Deputy Mayor - Mr J Du Toit Loubser</i> | | |
| Annual Remuneration | 284 687 | 197 287 |
| Travelling , car and other allowances | 126 979 | 113 629 |
| Cellphone and Data | 5 787 | 6 756 |
| Contributions to Medical, Pension Funds | 34 680 | 29 593 |
| Total | 452 134 | 347 265 |
| <i>Remuneration of the Speaker - Mr D Du Toit</i> | | |
| Annual Remuneration | 472 515 | 349 653 |
| Travelling , car and other allowances | 200 837 | 177 014 |
| Cellphone and Data | 23 988 | 17 952 |
| Total | 697 340 | 544 619 |
| <i>Remuneration of the member of the EMC - Mr A Franken</i> | | |
| Annual Remuneration | 442 982 | 327 801 |
| Travelling , car and other allowances | 187 186 | 154 153 |
| Cellphone and Data | 23 388 | 17 952 |
| Total | 653 557 | 499 906 |
| <i>Remuneration of the member of the EMC - Mr IM Sileku</i> | | |
| Annual Remuneration | 260 721 | 196 682 |
| Travelling , car and other allowances | 110 629 | 74 976 |
| Cellphone and Data | 5 787 | 6 756 |
| Total | 377 137 | 278 414 |
| <i>Remuneration of the member of the EMC - Mr KJ Tiemie</i> | | |
| Annual Remuneration | 260 721 | 196 682 |
| Travelling , car and other allowances | 118 829 | 96 576 |
| Cellphone and Data | 5 787 | 6 756 |
| Total | 385 337 | 300 014 |
| <i>Remuneration of the member of the EMC - Mr LD Oosthuizen</i> | | |
| Annual Remuneration | 25 903 | 180 289 |
| Travelling , car and other allowances | 1 380 | 12 885 |
| Cellphone and Data | | |
| Total | 27 283 | 277 757 |
| <i>Remuneration of other Councillors</i> | | |
| Annual Remuneration | 1 128 672 | 704 679 |
| Travelling , car and other allowances | 414 951 | 292 016 |
| Cellphone and Data | 135 357 | 55 323 |
| Contributions to Medical, Pension Funds | 40 141 | 47 209 |
| Total | 1 719 121 | 1 099 228 |

703

 26

OVERBERG DISTRICT MUNICIPALITY
 NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|--|------------------|------------------|
| 23 DEBT IMPAIRMENT | | |
| Receivables from exchange transactions - Note 15 | 61 095 | - |
| Receivables from non-exchange transactions - Note 16 | 269 232 | 753 019 |
| Total Contribution to Debt Impairment | <u>330 327</u> | <u>753 019</u> |
| Balance previously reported | | - |
| Correction of error - Refer to Note 28.06 | | 753 019 |
| | | <u>753 019</u> |
| 24 DEPRECIATION AND AMORTISATION | | |
| Property, Plant and Equipment | | |
| Landfill Site | 1 992 111 | 2 317 809 |
| Intangible Assets | 56 827 | 56 697 |
| | 68 083 | 62 367 |
| | <u>2 117 020</u> | <u>2 436 873</u> |
| 25 IMPAIRMENTS | | |
| Landfill Site | | |
| Property, Plant and Equipment | (3 755) | 9 992 |
| | 535 626 | - |
| | <u>535 871</u> | <u>9 992</u> |
| Landfill Site impairments for the year 2012/13 | | 9 992 |
| Landfill Site reversal of impairments for the year 2013/14 | (3 755) | |

2014-06-26

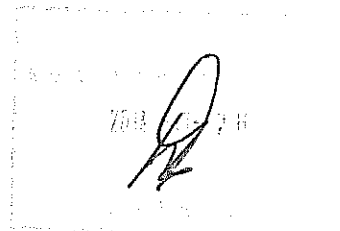
OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| 26 FINANCE CHARGES | | |
| Long-term Liabilities | 167 369 | 240 073 |
| Finance leases | 65 927 | 66 059 |
| Landfill Site | 627 931 | 566 494 |
| SARS audit | - | 519 837 |
| Total finance charges | <u>861 226</u> | <u>1 392 464</u> |
| | | |
| 27 GENERAL EXPENSES | | |
| Audit Fees | 2 187 235 | 1 712 487 |
| Bank Charges | 51 635 | 64 437 |
| Blades | 375 877 | 343 866 |
| Burning Fuel | 367 104 | 321 612 |
| Cleaning materials | 87 940 | 68 464 |
| Equipment rental | 28 355 | 1 050 749 |
| Fuel Cost | 8 930 942 | 8 139 182 |
| Insurance | 516 927 | 457 944 |
| Legal Cost | 574 249 | 71 236 |
| Membership Fees | 444 637 | 418 065 |
| Balance Previously Reported | - | 429 730 |
| Correction of error - Refer to Note 28.07 | - | (11 665) |
| Municipal services | 4 117 442 | 4 131 838 |
| Oil | 182 060 | 153 895 |
| Printing and stationery | 329 811 | 180 075 |
| Professional Fees | 2 887 231 | 2 965 176 |
| Safety clothes | 411 513 | 302 723 |
| Security services | 5 046 | 4 181 |
| Standby Chopper | 475 451 | 533 315 |
| Telephone | 1 448 423 | 1 451 477 |
| Training | 461 361 | 160 679 |
| Travel and subsistence | 221 622 | 288 262 |
| Tyres | 1 291 669 | 858 806 |
| Other | 1 557 542 | 1 548 567 |
| General Expenses | <u>26 954 071</u> | <u>25 227 039</u> |
| | | 2013 |
| | | R |
| | | |
| 28 CORRECTION OF ERROR IN TERMS OF GRAP 3 | | |
| Certain errors were detected which relates to prior years and were also restated retrospectively. The effects of these restatements are listed below. | | |
| 28.01 PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| Balance previously reported | | 1 221 210 |
| Correction of Creditor not paid - Refer to Note 7 | | 6 007 |
| | | <u>1 227 217</u> |



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2013 R |
|---|-------------------|
| 28.02 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | |
| Balance previously reported | 10 951 310 |
| Correction of Creditor not paid - Refer to Note 8 | (6 007) |
| | <u>10 945 303</u> |
| 28.03 RECEIVABLES FROM EXCHANGE TRANSACTIONS | |
| Balance previously reported | 439 560 |
| Correction of SALGA Membership Fees - Refer to Note 15 | 11 665 |
| Correction of Provincial Health Function transferred to Receivables from Non Exchange transactions - Refer to Note 15 | (9 063) |
| | <u>442 162</u> |
| 28.04 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS | |
| Balance previously reported | 1 448 158 |
| Correction of Provincial Health Function transferred from Receivables from Exchange transactions - Refer to Note 16 | 9 063 |
| | <u>1 457 221</u> |
| 28.05 OTHER INCOME | |
| Balance previously reported | 3 675 127 |
| Correction of Other Income due to incorrect offsetting of Debt Impairment on Receivables - Refer to Note 20 | 753 019 |
| | <u>4 428 147</u> |
| 28.06 DEBT IMPAIRMENT | |
| Balance previously reported | - |
| Correction of Debt Impairment on Receivables incorrectly included under Other Revenue - Refer to Note 23 | 753 019 |
| | <u>753 019</u> |
| 28.07 REPAIRS AND MAINTENANCE | |
| Balance previously reported | 20 040 801 |
| Reclassification of Employee Related Costs from Repairs and Maintenance of Roads - Refer to Note 21 | (12 570 495) |
| Correction of Creditor not paid - Refer to Note 7 | 6 007 |
| | <u>7 476 313</u> |
| 28.08 GENERAL EXPENSES | |
| Balance previously reported | 24 537 151 |
| Correction of SALGA Membership Fees - Refer to Note 27 | (11 665) |
| | <u>24 525 487</u> |
| 28.09 PROPERTY, PLANT AND EQUIPMENT | |
| Balance previously reported | 40 227 342 |
| Correction of Assets - First time recognition on 30 June 2012 - Refer to Note 10 | 524 002 |
| Correction of Depreciation - Assets first time recognised on 30 June 2012 - Refer to Note 10 | (232 715) |
| Correction of Assets - Disposal of lease assets returned on 30 June 2012 - Refer to Note 10 | (2 719 508) |
| Correction of Depreciation - Calculated for 5 years in stead of 3 years on 30 June 2012 - Refer to Note 10 | 2 542 038 |
| | <u>40 341 158</u> |
| 28.10 ACCUMULATED DEFICIT | |
| Balance previously reported | 23 276 498 |
| Correction of Assets - Incorrectly treated as assets held for sale on 30 June 2012 - Refer to Note 10 | 25 498 |
| Correction of Assets - First time recognised on 30 June 2012 - Refer to Note 10 | (524 002) |
| Correction of Depreciation - Assets first time recognised on 30 June 2012 - Refer to Note 10 | 232 715 |
| Correction of Assets - Disposal of lease assets returned on 30 June 2012 - Refer to Note 10 | 2 719 508 |
| Correction of Depreciation - Calculated for 5 years in stead of 3 years on 30 June 2012 - Refer to Note 10 | (2 542 038) |
| | <u>23 188 179</u> |



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | | |
|----|--|-------------------|-------------------|
| | | 2013 | |
| | | R | |
| 29 | STATEMENT OF FINANCIAL PERFORMANCE | 1 959 913 | |
| | Balance previously reported | 11 665 | |
| | Correction of SALGA Membership Fees on 30 June 2013 - Refer to Note 28.08 | 6 007 | |
| | Correction of Grants and Subsidies (Revenue from Exchange transactions) - Refer to Note 18 | (6 007) | |
| | Correction of Repairs and Maintenance - Refer to Note 28.07 | - | |
| | Reclassification of Employee Related Costs from Repairs and Maintenance of Roads | 12 570 495 | |
| | Effect on Employee Related Costs - Refer to Note 21 | (12 570 495) | |
| | Effect on Repairs and Maintenance - Refer to Note 28.07 | - | |
| | Correction of Health Subsidy incorrectly included under Revenue from Exchange Transactions | 102 894 | |
| | Effect on Revenue from Non-Exchange transactions - Refer to Note 18 | (102 894) | |
| | Effect on Revenue from Exchange transactions - Refer to Note 18 | - | |
| | Operating grant expenditure incorrectly not disclosed in line with the nature of the item | (2 031 226) | |
| | Effect on Other Operating Grant Expenditure | 1 023 700 | |
| | Effect on Employee Related Costs | 305 974 | |
| | Effect on Repairs and Maintenance | 701 552 | |
| | Effect on General Expenses | - | |
| | Correction of Debt Impairment on Receivables incorrectly included under Other Revenue | 753 019 | |
| | Effect on Other Revenue - Refer to Note 20 | (753 019) | |
| | Effect on Debt Impairment - Refer to Note 23 | - | |
| | Total | 1 971 577 | |
| | | 2014 | 2013 |
| | | R | R |
| 30 | RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS | | |
| | Surplus/(Deficit) for the year | (2 475 279) | 1 971 577 |
| | Adjustments for: | | |
| | Depreciation | 2 048 938 | 2 374 506 |
| | Amortisation of Intangible Assets | 68 083 | 62 367 |
| | Loss on disposal of property, plant and equipment | - | 641 213 |
| | Gain on disposal of property, plant and equipment | (407 482) | (616 292) |
| | Debt Impairment | 330 327 | 753 019 |
| | Bad debts written off | (733 278) | (135 669) |
| | Contribution to bonuses | 113 705 | 93 963 |
| | Contribution to staff leave | 442 749 | 217 098 |
| | Contribution from/to employee benefits | 5 828 465 | 5 637 204 |
| | Unwinding of Interest on Provision for Landfill Sites | 627 931 | 566 494 |
| | Non-current Employee benefits - expenditure incurred | (2 755 283) | (2 658 170) |
| | Actuarial Losses / (Gains) | 459 867 | (741 851) |
| | Fair Value losses | - | 15 310 |
| | Net Impairment written off | 535 871 | 9 992 |
| | Reversal of debt impairment | - | (3 879 554) |
| | Grants Received | 99 574 466 | 97 397 982 |
| | Grants Expenditure | (101 746 205) | (88 334 076) |
| | Fair Value gains | - | (42 288) |
| | Interest received (Directly attributed to funds) | - | 48 224 |
| | Grants repaid to National Treasury | - | (237 000) |
| | Operating Surplus/(Deficit) before changes in working capital | 1 912 875 | 13 144 049 |
| | Changes in working capital | 1 323 982 | 1 340 434 |
| | Increase/(Decrease) in Trade and Other Payables | 1 042 797 | (627 147) |
| | (Increase)/Decrease in Taxes | (64 587) | (1 784 208) |
| | (Increase)/Decrease in Inventory | (114 559) | 73 352 |
| | (Increase)/Decrease in Trade and other receivables | 460 331 | 3 678 437 |
| | Cash generated/(absorbed) by operations | 3 236 857 | 14 484 483 |
| 31 | CASH AND CASH EQUIVALENTS | | |
| | Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| | Call Investments Deposits - Note 17 | 7 693 030 | - |
| | Cash Floats - Note 17 | 3 950 | 3 950 |
| | Bank - Note 17 | 7 012 571 | 12 483 278 |
| | Total cash and cash equivalents | 14 709 550 | 12 487 228 |

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | | |
|----|--|------------------|------------------|
| 32 | RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES | 2014 R | 2013 R |
| | Cash and Cash Equivalents - Note 31 | 14 709 550 | 12 487 228 |
| | Less: | 14 709 550 | 12 487 228 |
| | Unspent Committed Conditional Grants - Note 8 | 8 773 564 | 10 945 303 |
| | Resources available for working capital requirements | 5 935 986 | 1 541 925 |

| | | | |
|----|---|--------------------------|--------------------------|
| 33 | UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | |
| | Long-term Liabilities - Note 2 | | |
| | Used to finance property, plant and equipment - at cost | 2 261 755 (2 261 755) | 2 767 645 (2 767 645) |
| | Cash set aside for the repayment of long-term liabilities | - | - |
| | Cash invested for repayment of long-term liabilities | - | - |
| | Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. | | |

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

34.1 Unauthorised expenditure

| | | | |
|---|--|-----------|-------------|
| Reconciliation of unauthorised expenditure: | | | |
| Opening balance | | 139 820 | 7 368 470 |
| Unauthorised expenditure current year - capital | | - | 139 820 |
| Unauthorised expenditure current year - operating | | - | - |
| Unauthorised expenditure current year - Conditional grants utilised for operating expenditure | | - | - |
| Written off by council | | (139 820) | (7 368 470) |
| Unauthorised expenditure awaiting authorisation | | - | 139 820 |

| Incident | Disciplinary steps/criminal proceedings |
|---------------------------|---|
| Over expenditure on votes | None |

| | 2014 R (Actual) | 2014 R (Budget) | 2014 R (Variance) | 2014 R (Unauthorised) |
|---|-----------------------|-----------------------|-------------------------|-----------------------------|
| <u>Unauthorised expenditure current year - operating</u> | | | | |
| Municipal Manager | 11 483 100 | 11 810 279 | (327 179) | - |
| Management Services | 20 479 922 | 21 673 020 | (1 193 098) | - |
| Community & Technical Services | 90 478 154 | 94 709 390 | (4 231 236) | - |
| | 122 441 176 | 128 192 689 | (5 751 513) | - |
| <u>Unauthorised expenditure current year - capital</u> | | | | |
| | 2014 R (Actual) | 2014 R (Budget) | 2014 R (Variance) | 2014 R (Unauthorised) |
| Municipal Manager | 7 548 | 10 000 | (2 452) | - |
| Management Services | 474 968 | 552 100 | (77 132) | - |
| Community & Technical Services | 1 636 850 | 2 148 260 | (511 410) | - |
| | 2 119 367 | 2 710 360 | (590 994) | - |

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OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

34.2 Fruitless and wasteful expenditure

| | 2014 R | 2013 R |
|--|-----------|-------------|
| Reconciliation of fruitless and wasteful expenditure: | | |
| Opening balance | - | 1 921 156 |
| Fruitless and wasteful expenditure current year | 291 | - |
| Written off by council | - | (1 728 056) |
| Transfer to receivables for recovery | - | (193 100) |
| | 291 | - |
| Fruitless and wasteful expenditure awaiting further action | 291 | - |

| Incident | Disciplinary steps/criminal proceedings | |
|--|---|-----------|
| After the Election on 5 March 2006 a new Council was elected. The Council decided to end the contract of the Municipal Manager that was valid until November 2007. Cost paid to the Municipal Manager. | None. | 1 637 104 |
| Labour dispute - Me W Meyer vs ODM. Compensation to be paid to Me W Meyer. | Monies to be recovered from Mr G W Hermanus | 180 000 |
| Suspension of Mr G W Hermanus. | None. | 17 872 |
| W Smuts - Settlement for prematurely ending his employment contract after a disciplinary process | None. | 73 080 |
| W Pekeur - Reimbursement for removal costs, due to the wrongdoing of an acting Municipal Manager. | Monies to be recovered from Mr G W Hermanus | 13 100 |
| Interest charged by SARS on the late payment of October 2013 VAT return. | None. | |
| | 291 | |
| | 291 | 1 921 156 |

34.3 Irregular expenditure

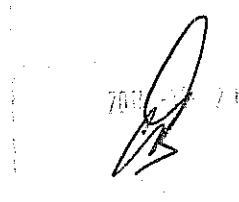
| | | |
|---|-------------|--------------|
| Reconciliation of irregular expenditure: | | |
| Opening balance | 2 988 016 | 14 302 138 |
| Irregular expenditure identified in the current year | 2 801 226 | 51 620 |
| Written off by council | (2 936 396) | (10 650 293) |
| To be recovered | - | (57 000) |
| Written off by council | (581 777) | (658 449) |
| | 2 271 068 | 2 988 016 |
| Irregular expenditure awaiting further action | - | 14 302 138 |
| Irregular expenditure awaiting condonement by National Treasury. (Taken out in current year due to non condonement) | - | - |

| Incident | Disciplinary steps/criminal proceedings | |
|---|---|-----------|
| The municipal accounts of two suppliers were not inspected before the tenders were awarded. | None | 74 509 |
| The declaration of interest documents of four winning bidders were not submitted. | None | 107 523 |
| The municipal accounts of one supplier were not inspected and the declaration of interest not submitted. | None | 37 620 |
| Irregular expenditure identified during audit process and not yet corrected in the financial statements (declarations not submitted and municipal accounts not obtained). | None | 1 950 465 |
| A director of one supplier is in the service of the state. | None | 49 331 |
| Three quotations not obtained. | None | 322 555 |
| Business with people in service of the state. | None | 253 718 |
| Payment in advance. | None | 5 504 |
| | 2 801 226 | 51 620 |

The District Municipality is investigating the full population of awards to determine the exact amount of irregular expenditure.

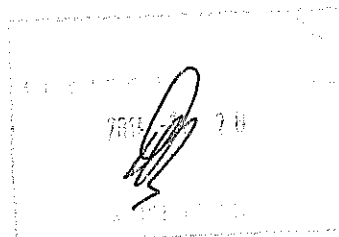
34.4 Other Non-Compliance

- The municipality did not adhere to the provisions of section 165(2)(b) of the MFMA that requires an adequately resourced internal audit unit that executes its plan in an effective and timely manner.
- The municipality did not comply with section 63 (2) (a) and (c) of the MFMA. The municipality did not take all reasonable steps to ensure that the municipality maintains a management, accounting system for the assets of the municipality.



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|------|---|------------------|------------------|
| 35 | ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 35.1 | <u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u> | | |
| | Opening balance | - | 4 205 |
| | Council subscriptions | 444 637 | 429 730 |
| | Amount paid - current year | (444 637) | (433 935) |
| | Balance unpaid (included in creditors) | - | - |
| 35.2 | <u>Audit fees - [MFMA 125 (1)(c)]</u> | | |
| | Opening balance | - | - |
| | Current year audit fee | 2 187 235 | 1 712 487 |
| | External Audit - Auditor-General | 2 187 235 | 1 712 487 |
| | Amount paid - current year | (2 187 235) | (1 712 487) |
| | Balance unpaid (included in creditors) | - | - |
| 35.3 | <u>VAT - [MFMA 125 (1)(e)]</u> | | |
| | Opening balance | (137 776) | (65 092) |
| | Amounts received - current year | 515 682 | 648 151 |
| | Amounts claimed - current year | (525 290) | (720 834) |
| | Closing balance - Receivable | (147 384) | (137 776) |
| | Vat in suspense due to cash basis of accounting | | |
| | Input VAT | - | - |
| | Output VAT | (51 868) | - |
| | Receivable | - | 3 111 |
| | | (199 251) | (134 665) |
| | VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. | | |
| 35.4 | <u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u> | | |
| | Opening balance | - | - |
| | Current year payroll deductions and Council Contributions | 8 241 434 | 6 676 650 |
| | Amount paid - current year | (8 241 434) | (6 676 650) |
| | Balance unpaid (included in creditors) | - | - |
| 35.5 | <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u> | | |
| | Opening balance | - | - |
| | Current year payroll deductions and Council Contributions | 16 978 678 | 13 530 421 |
| | Amount paid - current year | (16 978 678) | (13 530 421) |
| | Balance unpaid (included in creditors) | - | - |
| 35.6 | <u>Quotations awarded - Supply Chain Management</u> | | |
| | Deviations from the Supply Chain Management Regulations were identified on the following categories: | | |
| | Deviations per type | | |
| | - 3 Quotes not obtained | 1 360 624 | 1 884 202 |
| | | 1 360 624 | 1 884 202 |
| | Deviations per financial category | | |
| | - Between R 0 and R 2 000 | 3 227 | 1 563 |
| | - Between R 2 000 and R 10 000 | 408 626 | 305 169 |
| | - Between R 10 000 and R 30 000 | 441 300 | 379 778 |
| | - Between R 30 000 and R 200 000 | 507 470 | 560 342 |
| | - Above R 200 000 | - | 637 350 |
| | | 1 360 624 | 1 884 202 |



**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

36

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

| | 2014 R | 2013 R |
|---|-----------|-----------|
| 1% (2013 - 0.5%) Increase in interest rates | 46 051 | 12 524 |
| 0% (2013 - 0.5%) Decrease in interest rates | - | (12 524) |

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The entity only deposits cash with major banks with high quality credit standing. The banks utilised by the municipality are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposures are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Balance Sheet date for impairment.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 R | 2013 R |
|---|-------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows: | | |
| Receivables from exchange transactions | 501 432 | 442 162 |
| Receivables from non-exchange transactions | 1 340 572 | 1 457 221 |
| Cash and Cash Equivalents | 14 709 550 | 12 487 228 |
| | <u>16 551 554</u> | <u>14 386 611</u> |

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|--|-------------------|--------------------------|---------------------------|-------------------|
| 2014 | | | | |
| Long Term liabilities | 928 886 | 1 583 989 | 108 436 | - |
| Capital repayments | 782 765 | 1 375 485 | 103 505 | - |
| Interest | 146 121 | 208 504 | 4 931 | - |
| Provisions Landfill Sites | - | - | - | 87 536 022 |
| Capital repayments | - | - | - | 7 838 715 |
| Interest | - | - | - | 79 697 307 |
| Payables from exchange transactions | 1 230 274 | - | - | - |
| Unspent conditional government grants and receipts | 8 773 564 | - | - | - |
| | <u>10 932 724</u> | <u>1 583 989</u> | <u>108 436</u> | <u>87 536 022</u> |
| 2013 | | | | |
| Long Term liabilities | 1 090 460 | 1 868 148 | 325 309 | - |
| Capital repayments | 891 489 | 1 579 403 | 296 754 | - |
| Interest | 198 971 | 288 745 | 28 555 | - |
| Provisions Landfill Sites | - | - | - | 76 814 797 |
| Capital repayments | - | - | - | 7 210 784 |
| Interest | - | - | - | 69 604 013 |
| Payables from exchange transactions | 1 227 217 | - | - | - |
| Unspent conditional government grants and receipts | 10 945 303 | - | - | - |
| | <u>13 262 980</u> | <u>1 868 148</u> | <u>325 309</u> | <u>76 814 797</u> |

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|------|--|-------------------|-------------------|
| 37 | FINANCIAL INSTRUMENTS | | |
| | Financial instruments of the municipality are classified as follows: | | |
| | The fair value of financial instruments approximates the amortised costs as reflected below. | | |
| 37.1 | Financial Assets | | |
| | <u>Classification</u> | | |
| | Investments | | |
| | Unlisted and listed Investments | - | - |
| | Receivables | | |
| | Receivables from exchange transactions | 113 840 | 79 155 |
| | Receivables from non-exchange transactions | 1 340 572 | 1 457 221 |
| | Short-term Investment Deposits | | |
| | Call Deposits | 7 693 030 | - |
| | Bank Balances and Cash | | |
| | Bank Balances | 7 012 571 | 12 483 278 |
| | Cash Floats and Advances | 3 950 | 3 950 |
| | | 16 163 962 | 14 023 604 |
| | SUMMARY OF FINANCIAL ASSETS | | |
| | Financial instruments at amortised cost | 16 163 962 | 14 023 604 |
| | At amortised cost | 16 163 962 | 14 023 604 |
| 37.2 | Financial Liability | | |
| | <u>Classification</u> | | |
| | Long-term Liabilities | | |
| | Annuity Loans | 779 945 | 1 235 231 |
| | Capitalised Lease Liability | 699 045 | 640 926 |
| | Non-Current Provisions - Landfill Sites | 7 838 715 | 7 210 784 |
| | Payables from exchange transactions | | |
| | Trade Creditors | 632 211 | 614 890 |
| | Sundry Deposits | 30 735 | 41 270 |
| | Other | 124 753 | 103 036 |
| | Current Portion of Long-term Liabilities | | |
| | Annuity Loans | 455 287 | 723 069 |
| | Capitalised Lease Liability | 327 478 | 168 419 |
| | | 10 888 169 | 10 737 625 |
| | SUMMARY OF FINANCIAL LIABILITY | | |
| | Financial instruments at amortised cost | 10 888 169 | 10 737 625 |

38 **EVENTS AFTER THE REPORTING DATE**


The municipality has no events after reporting date during the financial year ended 2013/2014.

39 **IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

40 **PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.



OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 R | 2013 R |
|------|---|-----------|-----------|
| 41 | CONTINGENT LIABILITY | | |
| | <p>Pending claim relating to a labour dispute with an employee</p> <p>A former employee whose services were terminated and who was held responsible for recovery of legal costs, lodged a claim against the municipality to withdraw his termination and at the same time not be held responsible for the recovery of the legal costs. No definite costs that may be incurred could be determined.</p> <p>Another employee whose services were terminated was held responsible for recovery of costs incurred during his term at the municipality. He lodged a claim against the municipality that all outstanding amounts be written off. No definite costs that may be incurred could be determined.</p> <p>During the previous financial year a disciplinary hearing against the previous Municipal Manager resulted in a settlement agreement between the Municipal Manager and the Council that was signed by both parties during November 2013. The agreement was settled during the year under review. The former employee lodged a further claim against the municipality for the payment of accrued leave.</p> | 70 918 | 369 364 |
| | <p>The remuneration increase for Councillors was rejected by the provincial MEC for local government. The Councillors are still negotiating with the MEC to get their increase approved. If the consent of the MEC could be obtained back pay for the 2012/13 financial year will be paid. The matter was resolved during the year under review.</p> | | 425 750 |
| 42 | RELATED PARTIES | | |
| | <p>Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.</p> <p>The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.</p> | | |
| 42.1 | Related Party Loans | | |
| | <p>Since 1 July 2004 loans to councillors and senior management employees are not permitted.</p> | | |
| 42.2 | Compensation of key management personnel | | |
| | <p>The compensation of key management personnel is set out in note 21 to the Annual Financial Statements.</p> | | |
| 42.3 | Other related party transactions | | |
| | <p>The following purchases were made during the year where Councillors or staff have an interest:</p> <p><i>None</i></p> | | |
| 45 | GOING CONCERN ASSUMPTION | | |
| | <p>The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality has been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.</p> <p>The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.</p> | | |

2014-07-08
 Municipal Manager

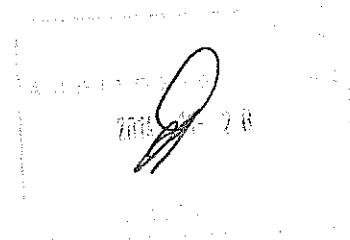
**APPENDIX A
OVERBERG DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2013 | Correction | Balance at 30 JUNE 2013 Restated | Received during the period | Redeemed written off during the period | Balance at 30 JUNE 2014 |
|--------------------------------|-------|-------------|------------|-------------------------|------------|----------------------------------|----------------------------|--|-------------------------|
| ANNUITY LOANS | | | | | | | | | |
| INCA | 9.30% | | 31/12/2014 | 922 966 | - | 922 966 | | 601 266 | 321 701 |
| INCA | 9.45% | | 31/12/2019 | 1 035 334 | - | 1 035 334 | | 121 804 | 913 531 |
| Total Annuity Loans | | | | 1 958 300 | - | 1 958 300 | - | 723 069 | 1 235 231 |
| LEASE LIABILITY | | | | | | | | | |
| Vehicles and Equipment | | | | 809 345 | - | 809 345 | 515 244 | 298 065 | 1 026 524 |
| Total Lease Liabilities | | | | 809 345 | - | 809 345 | 515 244 | 298 065 | 1 026 524 |
| TOTAL EXTERNAL LOANS | | | | 2 767 645 | - | 2 767 645 | 515 244 | 1 021 134 | 2 261 755 |

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APPENDIX B
OVERBERG DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
MUNICIPAL VOTES CLASSIFICATION

| 2013 Actual Income R | 2013 Actual Expenditure R | 2013 Surplus/ (Deficit) R | | 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|---------------------------|-------------------------------|------------------------------------|------------------------------------|
| 4 491 439 | (5 923 860) | (1 432 421) | Council Expenditure | 4 505 517 | (7 462 932) | (2 957 414) |
| - | (1 189 338) | (1 189 338) | Executive Services | - | (2 119 043) | (2 119 043) |
| - | (863 767) | (863 767) | Management Support | - | (1 066 234) | (1 066 234) |
| - | (833 611) | (833 611) | Record Management | - | (873 920) | (873 920) |
| - | (3 361 629) | (3 361 629) | Administration | - | (2 871 381) | (2 871 381) |
| - | (501 923) | (501 923) | Audit | - | (834 891) | (834 891) |
| - | (1 425 262) | (1 425 262) | Human Resources | - | (1 226 815) | (1 226 815) |
| - | (1 792 648) | (1 792 648) | Supply Chain Management | - | (1 916 823) | (1 916 823) |
| - | (3 272 982) | (3 272 982) | Finance Inc Exp & It | - | (3 668 891) | (3 668 891) |
| - | (439 717) | (439 717) | Performance Management | - | (486 675) | (486 675) |
| 15 142 | (472 501) | (457 359) | Buildings | 16 302 | (696 103) | (679 802) |
| 5 194 627 | (5 253 260) | (58 634) | Financial Services | 1 878 009 | (3 662 687) | (1 784 677) |
| - | (1 106 649) | (1 106 649) | Planning Services | - | (962 540) | (962 540) |
| 46 023 929 | (2 097 929) | 43 926 000 | Grants Ex Nat Government | 48 894 412 | (2 187 582) | 46 706 830 |
| 7 226 | (7 226) | - | Grants Ex Prov Government | 865 234 | (561 849) | 303 385 |
| 1 007 578 | (848 218) | 159 360 | Fin Man Grant | 1 250 000 | (1 250 000) | - |
| 122 857 | (14 337 590) | (14 214 733) | Fire Brigade | 123 084 | (16 005 083) | (15 881 999) |
| - | (333 894) | (333 894) | Disaster Management | - | (357 236) | (357 236) |
| 67 874 | (9 822 327) | (9 754 453) | Municipal Health | 44 053 | (10 120 766) | (10 076 713) |
| 11 259 | (86) | 11 172 | Velapi Hostel | 1 142 | - | 1 142 |
| - | (879 272) | (879 272) | Environmental Management | - | (1 181 335) | (1 181 335) |
| - | (40 871) | (40 871) | Engineering Services | - | (29 779) | (29 779) |
| 15 784 | (1 897 177) | (1 881 393) | Karwyderskraal | 11 255 | (1 480 382) | (1 469 127) |
| - | (1 235) | (1 235) | Buffeljachtsbaai | - | - | - |
| 1 569 226 | (2 559 623) | (990 397) | Dennehof | 643 121 | (1 707 367) | (1 064 246) |
| 2 125 204 | (1 402 905) | 722 298 | Die Dam | 2 308 081 | (1 760 272) | 547 810 |
| 8 170 610 | (6 225 302) | 1 945 308 | Uilenkraalsmond | 8 489 371 | (7 056 209) | 1 433 162 |
| 39 627 | - | 39 627 | Outspans & Public Places | 41 933 | - | 41 933 |
| 102 894 | (102 894) | - | Comprehensive Health | 114 655 | (114 655) | - |
| 41 370 141 | (41 370 141) | - | Roads - Main & Divisional | 50 779 726 | (50 779 726) | - |
| 110 335 415 | (108 363 838) | 1 971 577 | Sub Total | 119 965 896 | (122 441 176) | (2 475 279) |
| - | - | - | | - | - | - |
| 110 335 415 | (108 363 838) | 1 971 577 | Total | 119 965 896 | (122 441 176) | (2 475 279) |



APPENDIX C
OVERBERG DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| 2013 Actual Income R | 2013 Actual Expenditure R | 2013 Surplus/ (Deficit) R | | 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|--------------------------|-------------------------------|------------------------------------|------------------------------------|
| 50 522 593 | (10 584 042) | 39 938 551 | Executive & Council | 54 265 163 | (14 232 531) | 40 032 632 |
| 15 142 | (6 532 720) | (6 517 578) | Corporate Services | 16 302 | (6 154 895) | (6 138 593) |
| 6 202 205 | (11 167 109) | (4 964 904) | Financial Services | 3 128 009 | (10 498 401) | (7 370 392) |
| - | (1 147 520) | (1 147 520) | Planning & Development | - | (992 319) | (992 319) |
| 102 894 | (102 894) | - | Health | 114 655 | (114 655) | - |
| 122 857 | (14 671 485) | (14 548 628) | Public Safety | 123 084 | (16 362 319) | (16 239 235) |
| 11 904 666 | (10 189 064) | 1 715 602 | Sport & Recreation | 11 482 507 | (10 523 848) | 958 659 |
| 79 133 | (10 701 686) | (10 622 553) | Environmental Protection | 45 195 | (11 302 100) | (11 256 906) |
| 15 784 | (1 897 177) | (1 881 393) | Waste Management | 11 255 | (1 480 382) | (1 469 127) |
| 41 370 141 | (41 370 141) | - | Road Transport | 50 779 726 | (50 779 726) | - |
| 110 335 415 | (108 363 838) | 1 971 577 | Total | 119 965 896 | (122 441 176) | (2 475 279) |

2014 07 08

APPENDIX D
OVERBERG DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 30 JUNE 2013 | Correction of error | Balance 1 JULY 2013 | Grants Received | Interest Received | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Re - allocation of Grants | Balance 30 JUNE 2014 |
|--|-------------------------|------------------------|------------------------|--------------------|----------------------|--|--|------------------------------|-------------------------|
| | R | R | R | R | R | R | R | R | R |
| UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS | | | | | | | | | |
| National Government Grants | | | | | | | | | |
| Equitable Share | - | - | - | 46 637 000 | - | 46 637 000 | - | - | - |
| Local Government Financial Management Grant | - | - | - | 1 250 000 | - | 1 250 000 | - | - | - |
| Municipal Systems Improvement Grant | - | - | - | 890 000 | - | 820 170 | 69 830 | - | - |
| Total National Government Grants | - | - | - | 48 777 000 | - | 48 707 170 | 69 830 | - | - |
| Provincial Government Grants | | | | | | | | | |
| Napier Tourism Office | 1 486 | - | 1 486 | - | - | - | - | 1 486 | - |
| Local Economic Development | 21 665 | - | 21 665 | - | - | - | - | 21 665 | - |
| Non - motorised Transport | 7 356 | - | 7 356 | - | - | - | - | 7 356 | - |
| Coastal Management Programme | 897 836 | - | 897 836 | - | - | - | - | - | - |
| SETA Training Fund | 734 461 | - | 734 461 | 80 019 | - | 114 161 | - | - | 783 675 |
| Tourism Routes | 62 562 | - | 62 562 | - | - | 367 412 | - | - | 447 068 |
| Human Rights Programme | 103 062 | - | 103 062 | - | - | - | 62 562 | - | - |
| Kogelberg Biosphere | 26 425 | - | 26 425 | - | - | 50 000 | - | - | 53 052 |
| Breede River Spatial Development Framework | 14 536 | - | 14 536 | - | - | - | - | 26 425 | - |
| Tourism Workshops | 20 755 | - | 20 755 | - | - | - | - | 14 536 | - |
| Tourism Projects | 117 265 | - | 117 265 | - | - | - | - | 20 755 | - |
| Housing Training | 228 025 | - | 228 025 | - | - | 14 330 | - | - | - |
| CDW Funds | 6 292 | - | 6 292 | - | - | - | - | 11 319 | 91 617 |
| Alcohol Abuse | 579 | - | 579 | - | - | - | - | 228 025 | - |
| Karvyderskraal | 250 000 | - | 250 000 | - | - | - | - | 5 292 | - |
| Sport and Recreation Facilities | - | - | - | - | - | - | - | 579 | - |
| EPWP Grant | - | - | - | - | - | 86 615 | 303 385 | (400 000) | 250 000 |
| Road Subsidy | 8 160 004 | (6 007) | 8 153 997 | 1 000 000 | - | 1 000 000 | - | - | - |
| Health Subsidy | - | - | - | 48 530 425 | - | 50 621 904 | - | - | 6 062 518 |
| Municipal Finance Improvement Programme | - | - | - | 114 655 | - | 114 655 | - | - | 57 392 |
| Office Upgrading and Maintenance | - | - | - | 914 976 | - | 220 954 | - | - | 334 211 |
| Risk Management | 300 000 | - | 300 000 | 100 000 | - | 65 789 | - | - | 694 022 |
| Total Provincial Government Grants | 10 951 310 | (6 007) | 10 945 303 | 50 797 466 | - | 52 665 820 | 303 385 | - | 8 773 564 |
| Total | 10 951 310 | (6 007) | 10 945 303 | 99 574 466 | - | 101 372 990 | 373 215 | - | 8 773 564 |

AUDITED
2014-2017

