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HESSEQUA MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR
DEPUTY MAYOR
SPEAKER

Councillor E Nel
Councillor JJ Merkeur
Councillor L Fourie

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson
Member
Member
Member
Member

Councillor E Nel
Councillor JJ Merkeur
Councillor CAE Prins
Councillor EJ Prins
Councillor FC Carelse

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Corporate Services
Finance Portfolio
Community Services
Planning and Environmental Services
Technical Services Portfolio

Councillor FC Carelse
Councillor EJ Prins
Councillor CAE Prins
Councillor EJ Prins
Councillor JJ Merkeur

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

Prof JA Döckel
Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member
Member
Member

Prof JA Döckel
Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Councillor E Nel
Councillor EJ Prins

AUDITORS:

The Auditor General
Private Bag X1
CHEMPET
7742
Telephone 021-528 4100
Fax 021-528 4201

BANKERS:

FNB
c/o Robertson & Church street
RIVERSDALE
Telephone 082-713 2434

REGISTERED OFFICE:

Van den Bergstreet
PO Box 29
RIVERSDALE
6670
Telephone 082 713 8000
Fax 086 401 5259

GENERAL INFORMATION - (continued)

MUNICIPAL MANAGER:

Mr. J. Jacobs

DIRECTOR: FINANCIAL SERVICES:

Ms. H.J. Viljoen

COUNCIL MEMBERS

Dawid Abrahams
Fred Charles Carelse
Philipus Rudolf Claassens
Msindo Elias Dayimani
Leonardus Johannes Fourie
Lilian Cornè February
Annalene Hartnick
Freddie Hartnick
Richard Johannes
Annemarie Joubert
Julian Joseph Merkeur
Emor Nel
Elizabeth Joan Prins
Charles Andrew Edward Prins
Christopher Philip Taute

POSITION

Councillor, Eden DM Rep
Councillor, Executive Mayoral Committee
Councillor
Councillor
Speaker
Councillor
Councillor
Councillor
Councillor, Eden DM Rep
Councillor
Deputy Mayor
Executive Mayor
Councillor, Executive Mayoral Committee
Councillor, Executive Mayoral Committee
Councillor

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2014

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to _91, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003, and which I have signed on behalf of the Municipality.

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis and is hereby certified.



J. JACOBS
Municipal Manager

14 November 2014
Date

Statement from the Chief Financial Officer -(continued)

Consumer debtors collection period

(Gross exchange debtors/service charges x 365)

The higher the ratio in the days the more likelihood that some debt could be irrecoverable.

Debt management

Total liabilities/Total assets

The ratio decreased by 1.25% which indicates a better level of solvency.

Long term debt to Total operating revenue (Excl grants and transfers)

(The borrowing, funds and reserves policy prescribes the rate not to exceed 35%).

Percentage of Total annual repayment of long term debt to operating expenditure

(The borrowing, funds and reserves policy prescribes the rate not to exceed 10%).

Trade creditors payment period

This indicates an increase of 16 days relative to the prior year in creditors' payments.

	2013/2014	2012/2013
Consumer debtors collection period (Gross exchange debtors/service charges x 365)	69.24 days	67.90 days
Total liabilities/Total assets	27.79%	29.04%
Long term debt to Total operating revenue (Excl grants and transfers) (The borrowing, funds and reserves policy prescribes the rate not to exceed 35%).	30.97%	41.72%
Percentage of Total annual repayment of long term debt to operating expenditure (The borrowing, funds and reserves policy prescribes the rate not to exceed 10%).	3.22%	3.80%
Trade creditors payment period	57.01 days	41.25 days

3. Operating Results

The overall summarised operating results for the municipality in comparison to the approved budget are shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service are shown in Appendix D of the annual financial statements.

	2013/204		2012/2013	Growth
	Actual	Budget	Actual	
Revenue				
Agency services	1 550 001	1 320 286	1 468 378	5.56%
Fines	29 854 614	2 637 414	4 800 273	521.94%
Gains on disposal of PPE	138 727	1 000 000	-	100.00%
Donated PPE	18 897 400	-	-	100.00%
Interest Earned - External investments	3 336 129	2 520 000	2 981 375	11.90%
Interest Earned - Outstanding debtors	949 027	1 343 192	885 259	7.20%
Licenses and permits	271 997	296 432	290 484	-6.36%
Property rates	55 048 433	55 571 528	50 379 920	9.27%
Rental of facilities and equipment	3 623 891	4 146 785	3 477 429	4.21%
Services Charges	148 435 012	160 907 165	140 246 433	5.84%
Transfers Recognised	61 606 289	61 450 992	70 686 652	-12.85%
Other revenue	6 259 973	2 664 535	4 839 134	29.36%
	329 971 493	293 858 329	280 055 337	17.82%

	2013/204		2012/2013	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	66 968 245	68 494 250	62 822 646	6.60%
Contracted services	6 894 065	4 927 863	5 753 161	19.83%
Debt impairment	24 194 517	3 274 593	6 105 475	296.28%
Depreciation and impairment	38 698 253	20 862 496	19 922 296	94.25%
Employee related cost	103 458 937	105 681 407	100 822 065	2.62%
Remuneration of councillors	5 142 522	5 258 876	4 636 423	10.92%
Finance charges	8 900 364	8 358 560	9 221 765	-3.49%
Loss on disposal of assets	2 181 410	-	1 997 685	9.20%
Loss on revaluation of investment property	-	-	3 470 781	-100.00%
Repairs and maintenance	10 900 673	12 032 482	11 397 097	-4.36%
Other expenditure	43 835 118	63 128 899	51 625 437	-15.09%
	311 174 104	292 019 426	277 774 831	12.02%

Net operating Surplus

18 797 388	1 838 903	2 280 506
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3.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- services charges, consisting of the following:
 - ~ electricity sales
 - ~ water sales
 - ~ waste water management
 - ~ waste management
- government grants and subsidies
- other

The municipality received a growth in total revenue during the year of 16.86%.

Details of the main categories of income are as follows:

Service Charges	44.98%
Property rates	16.68%
Grants and subsidies	18.67%
Other	19.66%
	<u>100.00%</u>

3.2 Operating expenditure

Details of the main categories of expenditure for the year under review are provided below:

Bulk purchases	21.52%
Employee related cost/Council Remuneration	34.90%
Depreciation and impairment	12.44%
Repairs and maintenance	3.50%
Finance cost	2.86%
Other	24.78%
	<u>100.00%</u>

4. Debtors

Total outstanding net debtors increased with R4 935 622 to a balance of R30 627 753 at 30 June 2014. Income from traffic fines increased to R31 070 215 and outstanding traffic receivables increased to R23 196 330 at 30 June 2014. A provision for impairment of traffic fines of R16 515 787 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt decreased to R77 259 912 in the financial year ended 30 June 2014. Cash and cash equivalents increased by R7 527 430 to close the year with R52 million.

6. Expression of appreciation

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

.....
CHIEF FINANCIAL OFFICER
14 November 2014

HESSEQUA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	2014	2013
		R	Restated R
ASSETS			
Current Assets		86 323 488	73 083 542
Inventory	2	810 318	797 226
Assets classified as held for sale	3	776 609	1 275 709
Trade receivables from exchange transactions	4	16 742 956	15 826 127
Trade receivables from non-exchange transactions	5	13 884 795	9 866 002
VAT Receivable	6	1 261 887	0
Bank, Cash and Cash Equivalents	7	52 582 568	45 055 138
Operating Lease Assets	8	262 275	261 562
Current Portion of Long-term Receivables	13	2 080	1 777
Non-Current Assets		575 987 294	574 385 770
Property, Plant and Equipment	9	526 794 673	525 166 591
Intangible assets	10	325 557	338 890
Investment Property	11	40 524 999	40 524 999
Heritage Assets	12	8 321 875	8 332 875
Long-term Receivables	13	20 190	22 415
Total Assets		662 310 782	647 469 311
LIABILITIES			
Current Liabilities		52 102 396	51 646 747
Consumer Deposits	14	3 461 317	3 252 063
Provisions	15	5 880 983	7 192 786
Creditors	16	30 351 547	27 488 167
Unspent Conditional Grants and Receipts	17	2 072 580	1 754 839
Operating Lease Liabilities	18	13 102	36 991
VAT Payable	6	0	943 326
Current Portion of Long-term Liabilities	19	10 322 867	10 978 575
Non-Current Liabilities		131 937 254	136 348 821
Long-term Liabilities	19	66 937 045	76 373 307
Retirement Benefit Liabilities	20	43 405 997	40 227 167
Non-current Provisions	21	19 900 087	18 100 284
Trust Fund	49	1 694 125	1 648 063
Total Liabilities		184 039 650	187 995 568
Total Assets and Liabilities		478 271 132	459 473 743
NET ASSETS		478 271 133	459 473 744
Statutory Funds	22	131 441	22 057
Accumulated Surplus	23	478 139 692	459 451 687
Total Net Assets		478 271 133	459 473 744

HESSEQUA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Revenue	Note	Actual	
		2014 R	2013 R Restated
Revenue from non-exchange transactions			
Property Rates	24	55 048 433	50 379 920
Fines		29 854 614	4 800 273
Licences and permits		271 997	290 484
Income from agency services		1 550 001	1 468 378
Donated Property, Plant and Equipment		18 897 400	0
Government grants and subsidies	26 + 27	61 606 289	70 686 652
Revenue from exchange transactions			
Service Charges	25	148 435 012	140 246 433
Rental of facilities and equipment		3 623 891	3 477 429
Interest earned - external investments		3 336 129	2 981 375
Interest earned - outstanding receivables		949 027	885 259
Other income	28	6 259 973	4 839 134
Gains on disposal of property, plant and equipment		138 727	0
Total Revenue		329 971 493	280 055 337
Expenditure			
Employee related costs	29	103 458 937	100 822 065
Remuneration of Councillors	30	5 142 522	4 636 423
Bad debts	31	24 194 517	6 105 475
Collection costs		1 749 931	1 357 508
Depreciation and amortisation	32	18 689 860	19 877 709
Impairment		20 008 393	44 587
Repairs and maintenance		10 900 673	11 397 097
Interest paid	33	8 900 364	9 221 765
Bulk purchases	34	66 968 245	62 822 646
Loss on disposal of property, plant and equipment		2 181 410	1 997 685
Loss on revaluation of Investment Property		0	3 470 781
Contracted services		6 894 065	5 753 161
General expenses	35	42 085 187	50 267 928
Total Expenditure		311 174 104	277 774 831
Surplus/(Deficit) For The Year		18 797 389	2 280 506

Refer to Appendix E (1) and "Comparison of budget" for explanation of variances

HESSEQUA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2014

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2012		53 574	0	504 092 284	504 145 859
Correction of errors	48.5			-46 952 620	-46 952 620
Restated balance at 1 July 2012		53 574	0	457 139 664	457 193 238
Restated surplus for the year	48.6			2 280 506	2 280 506
Transfer to Housing Reserve		-31 517		31 517	0
Restated balance at 30 June 2013		22 057	0	459 451 687	459 473 744
Surplus for the year				18 797 389	18 797 389
Transfer from Housing Reserve		109 384		-109 384	0
Balance at 30 June 2014		131 441	0	478 139 692	478 271 133

HESSEQUA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
Cash Flow from Operating Activities		R	Restated R
Receipts			
Property rates		54 177 435	51 506 647
Fines		4 947 761	3 504 001
Government grants and subsidies		61 924 030	69 600 029
Service Charges		140 341 731	141 106 806
Income from agency services		1 550 001	1 468 378
Rental of facilities and equipment		3 623 891	3 477 429
Licences and permits		271 997	290 484
Other receipts		9 745 343	4 648 738
Payments			
Employee related cost		-102 045 864	-97 746 712
Remuneration of councillors		-5 142 522	-4 636 423
Suppliers paid		-80 128 826	-99 143 300
Other payments		-43 653 420	-52 710 456
Cash generated from operations	37	45 611 557	21 365 621
Interest received		4 285 156	3 866 634
Interest paid	33	-8 900 364	-9 221 765
Net Cash from Operating Activities		40 996 349	16 010 490
Cash flows from Investing Activities			
Purchase of property, plant and equipment	9	-23 770 571	-40 604 826
Sale of property, plant and equipment		136 384	540 927
Increase in non-current receivables		1 923	1 778
Net Cash flows from Investing Activities		-23 632 264	-40 062 121
Cash flows from Financing Activities			
New loans raised/(repaid)		-10 091 969	30 982 502
(Decrease)/increase in consumer deposits		209 253	-2 274
Increase in Trust Funds		46 062	64 599
Net Cash from Financing Activities		-9 836 654	31 044 827
Net Increase / (decrease) in Cash and Cash Equivalents		7 527 430	6 993 196
Cash and cash equivalents at the beginning of the year		45 055 138	38 061 942
Cash and cash equivalents at the end of the year	36	52 582 568	45 055 138

HESSEQUA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2014

Statement of Financial Performance

Figures in Rand

Revenue	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						Note 56
Property Rates	55 571 528	0	55 571 528	55 048 433	-523 095	
Fines	2 637 414	0	2 637 414	29 854 614	27 217 200	Rev 1
Licences and permits	296 432	0	296 432	271 997	-24 435	
Income from agency services	1 320 286	0	1 320 286	1 550 001	229 715	
Government grants and subsidies	55 696 392	4 374 437	60 070 829	61 606 289	1 535 460	
Revenue from exchange transactions						
Service Charges	161 405 087	-497 922	160 907 165	148 435 012	-12 472 153	Rev 2
Rental of facilities and equipment	4 124 305	22 480	4 146 785	3 623 891	-522 894	
Interest earned - external investments	2 520 000	0	2 520 000	3 336 129	816 129	
Interest earned - outstanding receivables	1 343 192	0	1 343 192	949 027	-394 165	
Other income	4 897 984	-853 286	4 044 698	6 259 973	2 215 275	Rev 3
Donated Property, Plant & Equipment	0	0	0	18 897 400	18 897 400	Rev 4
Gains on disposal of property, plant and equipment	1 000 000	0	1 000 000	138 727	-861 273	
Total Revenue	290 812 620	3 045 709	293 858 329	329 971 493	36 113 163	
Expenditure						
Employee related costs	101 088 550	-508 307	100 580 243	103 458 937	2 878 694	Exp 1
Remuneration of Councillors	5 374 200	0	5 374 200	5 142 522	-231 678	
Bad debts	3 274 593	0	3 274 593	24 194 517	20 919 924	Exp 2
Collection costs	1 038 576	46 807	1 085 383	1 749 931	664 548	
Depreciation and amortisation	19 510 871	1 351 625	20 862 496	18 689 860	-2 172 636	Exp 3
Impairment	0	0	0	20 008 393	20 008 393	Exp 4
Repairs and maintenance	18 015 032	-881 386	17 133 646	10 900 673	-6 232 973	Exp 5
Interest paid	8 335 960	22 600	8 358 560	8 900 364	541 804	
Bulk purchases	68 996 150	-501 900	68 494 250	66 968 245	-1 526 005	Exp 6
Loss on disposal of property, plant and equipment	0	0	0	2 181 410	2 181 410	Exp 7
Contracted services	4 382 534	545 329	4 927 863	6 894 065	1 966 202	Exp 8
General expenses	51 586 524	10 341 668	61 928 192	42 085 188	-19 843 004	Exp 9
Total Expenditure	281 602 990	10 416 436	292 019 426	311 174 105	19 154 679	
Surplus/(Deficit) For The Year	9 209 630	-7 370 727	1 838 903	18 797 388	16 958 484	

HESSEQUA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2014

Statement of Financial Position	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
ASSETS						Note 56
Current Assets	44 413 318	0	44 413 318	86 323 488	41 910 170	
Inventory	845 000	0	845 000	810 316	-34 684	
Non-current Assets held for sale		0	0	776 609	776 609	
Trade receivables from exchange transactions	14 750 744	0	14 750 744	16 742 958	1 992 214	FP1
Trade receivables from non-exchange transactions	8 384 931	0	8 384 931	13 884 795	5 499 864	FP2
VAT Receivable		0	0	1 261 887	1 261 887	
Bank, Cash and Cash Equivalents	20 431 000	0	20 431 000	52 582 568	32 151 568	FP3
Operating Lease Assets		0	0	262 275	262 275	
Current Portion of Long-term Receivables	1 643	0	1 643	2 080	437	
Non-Current Assets	660 818 041	-18 761 324	642 056 717	575 987 294	-66 069 423	
Property, Plant and Equipment	608 648 125	-18 761 324	589 886 801	526 794 673	-63 092 128	FP4
Intangible assets	366 000	0	366 000	325 557	-40 443	
Investment Property	43 450 000	0	43 450 000	40 524 999	-2 925 001	FP5
Heritage Assets	8 332 875	0	8 332 875	8 321 875	-11 000	
Long-term Receivables	21 041	0	21 041	20 190	-851	
Total Assets	705 231 359	-18 761 324	686 470 035	662 310 782	-24 159 253	
LIABILITIES						
Current Liabilities	54 311 729	0	54 311 729	52 102 396	-2 209 333	
Consumer Deposits	3 418 353	0	3 418 353	3 461 317	42 964	
Provisions	11 374 376	0	11 374 376	5 880 983	-5 493 393	FP6
Creditors	23 614 318	0	23 614 318	30 351 547	6 737 229	FP7
Unspent Conditional Grants and Receipts	5 072 580	0	5 072 580	2 072 580	-3 000 000	FP8
Operating Lease Liabilities	13 102	0	13 102	13 102	0	
VAT Payable	0	0	0	0	0	
Bank Overdraft	0	0	0	0	0	
Current Portion of Long-term Liabilities	10 819 000	0	10 819 000	10 322 867	-496 133	
Non-Current Liabilities	133 532 000	0	133 532 000	131 937 254	-1 594 746	
Long-term Liabilities	90 711 877	0	90 711 877	66 937 045	-23 774 832	FP9
Retirement Benefit Liabilities	35 158 832	0	35 158 832	43 405 997	8 247 165	FP10
Non-current Provisions	5 967 168	0	5 967 168	19 900 089	13 932 921	FP11
Trust Fund	1 694 123	0	1 694 123	1 694 123	0	
Total Liabilities	187 843 729	0	187 843 729	184 039 650	-3 804 079	
Total Assets and Liabilities	517 387 630	-18 761 324	498 626 306	478 271 132	-20 355 174	
NET ASSETS	517 387 630	-18 761 324	498 626 306	478 271 132	-20 355 174	
Statutory Funds	131 441		131 441	131 441	0	
Accumulated Surplus	517 256 189	-18 761 324	498 494 865	478 139 691	-20 355 174	FP12
Total Net Assets	517 387 630	-18 761 324	498 626 306	478 271 132	-20 355 174	

HESSEQUA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2014

Cash Flow from Operating Activities	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						<u>Note 56</u>
Receipts						
Ratepayers and other	225 017 110	-1 210 486	223 806 624	214 658 158	-9 148 466	CF1
Government grants and subsidies	57 905 800	5 293 182	63 198 982	61 924 030	-1 274 952	
Payments						
Suppliers and employees	-241 224 420	-7 190 391	-248 414 811	-230 970 632	17 444 179	CF2
Cash generated from operations	41 698 490	-3 107 695	38 590 795	45 611 556	7 020 761	
Interest received	2 520 000	711 000	3 231 000	4 285 156	1 054 156	
Interest paid	-8 335 960	0	-8 335 960	-8 900 364	-564 404	
Net Cash from Operating Activities	35 882 530	-2 396 695	33 485 835	40 996 348	7 510 513	
Cash flows from Investing Activities						
Purchase of property, plant and equipment	-49 005 000	17 784 763	-31 220 237	-23 770 571	7 449 666	CF3
Sale of property, plant and equipment	1 000 000	0	1 000 000	136 384	-863 616	
(Increase)/decrease in non-current receivables	1 643	0	1 643	1 923	280	
Decrease/(increase) in operating lease assets						
Net Cash flows from Investing Activities	-48 003 357	17 784 763	-30 218 594	-23 632 264	6 586 330	
Cash flows from Financing Activities						
New loans raised/(repaid)	13 962 322	-13 732 230	230 092	-10 091 969	-10 322 061	CF4
(Decrease)/increase in consumer deposits	100 000	0	100 000	209 253	109 253	
Increase in Trust Funds	0	0	0	46 062	46 062	
Net Cash from Financing Activities	14 062 322	-13 732 230	330 092	-9 836 654	-10 166 746	
Net Increase / (decrease) in Cash and Cash Equivalents	1 941 495	1 655 838	3 597 333	7 527 430	3 930 097	
Cash and cash equivalents at the beginning of the year	16 553 000	28 502 138	45 055 138	45 055 138	0	
Cash and cash equivalents at the end of the year	18 494 495	30 157 976	48 652 471	52 582 568	3 930 097	

HESSEQUA MUNICIPALITY

APPROPRIATION STATEMENT AT 30 JUNE 2014

Statement of Financial Performance

Figures in Rand

Revenue	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	Actual outcome as % of final budget	Actual outcome as % of original budget
Revenue from non-exchange transactions									
Property Rates	55 571 528	0	55 571 528			55 571 528	55 048 433	-0.9	-0.9
Fines	2 637 414	0	2 637 414			2 637 414	29 854 614	1 032.0	1 032.0
Licences and permits	296 432	0	296 432			296 432	271 997	-8.2	-8.2
Income from agency services	1 320 286	0	1 320 286			1 320 286	1 550 001	17.4	17.4
Government grants and subsidies	55 696 392	5 293 192	60 989 584	0	-1 303 141	59 686 443	61 606 289	3.2	10.6
Revenue from exchange transactions									
Service Charges	161 405 087	-497 922	160 907 165			160 907 165	148 435 012	-7.8	-8.0
Rental of facilities and equipment	4 124 305	22 480	4 146 785			4 146 785	3 623 891	-12.6	-12.1
Interest earned - external investments	2 520 000	0	2 520 000			2 520 000	3 336 129	32.4	32.4
Interest earned - outstanding receivables	1 343 192	0	1 343 192			1 343 192	949 027	-29.3	-29.3
Other income	4 897 984	-24 041	4 873 943		-444 859	4 429 084	6 259 973	41.3	27.8
Donated Property, Plant & Equipment	0	0	0			0	18 897 400	100.0	100.0
Gains on disposal of property, plant and equipment	1 000 000	0	1 000 000			1 000 000	138 727	-86.1	-86.1
Total Revenue	290 812 620	4 793 709	295 606 329	0	-1 748 000	293 858 329	329 971 493	12.3	13.5
Expenditure									
Employee related costs	101 088 550	-280 681	100 807 869		-227 626	100 580 243	103 458 937	2.9	2.3
Remuneration of Councillors	5 374 200	0	5 374 200			5 374 200	5 142 522	-4.3	-4.3
Bad debts	3 274 593	0	3 274 593			3 274 593	24 194 517	638.9	638.9
Collection costs	1 038 576	46 807	1 085 383			1 085 383	1 749 931	61.2	68.5
Depreciation and amortisation	19 510 871	1 351 625	20 862 496			20 862 496	18 689 860	-10.4	-4.2
Impairment	0	0	0			0	20 008 393	100.0	100.0
Repairs and maintenance	18 015 032	-660 674	17 354 358	-220 712		17 133 646	10 900 673	-36.4	-39.5
Interest paid	8 335 960	22 600	8 358 560			8 358 560	8 900 364	6.5	6.8
Bulk purchases	68 996 150	-501 900	68 494 250			68 494 250	66 968 245	-2.2	-2.9
Loss on disposal of property, plant and equipment	0	0	0			0	2 181 410	100.0	100.0
Contracted services	4 382 534	545 329	4 927 863			4 927 863	6 894 065	39.9	57.3
General expenses	51 586 524	8 018 910	59 605 434	220 712	2 102 046	61 928 192	42 085 188	-32.0	-18.4
Total Expenditure	281 602 990	8 542 016	290 145 006	0	1 874 420	292 019 426	311 174 105	6.6	10.5
Surplus/(Deficit) For The Year	9 209 630	-3 748 307	5 461 323	0	-3 622 420	1 838 903	18 797 388	922.2	-100.0

HESSEQUA MUNICIPALITY

APPROPRIATION STATEMENT AT 30 JUNE 2014

Capital Budget

Figures in Rand

GFS classification	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	Actual outcome as % of final budget	Actual outcome as % of original budget
Budget and Treasury Office	97 900	40 380	138 280	0	0	138 280	119 997	-13.2	22.6
Community and Social Services	728 800	-44 424	684 376	0	0	684 376	255 966	-62.6	-64.9
Corporate Services	1 099 000	-51 550	1 047 450	0	0	1 047 450	783 857	-25.2	-28.7
Electricity	19 524 400	-12 873 107	6 651 293	0	0	6 651 293	4 805 992	-27.7	-75.4
Executive and Council	12 200	-925	11 275	0	0	11 275	7 770	-31.1	-36.3
Public Safety	416 600	-83 536	333 064	0	0	333 064	318 305	-4.4	-23.6
Road Transport	10 938 864	-2 721 993	8 216 871	0	-1 736 666	6 480 205	5 881 342	-9.2	-46.2
Sport and Recreation	2 620 275	2 251 651	4 871 926	0	0	4 871 926	4 326 928	-11.2	65.1
Waste Water Management	8 122 118	-3 749 842	4 372 276	0	760 114	5 132 390	3 814 153	-25.7	-53.0
Water	5 444 843	-551 417	4 893 426	0	0	4 893 426	3 448 611	-29.5	-36.7
Total	49 005 000	-17 784 763	31 220 237	0	-976 552	30 243 685	23 762 921	-21.4	-51.5

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

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

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flows.

The following new standard has been adopted during the year: GRAP 25 - Employee benefits. The adoption of this standard did not have an impact on the reported results of the municipality, as the nature of this standard is similar to IAS 19 previously

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 12.2 on *Revenue from Exchange Transactions* and Accounting Policy 12.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-Exchange Transactions*. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

1. 2. 4 *Useful lives of Property, Plant and Equipment*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 10.2 on *Inventory - Subsequent measurement and Accounting policy 4.3 on Heritage assets - Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.

1. 2. 6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 15, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 and 21 of the Annual Financial Statements.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION (continued)

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 15, 21 and 53 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1. 2. 8 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 2. 9 Budget information

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2013 to 30/06/2014.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

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

1. 6 STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005 - effective date unknown

GRAP 32 Service Concession Arrangement Grantor - issued December 2009 - effective date unknown

GRAP 105 Transfers between entities under common control - issued November 2010 - effective date 1 July 2015

GRAP 106 Transfers between entities not under common control - issued November 2010 - effective 1 July 2015

GRAP 107 Mergers - issued November 2010 - effective date 1 July 2015

GRAP 108 Statutory Receivables - issued December 2009 - effective date unknown

No significant impact is expected on the adoption of the above mentioned standards.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

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

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, a municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management. Segment information presented is either based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region and requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the municipality. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting standard. This standard does not yet have an effective date.

This standard are not expected to have an impact on the Municipality.

GRAP 32 – 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. No such transactions or events are expected in the foreseeable future.

This standard are not expected to have an impact on the Municipality.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the municipality to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

Management has considered all of the above-mentioned GRAP standards issued, but not yet effective, and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Trust Funds

The following trust funds exist in the municipality:

2. 2. 1 *Development Fund for the Maintenance and Operation of Nature Areas in Still Bay*

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 2. 2 *Elsje Koorts Tuberculosis Fund*

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale..."

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring fenced investment account.
(See separate Financial Statements disclosed in the Annual Financial Statements)

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. PROPERTY, PLANT AND EQUIPMENT

3. 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 for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

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

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

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

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

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

3. 2 Subsequent Cost and Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

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

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation charge is recognised in the Statement of Financial Performance.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The depreciation rates are based on the following estimated useful lives.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Electricity	8 - 57	Other	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147	Land-fill site	8 - 18

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

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

3. 4 Work in Progress

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

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds and is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Heritage Assets

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

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

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

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

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

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

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Heritage assets are tested annually for impairment. Where items of heritage assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds, and is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of heritage assets.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over finite intangible assets' useful lives, which are estimated to be 30 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. For example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

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

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

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

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

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

Based on management's judgement, the following criteria has been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both, and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

6. INVESTMENT PROPERTY (continued)

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

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

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.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

7. 2. Impairment of Non-Cash generating assets

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

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

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

The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach;
- Service units approach.

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

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

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

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

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

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

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised in the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

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

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

8. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial assets at amortised cost** are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

- **Financial assets measured at fair value** are financial assets that meet either of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value
 - (c) instruments held for trading.
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

- **Financial assets measured at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial assets at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

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

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. FINANCIAL INSTRUMENTS (continued)

8. 2 Financial Liabilities - Classification (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short term loans	Financial liability at amortised cost
Short term portion of long term loans	Financial liability at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial assets at Amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial asset at Amortised cost*.

Financial Assets measured at Fair Value

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

8. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities are initially measured at fair value. Subsequently financial liabilities are measured at amortised cost.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

8. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

8. FINANCIAL INSTRUMENTS (continued)

8. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

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

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially, all the risks and rewards of ownership, and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

FINANCIAL INSTRUMENTS (continued)

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 51.8 to the annual financial statements.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

10. INVENTORIES

10. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

10. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that a municipality expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

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

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the 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.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

11. ASSETS CLASSIFIED AS HELD-FOR-SALE

11. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally 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 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.

11. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their 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.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of assets classified as held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

12. REVENUE RECOGNITION

12. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality, and these benefits can be measured reliably, except when specifically stated otherwise.

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

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

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

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximate 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.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. REVENUE RECOGNITION (Continued)

12. 2 Revenue from Exchange Transactions

12. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

12. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and if payment is made five days before year end it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

12. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

12. 2. 4 Tariff Charges

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

12. 2. 5 Income from Agency Services

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

12. 2. 6 Sale of Goods (including Houses)

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

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

12. REVENUE RECOGNITION (continued)

12. 2 Revenue from Exchange Transactions (continued)

12. 2. 7 Rentals

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

12. 3 Revenue from Non-exchange Transactions

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

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

12. 3. 1 Rates and Taxes

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

12. 3. 2 Fines

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

Subsequent to initial recognition and measurement, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

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

12. 3. 3 Public contributions

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

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

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

12. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are under the control of the municipality.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. REVENUE RECOGNITION (continued)

12. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

13. CONDITIONAL GRANTS AND RECEIPTS

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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

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

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

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

14. PROVISIONS

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

14. PROVISIONS (Continued)

Provision for Restructuring cost

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

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

Environmental rehabilitation provisions

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

15. EMPLOYEE BENEFITS

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

15. 1 Short-term Employee Benefits

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

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

15. 2 Post employment benefits

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

15. 2. 1 Defined Contribution Plans

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

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. EMPLOYEE BENEFITS (continued)

15. 3 Defined Benefit Plans

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

15. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every two years by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

15. 3. 2 Long-service Allowance

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

15. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 44 of the Annual Financial Statements for details). These plans are either accounted for as defined benefit plans or defined contribution plans, based on their nature as set out in note 44. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued every three years (unless staff numbers vary materially) on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

15. 3. 4 Defined benefit pension plans

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

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

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed every two years.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

16. LEASES

Lease Classification

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

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

16. 1 The Municipality as Lessee

Finance leases

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

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

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

16. 2 The Municipality as Lessor

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

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

16. 3 Determining whether an arrangement contains a lease

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

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

18. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

19. UNAUTHORISED EXPENDITURE

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

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 48 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

23. RELATED PARTIES

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

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. All related party transactions not in the ordinary course of business are disclosed.

24. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

25. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

26. COMPARATIVE INFORMATION

26. 1 Current Year Comparatives

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

26. 2 Prior year comparatives

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

26. 3 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2013 to 30 June 2014.

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

HESSEQUA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2014**

28. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Capital commitments are disclosed for:

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

29. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

HESSEQUA MUNICIPALITY

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

2014
R 2013
R

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. INVENTORY

2.1 Stores, water and paving

Stilbaai Store - at cost	469 068	454 208
Store Heidelberg - Electrical - at cost	93 938	94 730
Public Works - Heidelberg - at cost	3 469	18 883
Waterworks - Heidelberg - at cost	20 881	21 875
Water Inventory - at cost	199 770	183 289
	787 126	772 985

2.2 Other

Stilbaai Books	863	1 063
Refuse Bins	740	1 183
Hessequa Book: Riversdal Tourism	4 616	4 752
Albertinia Municipal Office	1 358	1 358
Slangrivier - Office	679	679
Stilbaai - Office	543	543
Gouritsmond Tourism	10 726	10 726
Stilbaai Tourism	136	136
Witsand - Office	950	950
Heidelberg - Office	1 358	1 358
Mayoral Office	1 223	1 493
Total	810 317	797 226

Water Inventory

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 400 000 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, its fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

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

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

The cost of Inventories recognised as an expense during the period was R691 141 (2013: R559 578).

3. ASSETS CLASSIFIED AS HELD-FOR-SALE

Property held-for-sale at beginning of year	1 275 709	241 500
Transfers from PPE	175 900	1 078 796
Disposals	-582 400	0
Less: Impairment	-92 600	-44 587
Total assets classified as held-for-sale	776 609	1 275 709

The municipality intends to dispose of parcels of land it no longer utilises within the next 12 months. Test for impairment loss was done and recognised where applicable. The land disposed during the year were subjected to a formal tender process. No profit or loss were recognised.

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

2014
R

2013
R

4. Trade receivables from exchange transactions	30 June 2013			30 June 2014		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	11 468 619	4 511 808	6 956 811	12 625 165	2 187 656	10 437 509
Water	4 898 080	1 926 927	2 971 153	5 240 784	2 417 403	2 823 381
Sewerage	4 025 281	1 583 564	2 441 717	4 329 339	2 735 816	1 593 523
Waste Management	2 106 866	828 851	1 278 015	2 157 580	1 160 610	996 970
Housing Rental/Selling Schemes	335	132	203	0	0	0
Other	3 590 910	1 412 681	2 178 229	3 806 491	2 914 918	891 573
	26 090 091	10 263 963	15 826 128	28 159 360	11 416 403	16 742 957

Ageing of consumer debtors

Electricity, Water, Waste Management & Sewerage

Current (0 - 30 days) 13 077 229 11 513 121

Past due

31 - 60 days 1 900 018 1 640 138

60 days + 563 841 596 680

90 days + 8 811 780 8 748 908

Total 24 352 868 22 498 847

Other

Current (0 - 30 days) 309 889 492 216

Past due

31 - 60 days 213 344 249 853

60 days + 206 374 190 370

90 days + 3 076 884 2 658 471

Total 3 806 491 3 590 910

Housing rentals

Current (0 - 30 days) 0 0

Past due

31 - 60 days 0 0

60 days + 0 0

90 days + 0 335

Total 0 335

Consumer Debtors are billed monthly, normally on the 29/30th of each month. No interest is charged on trade receivables until the 1st working day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. A Credit Control Debt Collection and Indigent By-law has been approved by council to ensure recovery of Consumer Debtors. Exchange receivables are not secured.

The municipality receives applications for water and electricity connections that it processes. Deposits are required to be paid for all water and electricity accounts opened.

The recoverability of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors. The concentration of credit risk and credit quality is limited due to the customer base being largely unrelated. Accordingly, management believes no further credit provisions or disclosures are required in excess of present allowance for impairment.

Summary of Debtors by Customer Classification

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2014				
Current:				
0 - 30 days	10 127 529	2 597 941	398 617	263 032
Past Due:				
31 - 60 Days	1 499 429	505 416	38 336	70 180
61 - 90 Days	658 261	89 329	7 881	14 743
+ 90 Days	10 789 612	686 247	317 612	95 194
Sub-total	23 074 831	3 878 933	762 446	443 149
Less: Provision for Impairment	-9 615 620	-1 616 144	0	-184 637
Total Debtors by Customer Classification	13 459 211	2 262 789	762 446	258 512

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

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R

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	8 869 206	2 481 298	409 790	245 042
<u>Past Due:</u>				
31 - 60 Days	1 420 267	388 817	45 555	35 353
61 - 90 Days	628 966	103 362	35 222	19 501
+ 90 Days	9 976 389	700 393	82 171	648 759
Sub-total	20 894 828	3 673 870	572 738	948 655
Less: Provision for Impairment	-8 404 623	-1 477 758	0	-381 582
Total Debtors by Customer Classification	12 490 205	2 196 112	572 738	567 073

Reconciliation of collective provision for impairment on exchange and non-exchange debtors

Balance at beginning of year	14 399 520	8 929 783
Impairment Losses recognised	21 169 188	6 561 143
Amounts written off as uncollectable	-3 694 679	-1 091 406
Balance at end of year	31 874 029	14 399 520

The balance of the provision for impairment can be analysed as follows:

Consumer -and other debtors	15 358 242	14 399 520
Traffic Fines	16 515 787	0
	31 874 029	14 399 520

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date, and places strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Provision for impairment of Consumer Debtors has been made by individually evaluating all debtors above R35 000, high risk accounts provided for at 100%, no provision for low risk(state debtors, departmental, employees), remaining debtors were provided for at a percentage of non-payment for outstanding debt (excluding rates)

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management has no concern over the credit quality of these assets.

At 30 June 2014 consumer debtors of R3,355,840 (2013: R3,820,793) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	2 113 362	1 889 991
61 - 90 Days	770 215	787 050
91 Days +	472 263	1 143 752
Total	3 355 840	3 820 793

No discounting calculation has been considered on the outstanding arrangements due to the fact that the provision for impairment on these accounts are considered to be adequate to ensure that these balances are disclosed at the recoverable amount.

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Restated

Assessment rates debtors	10 424 772	9 553 774
Insurance claims	3 836	0
Government subsidies	0	2 283 214
Prepaid Expenses	457 536	414 392
Employees PAYE & Salary control	7 878	14 485
Traffic Fines	23 196 330	1 296 272
Other	252 071	439 423
	34 342 423	14 001 560
Less: Provision for Impairment	-20 457 628	-4 135 558
Total Trade Receivables from non-exchange transactions	13 884 795	9 866 002

Traffic fines increased due to the interpretation of IGRAP 1 as revised.

Analysis of traffic fines receivable

Traffic Fines receivable at beginning of the year	1 296 272
Movement of fines during the year	24 906 853
Fines outstanding the end of the year before provision for impairment	26 203 125
Less: Provision for Impairment of traffic fines	-16 515 787
Fines outstanding the end of the year	9 687 338

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

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5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. No interest is charged on other debtors. Interest is charged at prime plus 1% on all overdue assessment rates.

The claims instituted against the Municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the Municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims. Non-Exchange receivables are not secured.

Ageing of trade receivables from non-exchange transactions

Rates Ageing

Current (0 - 30days)	3 459 391	3 235 806
Past due		
31 - 60 days	669 435	786 807
60 days +	195 328	221 224
90 days +	6 100 618	5 309 937
Total	10 424 772	9 553 774

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2014				
Current:				
0 - 30 days	3 268 891	182 983	143	7 373
Past Due:				
31 - 60 Days	626 747	39 109	57	3 523
61 - 90 Days	181 374	13 489	57	409
+ 90 Days	5 511 372	183 445	393 721	12 079
Sub-total	9 588 384	419 026	393 978	23 384
Less: Provision for Impairment	-3 767 985	-164 666	0	-9 189
Total Debtors by Customer Classification	5 820 399	254 360	393 978	14 195

As at 30 June 2013

Current:				
0 - 30 days	3 055 048	173 958	146	6 654
Past Due:				
31 - 60 Days	744 785	38 748	1 789	1 485
61 - 90 Days	207 365	13 180	53	626
+ 90 Days	4 997 113	157 416	139 455	15 953
Sub-total	9 004 311	383 302	141 443	24 718
Less: Provision for Impairment	-3 956 284	-168 414	0	-10 861
Total Debtors by Customer Classification	5 048 027	214 888	141 443	13 857

At 30 June 2014 receivables from non-exchange transactions of R3,023,541 (2013: R2,182,410) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	669 435	786 807
61 - 90 Days	195 328	221 224
91 Days +	2 158 778	1 174 379
Total	3 023 541	2 182 410

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of the Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

6. VAT

VAT payable	-1 833 933	-1 728 346
VAT receivable	3 095 820	785 020
Net VAT payable/(receivable)	1 261 887	-943 326

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The Vat amount on outstanding debtors amounts to R2,716,784 (2013: R2,628,109) at year end.

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

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

2014 **2013**
R **R**

7. CASH AND CASH EQUIVALENTS

Current Investments	48 040 192	26 199 178
Cash and Cash Equivalents	38 080	32 080
Bank	4 504 296	18 823 880
Total Bank, Cash and Cash Equivalents	52 582 568	45 055 138

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	48 040 192	26 199 178
---------------	-------------------	-------------------

Summary of Investments

Sanlam	-	25 620 563
FNB	24 703 847	578 615
Investec	21 817 762	-
Nedbank	1 518 584	-
	48 040 192	26 199 178

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5,6 % to 6 % (2013: 5,50% to 6,63%) per annum.

Allocations of investments

- Repayment of Long-term Liabilities as set out in Note 19	10 322 867	10 978 575
- Attributable to Unspent Conditional Grants as set out in Note 17	2 072 580	1 754 838
- Attributable to Housing Reserve as set out in Note 22	131 441	22 057
- Attributable to Trust Funds - see note 49	1 694 124	1 648 063
- Available for Operational Account	33 819 180	11 795 644
	48 040 192	26 199 178

The fair value of Short-term Investment Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

Primary Bank Account

First National Bank - Riversdale Branch Code 200313
Account Number 53571024174
Cheque Account

Cash book balance at beginning of year	18 810 030	3 788 234
Cash book balance at end of year	3 523 029	18 810 030
Bank statement balance at beginning of year	19 327 638	3 917 150
Bank statement balance at end of year	3 525 831	19 327 638

Current Account

First National Bank - Riversdale Branch Code 200313
Account Number 62225917543
Cheque Account

Cash book balance at beginning of year	13 850	25 466
Cash book balance at end of year	981 267	13 850
Bank statement balance at beginning of year	13 850	25 466
Bank statement balance at end of year	981 267	13 850

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its cash and cash equivalents by only dealing with well-established financial institutions of high credit standing.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
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R
8. OPERATING LEASE ASSETS

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	261 562	239 430
Operating Lease expenses recorded	-902 768	-765 849
Operating Lease payments effected	903 481	787 981
Total Operating Lease Assets	262 275	261 562

8.1 Leasing arrangements

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. The operating lease receipts escalate between 5 and 10% annually. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 027 771	897 277
2 to 5 years	1 825 789	1 751 548
More than 5 years	1 413 959	489 494
Total Operating Lease Arrangements	4 267 519	3 138 320

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R712 (2013: R22,132). No restrictions have been imposed on the municipality in terms of the lease agreements.

9. PROPERTY, PLANT AND EQUIPMENT
30 June 2014
Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Community	Other	Total
Carrying values at 1 July 2013 - As restated	168 794 304	38 372 693	281 860 514	10 178 060	25 961 019	525 166 591
Cost	168 794 304	53 397 672	339 641 858	16 428 867	53 179 228	631 441 930
- Completed Assets	168 794 304	53 397 672	334 424 315	16 428 867	53 179 228	626 224 387
- Under Construction	0	0	5 217 543	0	0	5 217 543
Accumulated Depreciation:	0	15 024 979	57 781 344	6 250 806	27 218 209	106 275 338
- Cost	0	15 024 979	57 781 344	6 250 806	27 218 209	106 275 338
- Revaluation	0	0	0	0	0	0
Transfer of cost due to unbundling	-268 500	0	0	0	0	-268 500
Disposals	-426 380	-1 544 533	-846 544	0	-604 113	-3 421 569
Depreciation on disposals	0	617 798	141 607	0	483 097	1 242 502
Total acquisitions	18 997 400	70 582	15 526 203	4 107 157	3 966 629	42 667 971
Acquisitions	18 997 400	70 582	7 864 983	148 736	3 966 629	31 048 330
Capital under Construction - Additions	0	0	7 661 220	3 958 421	0	11 619 641
Depreciation:	0	4 038 411	9 579 374	866 045	4 192 697	18 676 527
- Based on cost	0	4 038 411	9 579 374	866 045	4 192 697	18 676 527
- Based on revaluation	0	0	0	0	0	0
Impairment:						
- Based on cost	18 295 981	1 619 812	0	0	0	19 915 793
CARRYING VALUES AT 30 JUNE 2014	168 800 843	31 858 318	287 102 407	13 419 172	25 613 936	526 794 675
Cost	187 096 824	51 923 721	354 321 518	20 536 024	56 541 744	670 419 832
- Completed Assets	187 096 824	51 923 721	346 660 298	16 577 603	56 541 744	658 800 191
- Under Construction	0	0	0	3 958 421	0	3 958 421
Accumulated Depreciation and impairment:	18 295 981	20 065 404	67 219 111	7 116 852	30 927 809	143 625 156
- Cost	18 295 981	20 065 404	67 219 111	7 116 852	30 927 809	143 625 156
- Revaluation	0	0	0	0	0	0

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

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R

9. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2013

Restated

Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Community	Other	Total
Carrying values at 1 July 2012	170 744 870	42 650 765	258 027 255	16 063 300	26 007 713	513 493 904
Cost	170 744 870	53 736 532	306 968 133	16 063 300	47 939 928	595 452 763
- Completed Assets	213 681 370	54 127 804	301 314 683	16 063 300	49 761 664	634 948 821
- Under construction	0	249 957	5 653 450	0	0	5 903 407
- Correction of error - Refer to note 48	-42 936 500	-641 229	0	0	-1 821 736	-45 399 465
Accumulated Depreciation:	0	11 085 767	48 940 878	5 450 353	21 932 214	87 409 212
- Cost	0	11 186 451	49 127 676	5 450 353	22 608 357	88 372 837
- Correction of error - Refer to note 48	0	-100 684	-186 798	0	-676 143	-963 625
Transfer of cost due to unbundling	0	0	-16 562	0	16 562	0
Transfer of cost to non-current assets held for sale	-1 078 796	0	0	0	0	-1 078 796
Disposals	-871 770	-1 462 230	-307 456	-30 668	-864 739	-3 536 863
Depreciation on disposals	0	250 774	185 887	14 940	546 651	998 251
Total acquisitions	0	1 123 370	32 997 744	396 234	6 087 477	40 604 826
Acquisitions	0	1 123 370	27 780 201	396 234	6 087 477	35 387 283
Capital under Construction - Additions	0	0	4 296 718	0	0	4 296 718
- Correction of error - Refer to note 48	0	0	920 825	0	0	920 825
Depreciation:	0	4 189 986	9 026 353	815 393	5 832 645	19 864 378
- Based on cost as restated	0	4 223 547	9 167 270	815 393	5 967 874	20 174 084
- Correction of error	0	-33 562	-140 917	0	-135 229	-309 707
CARRYING VALUES AT 30 JUNE 2013 AS RESTATED	168 794 304	38 372 693	281 860 514	10 178 060	25 961 019	525 166 591
Cost	168 794 304	53 397 672	339 641 858	16 428 867	53 179 228	631 441 930
- Completed Assets	168 794 304	53 397 672	334 424 315	16 428 867	53 179 228	626 224 387
- Under Construction	0	0	5 217 543	0	0	5 217 543
Accumulated Impairment Losses	0	0	0	0	0	0
Accumulated Depreciation:	0	15 024 979	57 781 344	6 250 806	27 218 209	106 275 338
- Cost	0	15 024 979	57 781 344	6 250 806	27 218 209	106 275 338

9.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

Infrastructure	0	0
Other	0	0
Carrying Value of PPE fully depreciated and still in use	0	0

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	42 667 971	40 604 826
	42 667 971	40 604 826

9.2 Impairment of Property, Plant and Equipment

The Municipality carried out a review of the recoverable amount of all its Assets. During the period, the asset's market value has declined significantly more than would be expected as a result of passage of time. The recoverable service amount of these assets is its fair value less cost to sell. The fair value less cost to sell was determined by an independent, professionally qualified valuer at 30 June 2014.

9.3 Net carrying amount of assets subject to finance lease - Refer note 19

Other assets - Office machines	280 277	456 114
	280 277	456 114

12. HERITAGE ASSETS

30 June 2014

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiques and exhibits	Total
Carrying value at 1 July 2013	30 000	8 302 875	8 332 875
Cost			
- Completed Assets	30 000	8 302 875	8 332 875
Accumulated Impairment losses			
Impairment losses	0	0	0
Disposals	0	-11 000	-11 000
CARRYING VALUE AT 30 JUNE 2014	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
	0	0	0

30 June 2013

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiques and exhibits	Total
Carrying value at 1 July 2012 - As restated	30 000	8 302 875	8 332 875
Cost			
- Completed Assets	30 000	8 302 875	8 332 875
Accumulated Impairment losses			
Impairment losses	0	0	0
CARRYING VALUE AT 30 JUNE 2013	30 000	8 302 875	8 332 875
Cost			
- Completed Assets	30 000	8 302 875	8 332 875
Accumulated Impairment losses			
	0	0	0

The municipality, has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain heritage assets are currently being recognised as Property, Plant and Equipment.

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

12.1 Impairment of Investment Property

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

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

	2014 R	2013 R
13. LONG-TERM RECEIVABLES		
Sport clubs/Pre-primary school	22 270	24 192
Other	0	0
	<u>22 270</u>	<u>24 192</u>
Less: Current portion transferred to current receivables	-2 080	-1 777
Car Loans	0	0
Sport clubs	-2 080	-1 777
Housing - Stilbaai	0	0
Total	20 190	22 415

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

In determining the recoverability of a Long-term Receivables, the municipality considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Credit quality is determined by past defaults. There are no past defaults and consequently no impairments.

Sport clubs and other

The council granted loans at a interest rate of 8% to the following:

Pikkewouter Pre-primary school - Stilbaai
Heidelberg Gholffklub

These loans are repayable by the year 2022 and are not secured.

14. CONSUMER DEPOSITS

Electricity and Water	3 461 317	3 252 063
Balance 30 June 2014	3 461 317	3 252 063

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their account, the Municipality can utilise the deposit as payment for the outstanding amount. No interest is paid on Consumer Deposits held. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and its consumers.

15. PROVISIONS

		Restated
Performance Bonus	728 073	896 250
Staff bonuses	2 907 910	2 409 645
Pension Fund Arrears Contribution	0	1 703 891
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20.1 below)	1 917 000	1 801 000
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 20.2 below)	2 000	3 000
Current portion of Provision for long-service Awards (See note 21 below)	326 000	379 000
Total Provisions	5 880 983	7 192 785

Performance bonuses

Performance bonuses accrue to employees yearly, subject to performance criteria stipulated in the employee contracts. The amount of the bonus is fixed at a maximum of 14% of the annual remuneration. This is however subjected to evaluation. The provision is an estimate of the amount due to managers, at the reporting date.

Staff bonuses

Service bonuses are granted to employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June of each year. In order to qualify for a 13th cheque, the staff member must be in service of the municipality at the date of payment.

The movement in current provisions are reconciled as follows:-

	Cape Joint Pension Fund	Staff bonuses	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus
Balance at 1 July 2013	1 703 891	2 409 645	1 801 000	379 000	3 000	896 250
Transfer from non-current	0	0	1 917 000	326 000	0	0
Contribution to provisions	-1 703 891	498 265	0	0	0	728 073
Expenditure incurred	0	0	-1 801 000	-379 000	-1 000	-896 254
Balance at 30 June 2014	0	2 907 910	1 917 000	326 000	2 000	728 069
Balance at 1 July 2012	1 459 697	2 069 510	1 464 260	445 349	14 279	829 452
Transfer from non-current	0	0	1 801 000	379 000	3 000	0
Contribution to provisions	244 194	340 135	0	0	0	896 250
Expenditure incurred	0	0	-1 464 260	-445 349	-14 279	-829 452
Balance at 30 June 2013	1 703 891	2 409 645	1 801 000	379 000	3 000	896 250

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

2014
R

2013
R

16. CREDITORS

Trade Creditors	19 812 997	14 719 656
Payments received in advance	213 311	291 966
Retentions	1 625 636	3 655 223
Staff Leave	4 625 980	4 376 147
Other Creditors	4 073 623	4 445 175
Total	30 351 547	27 488 167

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure all payables are paid within the credit timeframe. Retentions refer to construction contracts.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

17.1 Conditional Grants from other spheres of Government - Appendix F

	726 750	582 046
National Government Grants	0	0
Provincial Government Grants	353 363	208 658
District Municipality Grants	373 387	373 388

17.2 Other Conditional Receipts - Appendix F

	1 345 830	1 172 793
Tourism	101 819	101 819
Skills Development	353 063	635 525
National Lottery Fund	527 250	0
ASLA Devco - Water meters Slangrivier	273 400	345 150
National Heritage Council	23 684	23 684
Africana Centre	6 615	6 615
Garcia Forestry	0	0
Public Participation Strategy	60 000	60 000

Total conditional grants and receipts

2 072 580.36 **1 754 839**

See note 26 for reconciliation of grants.

18. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	36 992	17 784
Operating Lease expenses recorded	-483 379	-443 498
Operating Lease payments effected	459 489	462 705
Total Operating Lease Liabilities	13 102	36 992

18.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year.

18.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	510 198	603 699
Up to 1 year	311 120	297 205
2 to 5 years	199 078	306 494
More than 5 years	0	0
Computer software:	0	186 016
Up to 1 year	0	186 016
2 to 5 years	0	0
More than 5 years	0	0
Total Operating Lease Arrangements	510 198	789 715

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	613 539	563 822
Total Operating Lease Expenses	613 539	563 822

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

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19. LONG-TERM LIABILITIES

Annuity Loans	76 932 873	86 872 301
Finance Lease Liabilities	327 039	479 581
	77 259 912	87 351 882
Less: Current portion transferred to current liabilities	10 322 867	10 978 575
Annuity Loans	10 139 112	10 826 033
Finance Lease Liabilities	183 755	152 542
Total long-term liabilities (Neither past due nor impaired)	66 937 045	76 373 307

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 9.01% tot 11.56% per annum. Annuity loans are not secured. Finance lease liabilities are secured by the items of assets leased.

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

Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 7 for more detail.

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

Obligations under finance lease liabilities:

The Municipality as lessee

Finance Leases relate to Equipment with lease terms not more than 5 years. The effective interest rate on Finance Leases is between 13.60% and 32.60% (2013: 13.60% and 32.60%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets. Refer to 9.3 for the carrying value of these lease asset included under Property, Plant and Equipment

The obligations under finance leases are as follows:

Payable within one year
Payable within two to five years

Less: Future finance charges
Present value of lease obligations

Less: Amount due for settlement within 12 months (current portion)

Finance Lease Obligations due for settlement after 12 months (Non-current Portion)

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

Minimum lease payments	Present value of minimum lease payments
227 075	227 075.00
151 383	151 383.00
378 458	378 458.00
51 419	51 419.00
327 039	327 039.00
	183 755.00
	143 284.00

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

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20. RETIREMENT BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	43 181 427	40 016 598
Ex-gratia Pension Benefit Liability	224 570	210 569
Total	43 405 997	40 227 167

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	41 817 598	35 158 832
Contributions to Provision	4 845 000	4 202 128
Expenditure incurred	-1 564 171	-1 496 403
Actuarial loss	0	3 953 040
Balance at end of Year	45 098 427	41 817 598

Transfer to Current Provisions	-1 917 000	-1 801 000
Total Post-retirement Health Care Benefits Liability	43 181 427	40 016 598

The liability in respect of the current and previous four years has been estimated as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Members	45 098 427	41 817 598	35 158 832	32 633 036	23 329 148
Total Liability	45 098 427	41 817 598	35 158 832	32 633 036	23 329 148
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	0	3 953 040	0	7 651 562	0

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2013 by Mr N Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	152	149
Continued Members (Retirees, widowers and orphans)	58	55
Total members	210	204

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

In-service Members	20 642 721	19 141 000
Continued Members	24 455 706	22 676 598
Total liability	45 098 427	41 817 598

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost and interest cost for the year ending 30 June 2014 is estimated to be R1,546,000 and R3,299,000 respectively, whereas the cost for the ensuing year is estimated to be R1,668,000 and R3,514,000 respectively.

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

Discount Rate	7.89%	7.89%
Health Care Cost Inflation Rate	7.64%	7.64%
Net Effective Discount Rate	0.23%	0.23%

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

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20. RETIREMENT BENEFIT LIABILITIES (continued)

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	41 817 598	35 158 833
Current service costs	1 546 000	1 231 420
Interest cost	3 299 000	2 970 708
Benefits paid	-1 564 171	-1 496 403
Actuarial losses	0	3 953 040
Present Value of Fund Obligation at the end of the Year	45 098 427	41 817 598

Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	45 098 427	41 817 598

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

Present value of fund obligations	45 098 427	41 817 598
Unrecognised Past-service Cost	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Total Benefit Liability	45 098 427	41 817 598

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

Current service cost	1 546 000	1 231 420
Interest cost	3 299 000	2 970 708
Actuarial losses	0	3 953 040
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	4 845 000	8 155 168

Sensitivity analysis

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

Increase:

Effect on the aggregate of the current service cost and the interest cost	5 770 000	5 770 000
Effect on the defined benefit obligation	48 301 000	48 301 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	4 112 000	4 112 000
Effect on the defined benefit obligation	36 201 000	36 201 000

The municipality expects to make a contribution of R5 182 000 to the provision during the next year.

Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.

20.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year as restated	213 570	129 385
Contributions to Provision	13 000	10 693
Expenditure incurred	0	-431
Increase due to Re-measurement	0	73 922
Balance at end of Year	226 570	213 570
Transfer to Current Provisions	-2 000	-3 000
Total Ex-Gratia Pensioners Benefits Liability	224 570	210 569

The liability in respect of the current and previous four years has been estimated as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Members	226 570	213 570	129 385	127 880	35 970
Total Liability	226 570	213 570	129 385	127 880	35 970
Experience adjustments were calculated as follows:	2014	2013	2012	2011	2010
Liabilities: (Gain)/Loss	0	73 922	0	35 750	0

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2014, 82 (2013: 81) pensioners were eligible for payments in terms of this plan. The municipality operates an unfunded defined benefit plan for these qualifying employees.

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

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21. NON-CURRENT PROVISIONS - (continued)

Long service awards

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr N Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 534 (2013: 511) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2014 is estimated to be R541,000 and R443,000 respectively, whereas the cost for the ensuing year is estimated to be R604,000 and R543 000 respectively.

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

Discount Rate	7.96%	7.40%
General salary inflation	7.33%	6.66%
Net Effective Discount Rate	0.59%	0.69%

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	6 004 800	5 105 000
Current service costs	541 000	458 000
Interest cost	443 000	411 000
Benefits paid	-398 514	-445 200
Actuarial losses / (gains)	145 000	476 000
Present Value of Fund Obligation at the end of the Year	6 735 286	6 004 800
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	6 735 286	6 004 800

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

Present value of fund obligations	6 735 286	6 004 800
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	6 735 286	6 004 800

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

Current service cost	541 000	458 000
Interest cost	443 000	411 000
Actuarial losses	145 000	476 000
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 129 000	1 345 000

The effect of a 1% movement in the assumed general salary inflation rate is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1 266 000	874 000
Effect on the defined benefit obligation	7 322 000	5 047 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 043 000	728 000
Effect on the defined benefit obligation	6 169 000	4 309 000

The municipality expects to make a contribution of R1 147 000 to the provision during the next year.

Provision for Land-fill Sites

The provision for rehabilitation of the land-fill sites 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 land-fill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of land-fill sites as well as the remaining useful life of each specific land-fill site.
- Interest rates linked to the Consumer Price Index was used to calculate the effect of time value of money.

22. STATUTORY FUNDS

Housing Reserve

Balance 1 July	22 057	53 575
Rental Income	135 451	43 420
	157 508	96 995
Less: Expenses	-26 067	-74 936
Total at 30 June	131 441	22 057

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014	2014	2013
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22. STATUTORY FUNDS - (continued)

The Housing reserve is represented by the following:

Investment (included in investments note 8)	131 441	22 057
Total Housing Reserve Assets	131 441	22 057

The **Housing Development Fund** has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

23. ACCUMULATED SURPLUS

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

		Restated
Opening balance as restated	459 451 687	457 139 664
Surplus for the year as restated	18 797 389	2 280 506
Transfer to Housing Reserve	-109 383	31 517
Total Accumulated Surplus	478 139 692	459 451 687

24. PROPERTY RATES

Actual

Residential, Commercial & State	59 418 459	54 471 901
Less: Income Forgone	-4 370 027	-4 091 981
Total Assessment Rates	55 048 433	50 379 920

Valuations

	R000's	R000's
Residential, Commercial & State	10 250 922	10 685 412
Agriculture	3 449 149	2 989 415
Municipal	288 375	294 817
Churches	105 770	95 985
Total Property Valuations	14 094 216	14 065 629

Assessment Rates are levied on the market value of properties, which valuation must be performed every four years. The Municipality however obtained approval by the MEC for a five year interval. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts.

A uniform general residential rate of 0.004973 c/R (2012/2013: 0.004604 c/R) is applied to property valuations to determine assessment rates.

The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2009.

The Municipality will obtain and implement a new property valuation roll on 1 July 2014.

The rates tariffs for the 2013/2014 financial year was as follows:

	2013/2014	2012/2013
Residential	.004973c/R	.004604c/R
Vacant Land	.006957c/R	.006441c/R
Agriculture	.001243c/R	.001151c/R
State	.010417c/R	.009645c/R
Business	.005090c/R	.004713c/R

A rebate of R50 000 on the value of the property (2012/2013: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to private owned developments.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly installments.

25. SERVICE CHARGES

Sale of electricity	98 194 615	93 975 885
Sale of water	22 320 192	21 323 998
Connection Fees - Geyser load control	110 107	47 886
Admission fees Swimming Pools	42 647	39 753
Camping Fees	6 189 547	5 189 289
Refuse removal fees	8 780 290	7 954 136
Sewerage and sanitation charges	12 797 613	11 715 486
Total Service Charges	148 435 012	140 246 433

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed on a monthly basis according to approved tariffs.

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

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26. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)

Operating

National:

31 258 653 **31 125 079**

Equitable Share	26.1	28 189 000	26 522 000
Financial Management Grant	26.2	1 258 355	1 250 000
MIG Projects	26.10	791 955	2 211 761
Expanded Public Works Programme	26.4	129 343	300 007
Municipal Systems Improvement Grant	26.15	890 000	800 000
National Electricity program	26.11	0	41 311

Provincial:

13 354 359 **24 857 714**

Human Settlement Development	26.5	8 354 000	20 905 000
Library: Extending Staffing Levels	26.7	725 314	616 000
Riversdal Thusong Centre	26.3	218 000	218 500
Libraries Municipal Replacement Funding	26.14	3 639 571	2 807 540
Spatial Development Framework	26.6	0	19 298
Proclaimed Roads	26.12	0	228 376
Project Preparation Grant	26.16	0	63 000
Performance Management Systems	26.17	125 042	0
Financial Management Support Grant	26.18	292 432	0

Other Municipality

0 **54 000**

George - Housing Consumer Education	26.9	0	0
LED Learnership	26.8	0	54 000

Capital Projects

National:

14 177 307 **13 410 960**

Financial Management Grant	26.2	41 645	0
MIG Allocations	26.10	8 368 045	11 752 278
National Electricity Program	26.11	2 000 000	958 689
Emergency Relief Fund	26.19	2 896 960	0
Expanded Public Works Programme	26.4	870 657	699 993

Provincial:

2 264 971 **690 582**

Proclaimed Roads	26.12	0	178 944
Library: Extending Staffing Levels	26.7	113 686	0
Libraries Municipal Replacement Funding	26.14	90 251	511 638
Public Transport Infrastructure	26.13	2 061 034	0

Total Government Grants & Subsidy - Operational

44 613 012 **56 036 793**

Total Government Grants & Subsidy - Capital

16 442 278 **14 101 542**

Government - Operating Grants	44 613 012	56 036 793
Government - Capital Grants	16 442 278	14 101 542
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F	61 055 290	70 138 335
Other grants note 27	550 999	548 317
	61 606 289	70 686 652

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

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26 GOVERNMENT GRANTS AND SUBSIDIES - (continued)

26.1 Equitable Share

Current Year Receipts	28 189 000	26 522 000
Conditions met - transferred to revenue	-28 189 000	-26 522 000
Conditions still to be met - transferred to liabilities (refer note 17.1)	0	0

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as for LED and upliftment projects. All registered indigents receive the following:

Level of Income:

- R0.00 - R3 000
- R3 001 - R3 500

Subsidy

- free basic services plus 100% rebate on rates
- 6kl free water
- 50kwh free electricity
- 50% free basic services plus 50% rebate on rates
- 6kl free water
- 50kwh free electricity

National Treasury recovered an amount of R38 000 from the municipality's equitable share allocation for 2012/2013 with regard to unspent grants at 2010/2011. The full equitable share allocation as per the DORA publication, was recognized in the AFS and the lost unspent grants were corrected.

26.2 Financial Management Grant

Balance unspent at beginning of year	0	0
Other adjustment	0	0
Current Year Receipts	1 300 000	1 250 000
Conditions met - transferred to revenue: Operating Expenses	-1 258 355	-1 250 000
Conditions met - transferred to revenue: Capital Expenses	-41 645	0
Conditions still to be met - transferred to liabilities (refer note 17.1)	0	0

The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg. Salary costs of the Financial Management interns).

26.3 Riversdale Thusong Centre

Balance unspent at beginning of year	0	0
Current Year Receipts	218 000	218 500
Conditions met - transferred to revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	-218 000	-218 500
Conditions still to be met - transferred to liabilities (refer note 17.1)	0	0

This grant is been utilised for social an economic development.

26.4 Extended Public Works Programme

Balance unspent at beginning of year	0	0
Current Year Receipts	1 000 000	1 000 000
Conditions met - transferred to revenue: Operating Expenses	-129 343	-300 007
Conditions met - transferred to revenue: Capital Expenses	-870 657	-699 993
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

The EPWP is used for various local economic development and environmental projects.

26.5 Human Settlement Development

Balance unspent at beginning of year	0	0
Current Year Receipts	8 354 000	20 905 000
Conditions met - transferred to revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	-8 354 000	-20 905 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant from the Department of Local Government and Housing is used for the construction of houses and related infrastructure.

26.6 Spatial Development Framework

Balance unspent at beginning of year	2 807	22 105
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-19 298
Conditions still to be met - transferred to liabilities (refer note17.1)	2 807	2 807

This grant is earmarked for environmental projects

26.7 Library Extending Staffing Levels

Balance unspent at beginning of year	0	0
Current Year Receipts	839 000	616 000
Conditions met - transferred to revenue: Capital Expenses	-113 686	0
Conditions met - transferred to revenue: Operating Expenses	-725 314	-616 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant is utilised to fund the expenses of the library service

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

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26 GOVERNMENT GRANTS AND SUBSIDIES - (continued)

26.8 LED Learnership

Balance unspent at beginning of year	0	54 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-54 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant is utilised for Local Economic Development projects

26.9 Housing Consumer Education - George Municipality

Balance unspent at beginning of year	21 068	21 068
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	0
Conditions still to be met - transferred to liabilities (refer note17.1)	21 068	21 068

This grant is earmarked for consumer awareness projects

26.10 MIG Infrastructure allocations

Balance unspent at beginning of year	0	1 203 040
Other adjustments	0	-38 000
Current Year Receipts	9 160 000	12 799 000
Conditions met - transferred to Revenue: Capital Expenses	-8 368 045	-11 752 278
Conditions met - transferred to revenue: Operating Expenses	-791 955	-2 211 762
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant was used to construct roads, labour intensive side-walks, sewerage and water infrastructure as part of the upgrade of informal settlement areas
An amount of R3 462 000 of the MIG allocation was withheld because of underspending -(Council decision 8.2 28/05/2014)

26.11 National Electricity Program

Balance unspent at beginning of year	0	0
Current Year Receipts	2 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	0	-41 311
Conditions met - transferred to Revenue: Capital Expenses	-2 000 000	-958 689
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

The INEP grant was used for electrification of housing schemes

26.12 Western Cape Department of Transport

Balance unspent at beginning of year	0	0
Current Year Receipts	0	407 320
Conditions met - transferred to Revenue: Capital Expenses	0	-178 944
Conditions met - transferred to revenue: Operating Expenses	0	-228 376
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant was used for Provincial road projects

26.13 Public Transport Infrastructure

Balance unspent at beginning of year	0	0
Current Year Receipts	2 061 034	900 000
Conditions met - transferred to Revenue: Operating Expenses	0	-370 000
Conditions met - transferred to Revenue: Capital Expenses	-2 061 034	-530 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant was used for Provincial road projects

26.14 Libraries Municipal Replacement Funding

Balance unspent at beginning of year	37 822	0
Current Year Receipts	3 692 000	3 357 000
Conditions met - transferred to Revenue: Operating Expenses	-3 639 571	-2 807 540
Conditions met - transferred to Revenue: Capital Expenses	-90 251	-511 638
Conditions still to be met - transferred to liabilities (refer note17.1)	0	37 822

This grant is utilised to fund the expenses of the library service

26.15 Municipal Systems Improvement Grant

Balance unspent at beginning of year	0	0
Other adjustments	0	0
Current Year Receipts	890 000	800 000
Conditions met - transferred to revenue: Operating Expenses	-890 000	-800 000
Conditions met - transferred to revenue: Capital Expenses	0	0
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

The MSIG was used for building in-house capacity and development of master plans

26.16 Project Preparation Grant

Balance unspent at beginning of year	0	63 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-63 000
Conditions still to be met - transferred to liabilities (refer note17.1)	0	0

This grant was used for project preparation

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

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26. GOVERNMENT GRANTS AND SUBSIDIES - (continued)

26.17 Performance Management Systems

Balance unspent at beginning of year		125 042	125 042
Current Year Receipts		0	0
Conditions met - transferred to revenue: Operating Expenses		-125 042	0
Conditions still to be met - transferred to liabilities (refer note17.1)		0	125 042

This grant was used to further develop the municipality's performance management system

26.18 Financial Management Support Grant

Balance unspent at beginning of year		0	0
Current Year Receipts		600 000	0
Conditions met - transferred to revenue: Operating Expenses		-292 432	0
Conditions still to be met - transferred to liabilities (refer note17.1)		307 568	0

This grant was used for the development of the municipality's financial plan

26.19 Emergency Relief Fund

Balance unspent at beginning of year		0	0
Current Year Receipts		2 896 960	0
Conditions met - transferred to revenue: Capital Expenses		-2 896 960	0
Conditions still to be met - transferred to liabilities (refer note17.1)		0	0

This grant was used for the rehabilitation of flood damaged roads

27. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)

Operating

		479 249	528 619
Seta	27.2	479 249	214 364
Garcia Forestry - Services	27.1	0	314 255

Capital

		71 750	19 698
Asla Devco - Water Meters Slangrivier	27.5	71 750	0
Africana Centre	27.3	0	19 698

Total Operating Grants

		479 249	528 619
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Total Capital Grants

		71 750	19 698
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27.1 Garcia Forestry - Services

Balance unspent at beginning of year		0	314 255
Current Year Receipts		0	0
Conditions met - transferred to revenue: Operating Expenses		0	-314 255
Conditions still to be met - transferred to liabilities (refer note17.2)		0	0

This grant was utilised for the development of service related infrastructure in rural areas

27.2 Skills Development

Balance unspent at beginning of year		635 525	455 514
Current Year Receipts		196 787	394 375
Conditions met - transferred to revenue: Operating Expenses		-479 249	-214 364
Conditions still to be met - transferred to liabilities (refer note17.2)		353 063	635 525

This grant is utilised for various staff skills development programmes

27.3 Africana Centrum

Balance unspent at beginning of year		6 615	26 313
Current Year Receipts		0	0
Conditions met - transferred to revenue: Capital Expenses		0	-19 698
Conditions still to be met - transferred to liabilities (refer note17.2)		6 615	6 615

This was utilised for maintenance and general expenditure

27.4 National Lottery Fund

Balance unspent at beginning of year		0	0
Current Year Receipts		527 250	0
Conditions met - transferred to revenue: Capital Expenses		0	0
Conditions still to be met - transferred to liabilities (refer note17.2)		527 250	0

This grant is earmarked for projects in previously disadvantaged areas

27.5 Asla Devco - Water Meters Slangrivier

Balance unspent at beginning of year		345 150	0
Current Year Receipts		0	345 150
Conditions met - transferred to revenue: Capital Expenses		-71 750	0
Conditions still to be met - transferred to liabilities (refer note17.2)		273 400	345 150

This grant is used for the acquisition and installation of water meters in housing schemes

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

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28. OTHER INCOME

Included in other income is the following:

Capital Contribution: Water and electricity	353 287	223 024
Sewerage	231 267	222 354
Building plans	496 627	335 273
Other Income	4 869 349	3 784 762
Roadworthy Certificates	280 479	270 776
Services Electricians	28 963	2 944
Total	6 259 973	4 839 134

29. EMPLOYEE RELATED COSTS

Restated

Employee related costs - Salaries and Wages	68 653 768	64 462 857
Employee related costs - Contributions for UIF, pensions and medical aids	17 003 675	15 114 594
Travel, motor car, accommodation, subsistence and other allowances	7 647 463	6 920 442
Housing benefits and allowances	251 062	258 833
Overtime payments	3 915 969	4 480 706
Contribution to provision for post- retirement medical aid benefits	4 845 000	4 202 128
Contribution to long-service provision	1 129 000	869 000
Contribution to ex-gratia provision	13 000	10 693
Net Actuarial (gains)/losses recognised	0	4 502 813
Total Employee Related Costs	103 458 937	100 822 065

Remuneration of the Municipal Manager

Annual Remuneration	887 460	838 357
Performance Bonuses	147 797	138 086
Travel Allowance	60 000	60 000
Telephone allowance	14 476	14 400
Contributions to UIF, Medical and Pension Fund	180 550	167 576
Total	1 290 283	1 218 419

Remuneration of the Manager Water, Sewerage & Sanitation

Annual Remuneration	0	337 204
Performance Bonus	0	88 501
Travel Allowance	0	30 000
Leave Encashment	0	918
Telephone allowance	0	4 200
Contributions to UIF, Medical and Pension Fund	0	61 137
Total	0	521 960

Remuneration of the Manager Community Services

Annual Remuneration	502 364	471 110
Performance Bonus	74 893	80 223
Travel Allowance	88 851	80 000
Telephone allowance	7 276	7 200
Contributions to UIF, Medical and Pension Fund	136 204	127 850
Total	809 588	766 383

Remuneration of the Manager Streets & Storm water

Annual Remuneration	660 573	617 553
Performance Bonus	111 392	104 073
Travel Allowance	48 000	48 000
Telephone allowance	8 476	8 400
Other Allowance	66 979	102 303
Contributions to UIF, Medical and Pension Fund	141 510	128 294
Total	1 036 930	1 008 623

Remuneration of the Manager Planning Services

Annual Remuneration	663 481	615 978
Performance Bonus	111 392	100 948
Travel Allowance	60 000	60 000
Telephone allowance	7 276	7 200
Contributions to UIF, Medical and Pension Fund	127 436	118 769
Total	969 585	902 895

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

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29. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Manager Information Technology

Annual Remuneration	0	381 427
Performance Bonus	63 546	89 056
Telephone allowance	0	4 800
Leave Encashment	0	8 226
Contributions to UIF, Medical and Pension Fund	0	84 256
Total	63 546	567 765

Remuneration of the Manager Financial Services

Annual Remuneration	579 108	539 037
Performance Bonus	111 392	100 948
Travel Allowance	152 456	141 794
Long leave bonus	0	47 931
Telephone allowance	7 276	7 200
Contributions to UIF, Medical and Pension Fund	118 520	111 317
Total	968 752	948 227

Remuneration of the Manager Legal Services

Annual Remuneration	644 641	597 064
Performance bonus	104 154	97 311
Long leave bonus	0	22 772
Telephone allowance	7 200	7 200
Contributions to UIF, Medical and Pension Fund	141 489	145 096
Total	897 484	869 443

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

Post-employment Benefits:-

Municipal Manager	352 630	328 595
Chief Financial Officer	358 865	334 406
Director: Corporate Services	411 845	383 774
Director: Planning	76 149	70 959
Director: Social	135 500	126 264
Director: Technical and Engineering Services	35 401	32 988
Total	1 370 390	1 276 987

Other Long-term Benefits:-

Chief Financial Officer	36 960	34 240
Director: Corporate Services	27 664	25 628
Director: Planning	67 906	62 907
Director: Social	167 022	154 726
Director: Technical and Engineering Services	46 582	43 153
Total	346 134	320 653

Staff Leave Benefits:-

Municipal Manager	58 790	67 102
Chief Financial Officer	50 118	55 662
Director: Corporate Services	9 936	41 774
Director: Planning	63 537	54 669
Director: Social	69 125	73 508
Director: Technical and Engineering Services	16 523	32 676
Total	268 029	325 391

30. REMUNERATION OF COUNCILLORS

Executive Mayor	659 151	627 932
Deputy Executive Mayor	532 214	507 040
Speaker	532 214	507 040
Mayoral Committee Members	1 501 440	1 121 226
Councillors	1 917 503	1 873 185
	5 142 522	4 636 423
Ward committee's - see other expenses	16 782	58 467
Total Councillors' Remuneration	5 159 304	4 694 890

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.

Councillors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

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

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31. PROVISION FOR IMPAIRMENT OF DEBTORS

Contribution to bad debt provision - ex I & E	21 187 722	6 105 475
Contribution from bad debt provision	-3 694 679	-1 091 406
Bad debts written off	6 701 474	1 091 406
Total	24 194 517	6 105 475

The contribution consist of the following:

Rates and service debtors	7 678 730	6 105 475
Traffic fines	16 515 787	0
Total	24 194 517	6 105 475

32. DEPRECIATION AND AMORTISATION

Restated

PPE (Note 9)	18 676 527	19 864 376
Intangible assets (Note 10)	13 333	13 333
Total	18 689 860	19 877 709

33. INTEREST PAID

Restated

Long-term liabilities	8 329 729	7 917 391
Other	570 635	1 304 375
Total	8 900 364	9 221 765

34. BULK PURCHASES

Electricity	63 053 686	59 155 580
Water	3 914 559	3 667 066
Total	66 968 245	62 822 646

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Overberg water and "Korente Vetterrivier Besproeiingsraad".

35. GENERAL EXPENSES

Audit Fees - External	2 098 988	1 514 825
Chemicals	1 383 408	1 746 053
Insurance	680 463	685 344
Material & Supplies	724 606	847 413
Other	12 904 840	11 934 223
Housing projects	8 354 000	20 905 000
Clean-up projects	600 471	106 318
Environmental education	610 221	678 870
Tourism	473 704	320 032
Development Costs	251 296	67 995
Levy: Dept. of Water Affairs	278 216	227 970
Operational Leases: Office Machines	-1 782	48 337
Land and Buildings	403 005	378 317
Postage & Telephone	2 382 619	2 109 287
Printing & Stationery	637 577	557 580
Software assistance	840 540	816 550
Travelling & Subsistence	914 088	1 028 170
Valuation fees	2 070 734	893 695
Vehicle Costs	6 478 195	5 401 949
Total	42 085 187	50 267 928

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank and Cash on Hand	38 080	32 080
Bank, cash and cash equivalents	52 544 488	45 023 058
Total	52 582 568	45 055 138

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

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37. CASH GENERATED BY OPERATIONS

		Restated
Surplus for the year	18 797 389	2 280 506
<i>Adjustments for:</i>		
Depreciation and amortisation	18 689 860	19 877 709
Gain on disposal of assets	-138 727	0
Impairment of property, plant and equipment	20 008 393	44 587
Loss on disposal of property, plant and equipment and transfers	2 460 910	1 997 685
Loss on revaluation of investment property	0	3 470 782
Donated property, plant and equipment	-18 897 400	0
Contribution to provision for impairment of debtors	21 187 722	6 105 475
Increase in Retirement Benefit Liabilities	3 178 830	6 417 488
Increase in Non-current Provisions	1 799 803	1 620 646
Increase in Non-current Assets held for Sale	406 500	0
Increase/(decrease) in operating lease liabilities	-23 889	19 207
Increase/(decrease) in operating lease assets	-713	-22 132
Investment & Debtors Interest	-4 285 156	-3 866 634
Interest paid	8 900 364	9 221 765
Operating surplus before working capital changes:	72 083 887	47 167 085
(Increase)/Decrease in inventories	-13 091	-7 090
(Increase)/Decrease in debtors	-6 653 479	-4 743 010
(Increase)/Decrease in other debtors	-19 469 864	1 118 816
(Increase)/Decrease in provisions	-1 311 804	-4 308 135
(Increase)/Decrease in conditional grants and receipts	317 741	-1 086 624
(Increase)/Decrease in creditors	2 863 380	-20 804 222
(Increase)/Decrease in VAT	-2 205 213	4 028 803
Cash generated by operations	45 611 557	21 365 621

38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA

Opening Balance	0	0
Council Subscriptions	936 013	741 280
Amount paid - current year	-936 013	-741 280
Balance at 30 June 2014	0	0

38.2 PAYE and UIF

Opening Balance	0	0
Current year payroll deductions	10 794 149	10 296 791
Amount paid - current year	-10 794 149	-10 296 791
Balance at 30 June 2014	0	0

38.3 Pension and Medical Aid deductions

Opening Balance	0	0
Current year payroll deductions	23 865 528	21 617 947
Amount paid - current year	-23 865 528	-21 617 947
Balance at 30 June 2014	0	0

38.4 Audit Fees

Opening Balance	0	0
Current year Audit Fees	2 098 988	1 514 825
Amount paid - current year	-2 098 988	-1 514 825
Balance at 30 June 2014	0	0

38.5 VAT

VAT input receivables and VAT output receivables are shown in Note 6. These returns have been submitted by the due date throughout the year.

38.6 Councilor's arrear Consumer Accounts

No Councilors had arrear accounts outstanding for more than 90 days as at 30 June 2014.

39. Non-Compliance with Chapter 111 of the Municipal Finance Management Act

No known matters existed at reporting date.

The Municipality has developed a supply chain management policy, which was approved by Council.

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

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40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS

In terms of section 36 of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. During the year, deviations from the Municipality's Supply Chain Management Policy were noted and are summarised and disclosed in threshold totals as follows:

	Number of Cases	R
<R2 000	255	194 188
Sole supplier	3	2 099
Emergency	88	46 346
Exceptional Circumstances	164	145 744
Impractical	0	0
R2 000 - R30 0000	208	1 697 794
Sole supplier	12	114 390
Emergency	27	229 420
Exceptional Circumstances	169	1 353 983
Impractical	0	0
R30 000 - R200 000	25	1 487 077
Sole supplier	2	114 166
Emergency	8	463 899
Exceptional Circumstances	15	909 012
Impractical	0	0
> R200 000	5	2 512 593
Sole supplier	0	0
Emergency	0	0
Exceptional Circumstances	5	2 512 593
Impractical	0	0
Total	493	5 891 653

A complete list, including reasons for deviation per transaction, is available. Below are details of 10 of the larger deviations.

Department	Service	Provider	Reason for deviation	Amount
Sewerage Department	Compilation of sewerage master plan	GLS Consulting	The existing sewerage plans are captured on the IMQS software programme.	845 980
- Streets, Storm water and Parks	Appointment of life savers services	Hessequa lewensredder Club	Exceptional case as GLS Consulting is the only service provider to update this	694 215
- Streets, Storm water and Parks	15 KSM-T RDP4 M/Box 3/4 BSP Female threads screwed together box	Elster Kent Metering (Pty) Ltd	Exceptional case and impractical or impossible to follow official procurement process.	447 198
- Streets, Storm water and Parks	9kw, 6 pole robot pump	HSM Amanzi Pump and Sewerage Engineers CC	Only one quotation obtained as pump station was planned for this specific robot pump. Sole supplier of product.	142 160
- Streets, Storm water and Parks	Upgrading of the Hessequa Municipality infrastructure asset register	Aurecon SA (Pty) Ltd	Aurecon SA is the sole provider of the specific service. They have been providing this service for five years and have all information regarding the asset register. Tax clearance has expired.	94 293
- Community Services	Development of a strategic brand and routes	Your Travel Guide	Exceptional case and impractical or impossible to follow official procurement process.	255 500
- Finance and Admin	Financial Plan	Inca Portfolio Managers	Exceptional case and impractical or impossible to follow official procurement process.	269 700
- Finance and Admin	Financial Governance and SCM, Consulting Support.	Brasika Consulting (Pty) Ltd	Exceptional case and impractical or impossible to follow official procurement process.	114 000
- Water, Sewerage and Sanitation	Repair of gearbox during an emergency.	Le Roux Engineering	Gearbox of Aerator needed to be repaired urgently.	90 438
- Electrical Services	Repair of CCC 3942.	Leesar	Exceptional case and impractical or impossible to follow official procurement process.	119 726

41. RELATED PARTY TRANSACTIONS

41.1 Services rendered to Related Parties

During the year the municipality rendered services to related parties such as Councillors, Municipal Manager and Section 57 Personnel.

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

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

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

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R **R**

41. RELATED PARTY TRANSACTIONS - (continued)

41.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 14 to the Annual Financial Statements.

41.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

41.4 Purchases from Related Parties

The municipality procured services from the following service providers, which are considered to be Related Parties:

Service Provider	Related Person	Capacity	Municipal Capacity	2014 R	2013 R
Fynbos Guest House	J. Jacobs	Owner	Municipal Manager	0	4 050
Seasons Find 982 CC	Ms Y Daniels	Owner	Clerk	223 200	73 200
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman	25 294	29 210
Henna's Catering	E du Preez	Owner	Cashier/Clerk	30 660	0
JI Daries	H Daries	Owner	Care Taker	23 727	22 458
Total				302 881	128 918

The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

42. COMMITMENTS FOR EXPENDITURE

Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure	5 947 427	3 692 258
Community	741 754	0

Total Capital Commitments

6 689 181 3 692 258

This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

6 689 181 3 692 258

6 689 181 3 692 258

43. AFTER BALANCE SHEET EVENTS

On the 16th of September 2014, the municipality entered into a 10 year loan agreement with the DBSA in the amount of R24 781 200. This loan will be repaid bi-annually and bears interest at 9.98%. This will be used to partially finance the 2013/2014 capital programmes in the amount of R12 678 528. The remainder will be utilised to finance 2014/2015 capital programmes.

44. RETIREMENT BENEFIT INFORMATION

The personnel of the Hessequa Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit fund, whereas the Cape Joint Retirement Fund, Municipal Councilors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution funds. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

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

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

44.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (23,06%) is sufficient to fund the benefits accruing from the fund in the future.

44. RETIREMENT BENEFIT INFORMATION (continued)**44.2 DEFINED CONTRIBUTION SCHEMES****Cape Joint Pension Fund**

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

Cape Joint Retirement Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R7,980 (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

Municipal Councillors' Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1 183 539 452 (30 June 2010: R1 483,786, 381) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 430,2 (30 June 2012: R8 753,4) million, with funding levels of 100,0% (30 June 2012: 100,0%). The contribution rate paid by the members (7,92%) and Council (19,8%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008. The statutory valuation performed as at 30 June 2008 revealed that the fund had a funding ratio of 100,0% (30 June 2005: 100,0%). The contribution rate paid by the members (not less than 7,50%) and Council (not less than 18,00%) is sufficient to fund the benefits accruing from the fund in the future.

An amount of R11,256 million (2013: R10,054 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

45. GUARANTEES

Guarantees were issued in favor of Eskom in the amount of R70 200. The guarantees were given in lieu of a cash deposit, and if we do not pay the account, Eskom can encash the guarantee.

46. IN-KIND DONATIONS AND ASSISTANCE

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

47. CHANGE IN ACCOUNTING ESTIMATES

During the current year, the Department of Environmental Affairs conducted verification site visits to determine the licensing requirements of unlicensed waste disposal facilities. During the visit it was identified that waste disposal facilities will be licensed for prolonged use. The usefull life of landfill sites were determined to be increased. The effect of this revision has decreased the depreciation charges for the current period by R1 602 584 and will increase depreciation charges for future periods by R1 988 378.

The rehabilitation of landfill sites have therefore also been deferred. The effect of this has decreased interest expense for the current period with R2 411 923 and will increase interest expense for future periods by R5 378 610.

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

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48. Correction of errors

A number of errors and other restatement in the prior year's transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:

48.1 Property, Plant and Equipment

A number of errors in the prior year's asset register were found regarding the recognition of Property, Plant and Equipment and Non-Current Asset held for sale, and these were corrected. Details are as follows:

	PPE
Balances as published as at 30 June 2013	569 292 724
Correction of infrastructure under construction incorrectly recognised as completed and incorrectly depreciated in previous years - Opening balance	186 798
Correction of infrastructure under construction incorrectly recognised as completed and incorrectly depreciated in previous years - Prior year	140 917
Correction of land and buildings incorrectly not recognised previously - Opening balance	2 579 500
Correction of cancellation of subdivision of erf incorrectly not recognised - Opening balance	-45 486 000
Correction of buildings incorrectly recognised previously - Opening balance	-570 545
Correction of buildings incorrectly recognised previously - Prior year	33 562
Correction of provision of landfill rehabilitation provision - opening balance	-1 145 594
Correction of provision of landfill rehabilitation provision - Prior year	135 229
Restated balances as at 30 June 2013 - see note 9	0 525 166 591

48.2 Staff Bonuses

The municipality did not make a provision in prior years for staff bonuses. This error has been corrected as follows:

	R
Balances as published as at 30 June 2013	0
Staff bonuses not accounted for in prior years	2 409 645
Restated balances as at 30 June 2013 - see note 15	0 2 409 645

48.3 Non-current provision - Long Service Awards

Balance as published as at 30 June 2013	4 673 800
Correction of provision due to error in previous calculation - opening balance	1 582 627
Correction of provision due to error in previous calculation - prior year	-251 627
Restated balance as at 30 June 2013 - Refer to note 21	0 6 004 800

48.4 Provision for rehabilitation of landfill sites

Balance as published as at 30 June 2013	13 644 570
Correction of error due to incorrect discounting rate used	-1 135 357
	-34 580
Restated balance as at 30 June 2013 - Refer to note 21	0 12 474 633

48.5 Accumulated surplus

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Balance as published as at 30 June 2013	506 148 379
Correction of staff bonuses not recognised in the financial statements for the year ended 30 June 2012 - Refer to note 48.2	-2 069 510
Correction of Long Service Awards - Refer to note 48.3	-1 582 627
Correction of infrastructure under construction incorrectly recognised as completed and incorrectly depreciated in previous years - Opening balance	186 798
Correction of land and buildings incorrectly not recognised previously - Opening balance	2 579 500
Correction of cancellation of subdivision of erf incorrectly not recognised - Opening balance	-45 486 000
Correction of buildings incorrectly recognised previously - Opening balance	-570 545
Correction of provision of landfill rehabilitation provision - opening balance - Refer to note 48.4	-1 145 594
Correction of provision of landfill rehabilitation provision - Prior year - Refer to note 48.4	1 135 357
Effect of changes in the surplus of the prior year - Refer 48.6	255 928
Restated balance as at 30 June 2013 - Refer to note 23	0 459 451 687

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
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48. Correction of errors (Continued)
48.6 Appropriations to the 2012/2013 profit and loss

Corrections were made to certain profit and loss accounts which affected the 2012/2013 year.

Surplus for the year as previously stated:		2 024 578
Staff Bonuses	Correction of Staff bonuses incorrectly not recognised in previous reporting periods. Refer to note 15.	-340 135
Contribution to Long Service Award	Correction of contribution to Long Service Awards due to correction of valuation. Refer to note 21.	251 776
Depreciation and amortisation	Correction of land and buildings incorrectly not recognised previously - Opening balance. Refer to note 32	140 917
Depreciation and amortisation	Correction of provision of landfill rehabilitation provision - Opening balance. Refer to note 32.	33 562
Depreciation and amortisation	Correction of provision of landfill rehabilitation provision - Prior year. Refer to note 32.	135 229
Interest paid	Correction of provision of landfill rehabilitation provision - Prior year. Refer to note 33.	34 580
Restated balance as at 30 June 2013		2 280 506

48.7 Comparative figures

The following comparative figures have been reclassified due to incorrect classification in the previous year:

Contracted services incorrectly classified as general expenses:

Contracted Services	1 633 826
Employee related costs	1 197 141
General Expenses	-2 830 967
Cumulative effects on Surplus for the year	0

49. TRUST FUNDS

Nature Development - Stilbaai	1 507 645	1 463 123
Elsje Koorts Tuberculosis Fund	186 480	184 940
Total Trust Funds	1 694 125	1 648 063

50. FINANCIAL INSTRUMENTS
50.1 Classification of Financial Instruments
FINANCIAL ASSETS
Financial Assets
Classification

In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:

Long-term Receivables

Sport clubs/Pre-primary School	Note 13	Amortised cost	20 190	22 415
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Consumer Debtors

Rates	Note 5	Amortised cost	10 424 772	9 553 774
Electricity	Note 4	Amortised cost	12 625 165	11 468 619
Water	Note 4	Amortised cost	5 240 784	4 898 080
Sewerage	Note 4	Amortised cost	4 329 339	4 025 281
Waste Management	Note 4	Amortised cost	2 157 580	2 106 866
Housing Rental/Selling Schemes	Note 4	Amortised cost	0	335
Other	Note 4	Amortised cost	3 806 491	3 590 910
Less: Provision for Impairment	Note 4	Amortised cost	-15 358 244	-14 399 521

Other Debtors

Insurance claims	Note 5	Amortised cost	3 836	0
Government subsidies		Amortised cost	0	2 283 214

Current Portion of Long-term Receivables

Sport clubs/Pre-primary School	Note 13	Amortised cost	2 080	1 777
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Bank Balances and Cash

Bank balances and Cash Floats	Note 7	Amortised cost	52 582 568	45 055 138
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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50. FINANCIAL INSTRUMENTS - (continued)

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables:

Long-term Receivables	Note 13	Sport clubs/Pre-primary School	20 190	22 415
Consumer Debtors	Note 5	Rates	10 424 772	9 553 774
Consumer Debtors	Note 4	Electricity	12 625 165	11 468 619
Consumer Debtors	Note 4	Water	5 240 784	4 898 080
Consumer Debtors	Note 4	Sewerage	4 329 339	4 025 281
Consumer Debtors	Note 4	Waste Management	2 157 580	2 106 866
Consumer Debtors	Note 4	Housing Rental/Selling Schemes	0	335
Consumer Debtors	Note 4	Other	3 806 491	3 590 910
Consumer Debtors		Less: Provision for Impairment	-15 358 244	-14 399 521
Other Debtors	Note 5	Insurance claims	3 836	0
Other Debtors	Note 5	Government subsidies	0	2 283 214
Current Portion of Long-term Receivables	Note 13	Sport clubs/Pre-primary School	2 080	1 777
Bank Balances and Cash	Note 7	Bank Balances, Cash Floats and Advances	52 582 568	45 055 138
			75 834 562	68 606 887

TOTAL FINANCIAL ASSETS

75 834 562 **68 606 887**

Financial Liabilities

Classification

Long-term Liabilities

Annuity Loans	Note 19	Amortised cost	66 937 045	76 373 307
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Consumer Deposits

Electricity and Water	Note 14	Amortised cost	3 461 317	3 252 063
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Creditors

Trade Creditors	Note 16	Amortised cost	19 812 997	14 719 656
Retentions	Note 16	Amortised cost	1 625 636	3 655 223
Other Creditors	Note 16	Amortised cost	4 073 623	4 445 175

Bank Balances and Cash

Bank Overdraft	Note 7	Amortised cost	0	0
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Current Portion of Long-term Liabilities

Annuity Loans	Note 19	Amortised cost	10 322 867	10 978 575
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SUMMARY OF FINANCIAL LIABILITIES

Long-term Liabilities	Note 19	Annuity Loans	66 937 045	76 373 307
Consumer Deposits	Note 14	Electricity and Water	3 461 317	3 252 063
Creditors	Note 16	Trade Creditors	19 812 997	14 719 656
Creditors	Note 16	Retentions	1 625 636	3 655 223
Creditors	Note 16	Other Creditors	4 073 623	4 445 175
Current Portion of Long-term Liabilities	Note 19	Annuity Loans	10 322 867	10 978 575

TOTAL FINANCIAL LIABILITIES

106 233 485 **113 423 999**

50. FINANCIAL INSTRUMENTS - (continued)**50.2 Fair Value of Financial Instruments**

In accordance with GRAP 104, the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statement approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. (All carrying amounts listed below = fair value and no disclosure of fair value is required when the carrying amount of financial instruments is a reasonable approximation of fair value)

	30 June 2014		30 June 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and Receivables	75 834 562	75 834 562	68 606 887	68 606 887
Long-term Receivables	20 190	20 190	22 415	22 415
Call Deposits	0	0	0	0
Consumer Debtors	23 225 888	23 225 888	21 244 344	21 244 344
Other Debtors	3 836	3 836	2 283 214	2 283 214
Bank Balances and Cash	52 582 568	52 582 568	45 055 138	45 055 138
Current Portion of Long-term Receivables	2 080	2 080	1 777	1 777
Total Financial Assets	75 834 562	75 834 562	68 606 887	68 606 887
FINANCIAL LIABILITIES				
Loans and receivables:				
<u>Unsecured Bank Facilities:</u>	77 259 912	77 259 912	87 351 882	87 351 882
- Annuity Loans	77 259 912	77 259 912	87 351 882	87 351 882
Trade and Other Payables:	28 973 573	28 973 573	26 072 117	26 072 117
Consumer Deposits	3 461 317	3 461 317	3 252 063	3 252 063
Creditors	25 512 256	25 512 256	22 820 054	22 820 054
Unspent Conditional Grants	0	0	0	0
Cash and Cash equivalents				
Bank Overdraft	0	0	0	0
Total Financial Liabilities	106 233 485	106 233 485	113 423 999	113 423 999

50. FINANCIAL INSTRUMENTS - (continued)**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.

50.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

50.5 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

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

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

50.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

50.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term deposit investments, other debtors, short-term investment deposits and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

50.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

50. FINANCIAL INSTRUMENTS - (continued)**Liquidity and Interest Risk Tables**

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate	Within 1 year	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R
30 June 2014					
Development Bank	8.90% - 11.56%	10 254 498	34 487 521	17 171 755	61 913 774
Nedbank	9.01%	4 663 119	15 076 567	11 307 425	31 047 111
First National Bank	9.33% - 11.56%	2 520 900	10 083 598	2 520 900	15 125 398
Finance Leases	13,6% - 32,6%	227 075	151 383		378 458
Trade Creditors	0%	19 812 997			19 812 997
Retentions	0%	1 625 636			1 625 636
Other Creditors	0%	4 073 623			4 073 623
		43 177 848	59 799 069	31 000 080	133 976 997
30 June 2013					
Development Bank	9.33% - 11.56%	12 859 194	37 021 697	24 893 223	74 774 114
Nedbank	9.01%	3 783 945	15 135 781	15 135 781	34 055 507
Finance Leases	13,6% - 32,6%	227 075	378 458	0	605 533
First National Bank	9.33% - 11.56%	2 519 495	10 077 980	5 038 990	17 636 464
Trade Creditors	0%	14 719 656			14 719 656
Retentions	0%	3 655 223			3 655 223
Other Creditors	0%	4 445 175			4 445 175
		42 209 763	62 613 916	45 067 994	149 891 672

The municipality has access to financing facilities, the total unused amount which is R100,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

50.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavored 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.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	2 080	1 777
Consumer Debtors	16 742 956	15 826 127
Other Debtors	13 884 795	9 866 002
Bank and Cash Balances	52 582 568	45 055 138
Maximum interest and credit risk exposure	83 212 399	70 749 043

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

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51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

51.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	9 914 348	0
Unauthorised expenditure current year - capital	0	0
Unauthorised expenditure current year - operating	42 670 080	47 034 571
Approved by Council or condoned	-9 914 348	-37 120 223
Unauthorised expenditure awaiting authorisation:	42 670 080	9 914 348

The recoverability of the unauthorised expenditure will be determined by Council after an investigation by a Council Committee in terms of Section 32 of the MFMA

	2014 R Actual	2014 R Budget	2014 R Variance	2014 R Unauthorised
Executive & Council	18 229 829	32 323 996	-14 094 167	
Finance & Admin	57 061 797	40 592 281	16 469 516	16 469 516
Planning & Development	6 380 864	6 688 613	-307 749	
Community & Social Services	9 459 026	9 118 173	340 853	340 853
Housing	8 380 067	10 585 600	-2 205 533	
Public Safety	32 358 554	10 686 910	21 671 644	21 671 644
Environmental Conservation	932 714	960 622	-27 908	
Sport & Recreation	19 640 347	15 452 280	4 188 067	4 188 067
Road Transport	32 739 574	34 692 124	-1 952 550	
Waste Water Management/Sewerage	13 538 722	13 843 160	-304 438	
Waste Management/Solid Waste	10 471 843	11 717 581	-1 245 738	
Water	17 638 365	18 853 900	-1 215 535	
Electricity	83 046 378	84 573 615	-1 527 237	
Hessequa Tourism	1 296 025	1 930 571	-634 546	
Total	311 174 105	292 019 426	19 154 679	42 670 080

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

2014 **2013**
R **R**

51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (Continued)

51.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	1 337 283	0
Less: Approved by Council or condoned		0
Damages to Telkom lines	46 807	0
Interest paid due to late payment of creditors	0	372
Court ordered payments on unauthorised appointments	0	918 000
Electricity losses above the threshold (Refer note 52)	0	0
Water losses above the threshold (Refer note 52)	591 236	418 910
Fruitless and Wasteful Expenditure awaiting condonement	1 975 326	1 337 283
Less: Approved by Council or condoned	-1 337 283	0
	638 043	1 337 283

Abovementioned Fruitless and wasteful expenditure are not recoverable. The recoverability of the fruitless and wasteful expenditure will be determined by the council after an investigation by a council committee in terms of sect. 32 of the MFMA. Their are currently no disciplinary steps or criminal proceedings on these fruitless and wasteful expenditure.

51.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	836 906	0
Irregular expenditure current year	1 487 099	7 041 919
Condoned or written off	-2 324 005	-6 205 013
Irregular expenditure awaiting condonement	0	836 906

2014

Incident	Service	Disciplinary Steps/Criminal Proceedings	
Hessequa Life Savers Club	Appointment of Life Savers Services		694 215
Conlog (Pty) Ltd	Electricity Meters	None	172 793
Elster Kent Metering (Pty) Ltd	Water Meters	None	447 198
Other	Advertising, repairs etc.	None	53 167
Leesar	Repairs earthmoving equipment	None	119 726
Total Irregular expenditure			1 487 099

2013

Incident	Service	Disciplinary Steps/Criminal Proceedings	
Consolidated African Technologies	Upgrade of metering System	None	365 644
Chemicals purchased	No order for expense	None	290 829
Sample testing	No order for expense	None	378
Supply and Delivery of One New Diesel Truck	B-BBEE points awarded incorrectly - (Hes-el - 07/1213)	None	414 390
Supply and Delivery of One New Tipper Truck	B-BBEE points awarded incorrectly - (Hes-el - 08/1213)	None	422 516
Vela VKE - SMEC	Upgrading of streets in Slangrivier - Phase 1	None	5 225 150
Ducharme Consulting	Review of Financial Statements	None	80 427
Clinkscales Maughan Brown	Review of water tariffs	None	66 120
NF Branding	Flags and flagpoles	None	43 701
Aurecon	Updating of the asset register	None	132 764
Total Irregular expenditure			7 041 919

The classification, validation and recoverability of the irregular expenditure will be determined by the council after an investigation by a council committee in terms of sect. 32 of the MFMA

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

2014 **2013**
R **R**

52. MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	85 446 395	85 484 673
- Units lost during distribution (Kwh)	8 444 406	8 778 233
- Percentage lost during distribution	9.88%	10.27%

Electrical losses can be placed in two categories, namely Technical and Non-Technical losses.

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported.

Non-Technical losses are due to:

- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

Water Inventory

The following losses were calculated during the comparison of water purchases against water sales:

Riversdale

Kiloliters purchased	1 209 191	1 246 939
Kiloliters sold	815 818	787 242
Kiloliters lost in distribution	393 373	459 697
Percentage loss in distribution	33%	37%
Cost per kiloliter - (50% @R1.39 & 50% @ 0.42c)	R1.39/0.42	R2.15/0.35
Total cost in Rand	356 003	574 621
Amount greater than 12% transferred to fruitless expenditure	224 684	387 580

Heidelberg and Witsand

Kiloliters purchased	514 236	532 660
Kiloliters sold	406 017	463 339
Kiloliters lost in distribution	108 219	69 321
Percentage loss in distribution	21%	13%
Cost per kiloliter	6.37	5.80
Total cost in Rand	689 355	402 062
Amount greater than 12% transferred to fruitless expenditure	296 273	31 330

Slangrivier

Kiloliters purchased	87 931	84 718
Kiloliters sold	55 139	75 842
Kiloliters lost in distribution	32 792	8 876
Percentage loss in distribution	37%	10%
Cost per kiloliter	3.16	3.01
Total cost in Rand	103 623	26 717
Amount greater than 12% transferred to fruitless expenditure	70 279	0

Total amount transferred to fruitless expenditure (Refer note 51.2)

591 236 418 910

Losses of up to 12% is regarded as normal. This has not been included in the figures above.

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.

53. CONTINGENT LIABILITIES

Save the normal handovers of outstanding debtors accounts, litigation that Council was involved in, is as follows:

Case	Evaluation	R
Stilbaai Riverside Share Block v HM	SRSB instituted action in the Western Cape High Court regarding the levying of property rates and also the Municipality's valuation roll. Notice of opposition has been filed an appointment will be made with council. No monetary value has been established.	-
M Nel, Strydom and Others v HM (River case)	Applicants instituted action in the Western Cape High Court regarding various aspects of our By law relating to the management of the Bree River. The matter has not yet been placed on the roll and we are briefing senior council. No monetary value has been established.	-
Hessequa Raadgewende Ingenieurs v HM	This matter has not been to court yet and involves complaints regarding the award of a tender. Matter is in progress.	-
Khoi Krotoa v HM	Small farmers claim that HM have not provided them with land. HM procedures were followed and land was distributed correctly. Matter has been placed on the roll and no monetary value has been	-
Groenewald Construction v HM	A letter of demand was received from Claimant's attorneys, but no formal summons. This originates from an old matter and the attorneys successfully defended the matter at that time. No monetary value established yet.	-
Reins Nature Reserve v HM	The dispute concerns the levying of property rates. Matter is on the roll and attorney is confident about the merits.	-
Nachley Simon v HM	Possible claim, but no formal court documents have been received yet. Matter will probably be settled outside court. No monetary value established.	-

54. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 48).

55. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2014 the Council adopted the 2014/15 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of Municipalities land.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an on going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

56. BUDGET COMPARATIVE NOTES

Reasons for material variances between Approved Budget and Actual Amounts on the various items disclosed in the Statement of Comparison of Budget and Actual amounts, are explained below:

Revenue

- Rev1 Effects of the interpretation of revised IGRAP 1 was more than anticipated.
- Rev2 Indigent subsidy set-off against income but budgeted under expenses.
- Rev3 Vat on operating grants not budgeted for. Income more than expected on various items.
- Rev4 Recognition of donated assets not budgeted for.

Expenditure

- Ex1 Budget for charges to repairs and maintenance - transactions not recorded in AFS
- Ex2 Effects of the interpretation of revised IGRAP 1 was more than anticipated which resulted in a much higher provision than budgeted for.
- EX3 The budgeted figure assumes that the full capital budget will be spent and depreciation calculated on this amount. The full capital budget was however not spent.
- Ex4 Value adjustment as per new valuation roll not anticipated.
- Ex5 Budget for salary expense - transactions not recorded in AFS
- Ex6 Consumption patterns lower than expected.
- Ex7 Sale and write-off of assets of redundant assets not budgeted for.
- Ex8 Implementation of revised IGrap 1 - expense transaction fee.
- Ex9 Indigent subsidy budgeted under expenses but off-set against income.

Assets

- Fp1 Estimates on water and electricity income as well as prepaid electricity sales were more than expected
- Fp2 Effects on the interpretation of revised IGRAP 1 was more than anticipated.
- Fp3 Budget amount was incorrect/Surplus cash available to be invested was more than expected.
- Fp4 Underspending of capital budgets and impairment not budgeted for/Error on budget schedules
- Fp5 Fair value adjustment 30 June 2013 was not budgeted for

Liabilities

- Fp6 The budget for provisions were incorrectly overstated.
- Fp7 Due to high spending at yearend, the creditors in the budget was understated.
- Fp8 While compiling the budget it was estimated that spending on grants would be less.
- Fp9 Loans budgeted for not raised.
- Fp10 Increase in updated actuarial valuations not budgeted for.
- Fp11 The provision for landfill sites was not budgeted for and new actuarial provision for long service bonuses was more than budgeted for.

Cash Flow

- CF1 Refer to budget comparison for Statement of Financial Performance for detail of the increase in revenue. The increase in revenue exceeds the increase in receivables. Refer to budget comparison for Statement of Financial Performance for detail of the increase in expenditure and to the budget comparison of Financial Position for the detail on the increase of creditors.
- CF2 Underspending of the capital budget
- CF3 Loans budgeted for not raised and loans repaid during the year.

Appendix A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30-Jun-13	Received during the period	Redeemed written off during the period	Balance at 30-Jun-14
				R	R	R	R
Annuity Loans							
Development Bank	10.50%	12007420	2021	19 221 175	0	-1 635 125	17 586 050
Development Bank	11.36%	101222	2013/12	1 506 348	0	-1 510 756	-4 408
Development Bank	11.40%	101432	2014/12	924 919	0	-926 373	-1 455
Development Bank	9.38%	102004	2015	2 127 280	0	-793 490	1 333 790
Development Bank	9.33%	102770	2017	5 107 436	0	-1 108 597	3 998 839
First National Bank	11.40%	4-000-019-445-833	2020	11 931 769	0	-1 193 169	10 738 600
Development Bank	11.56%	103465	2019/06	6 898 667	0	-851 380	6 047 287
Nedbank	9.01%	7831031707	2022/06	22 904 707	0	-855 541	22 049 166
Development Bank	8.90%	61007148	2023/06	16 250 000	0	-1 064 997	15 185 003
Total External Loans				86 872 301	0	-9 939 428	76 932 873

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2014

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers due to unbundling	Transfer to Non-current assets held for sale	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Additions - Impairments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R		R	R
Land and Buildings														
Land	168 794 304	18 997 400	0	0	0	-268 500	-426 380	187 096 824	0	0	0	18 295 981	18 295 981	168 800 843
Buildings	53 397 672	70 582	0	0	0	0	-1 544 533	51 923 721	15 024 979	4 038 411	-617 798	1 619 812	20 065 404	31 858 317
	222 191 976	19 067 982	0	0	0	-268 500	-1 970 913	239 020 545	15 024 979	4 038 411	-617 798	19 915 793	38 361 385	200 659 160
Investment Property														
Land and Buildings	40 525 000	0	0	0	0	0	0	40 525 000	0	0	0	0	0	40 525 000
	40 525 000	0	0	0	0	0	0	40 525 000	0	0	0	0	0	40 525 000
Intangible Assets														
Water Rights	400 000	0	0	0	0	0	0	400 000	61 110	13 333	0	0	74 444	325 556
	400 000	0	0	0	0	0	0	400 000	61 110	13 333	0	0	74 444	325 556
Infrastructure														
Sewerage														
Purification	38 428 848	141 932	0	0	0	0	0	38 570 781	5 587 321	1 089 357	0	0	6 676 678	31 894 102
Outfall Sewerage	6 537 566	0	0	0	0	0	0	6 537 566	2 756 260	435 639	0	0	3 191 899	3 345 667
Reticulation	30 366 601	21 312	0	2 205 009	122 736	0	0	32 715 658	8 064 592	820 951	0	0	8 885 543	23 830 115
Water														
Water Meters	3 850 402	440 287	0	0	0	0	0	4 290 689	758 865	125 835	0	0	884 701	3 405 988
Reticulation Network	24 965 918	56 313	0	44 893	-849 513	0	0	24 217 610	5 344 191	573 486	0	0	5 917 677	18 299 933
Pump Stations	2 335 643	21 986	0	0	0	0	0	2 357 629	777 364	154 495	0	0	931 859	1 425 770
Purification Works	3 624 736	27 502	0	31 635	-1 166 945	0	0	2 516 929	1 129 101	149 490	0	0	1 278 591	1 238 338
Reservoirs/Tanks	22 653 950	2 843 450	0	0	1 893 722	0	0	27 391 122	4 247 326	646 499	0	0	4 893 825	22 497 297
Electricity														
Power Stations	179 178	0	0	249 894	0	0	0	429 072	109 464	6 752	0	0	116 216	312 856
Transformer Kiosks	4 148 072	0	0	0	0	0	0	4 148 072	278 230	87 588	0	0	365 817	3 782 255
Substations	5 846 997	0	0	3 505 093	0	0	0	9 352 091	860 040	88 404	0	0	948 444	8 403 647
Streetlights	2 458 012	0	0	0	0	0	0	2 458 012	369 201	66 520	0	0	435 721	2 022 290
Electricity Meters	2 447 478	0	0	449 118	0	0	0	2 896 596	509 632	53 220	0	0	562 852	2 333 744
Mains	39 787 939	0	0	559 761	0	0	-702 377	39 645 323	4 410 463	767 069	0	0	5 177 531	34 467 791
Solid Waste														
	973 611	0	0	1 872	0	0	0	975 483	517 850	50 476	0	0	568 326	407 157

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2014

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers due to unbundling	Transfer to Non-current assets held for sale	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Additions - Impairments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Roads and Stormwater														
Motorways	103 004 251	3 339 630	0	0	0	0	-144 166	106 199 715	13 310 404	3 005 670	-141 607	0	16 174 467	90 025 248
Stormwater	43 285 283	855 171	0	613 945	0	0	0	44 754 399	7 557 720	1 302 778	0	0	8 860 498	35 893 901
Parking Areas	692 005	117 400	0	0	0	0	0	809 405	13 715	14 815	0	0	28 529	780 875
Footpaths	4 055 368	0	0	0	0	0	0	4 055 368	1 179 605	140 332	0	0	1 319 936	2 735 432
	339 641 859	7 864 983	0	7 661 220	0	0	-846 544	354 321 519	57 781 345	9 579 374	-141 607	0	67 219 112	287 102 407
Community Assets														
Cemeteries	849 874	0	0	0	0	0	0	849 874	347 596	64 263	0	0	411 858	438 015
Sport Grounds	8 510 330	0	0	3 776 853	0	0	0	12 287 183	3 632 678	502 803	0	0	4 135 481	8 151 702
Parks	6 822 442	9 737	0	0	0	0	0	6 832 179	2 246 210	294 156	0	0	2 540 366	4 291 813
Public Conveniences	246 220	138 999	0	181 568	0	0	0	566 788	24 322	4 824	0	0	29 146	537 641
	16 428 865	148 736	0	3 958 421	0	0	0	20 536 022	6 250 806	866 045	0	0	7 116 851	13 419 171
Heritage Assets														
Mayoral chains	30 000	0	0	0	0	0	0	30 000	0	0	0	0	0	30 000
Art Collections, antiquities and exhibits	8 302 875	0	0	0	0	0	-11 000	8 291 875	0	0	0	0	0	8 291 875
	8 332 875	0	0	0	0	0	-11 000	8 321 875	0	0	0	0	0	8 321 875

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2014

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers due to unbundling	Transfer to Non-current assets held for sale	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Additions - Impairments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets														
Emergency Equipment														
Emergency	544 346	35 428	0	0	0	0	-20 752	559 021	208 397	48 587	-17 541	0	239 444	319 577
Plant&Equipment														
Graders and Frontloaders	3 208 390	2 043 492	0	0	0	0	0	5 251 881	1 685 497	367 947	0	0	2 053 444	3 198 437
Tractors	3 334 533	0	0	0	0	0	0	3 334 533	1 248 458	287 888	0	0	1 536 346	1 798 187
Boats	74 035	0	0	0	0	0	-34 035	40 000	28 948	5 201	-19 018	0	15 131	24 869
Lawnmowers	1 146 203	129 200	0	0	0	0	-28 540	1 246 862	771 644	156 190	-15 136	0	912 698	334 164
Compressors	111 039	7 800	0	0	0	0	-2 253	116 586	79 710	14 233	-2 237	0	91 705	24 881
Other Plant and Equipment	4 816 908	293 069	0	0	0	0	-40 318	5 069 659	2 663 753	616 961	-37 907	0	3 242 807	1 826 851
MotorVehicles														
Sedans	682 876	136 459	0	0	0	0	0	819 335	335 000	124 414	0	0	459 414	359 921
Motor Cycles	78 769	0	0	0	0	0	0	78 769	68 947	6 724	0	0	75 671	3 098
Trailers	1 978 137	0	0	0	0	0	0	1 978 137	937 998	186 550	0	0	1 124 548	853 589
Trucks/LDV's	17 607 938	807 651	0	0	0	0	0	18 415 589	7 909 337	1 919 187	0	0	9 828 524	8 587 064
Office Equipment														
Computer Equipment	2 166 612	249 960	0	0	0	0	-78 676	2 337 896	1 293 742	359 699	-72 518	0	1 580 924	756 971
Other Equipment	626 962	78 614	0	0	0	0	-16 566	689 011	376 248	75 721	-14 738	0	437 231	251 780
Office Machines	3 010 995	52 442	0	0	0	0	-155 719	2 907 718	1 617 380	526 662	-128 825	0	2 015 216	892 502
Furniture and Fittings	5 018 118	98 439	0	0	0	0	-95 006	5 021 551	3 184 986	572 465	-75 992	0	3 681 459	1 340 092
Security Equipment														
Security	105 659	34 075	0	0	0	0	0	139 734	23 342	13 009	0	0	36 351	103 383
Landfill site rehabilitation														
Landfill site rehabilitation	8 667 711	0	0	0	0	0	-132 248	8 535 463	4 784 821	-1 088 742	-99 186	0	3 596 893	4 938 570
	53 179 228	3 966 629	-	-	-	-	(604 113)	56 541 744	27 218 208	4 192 697	(483 097)	-	30 927 808	25 613 936
TOTAL	680 699 803	31 048 330	-	11 619 641	0	(268 500)	(3 432 569)	719 666 705	106 336 449	18 689 860	(1 242 502)	19 915 793	143 699 600	575 967 106

Appendix C - Unaudited

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2014

	Cost						Accumulated Depreciation				Carrying Value 30/06/2014	
	Opening Balance 1/7/2013	Additions	Under Construction	Transfers	Fair Value Adjustment	Disposals	Closing Balance 30/06/2014	Restated Opening Balance 1/7/2013	Additions	Disposals		Closing Balance 30/06/2014
	R	R	R			R	R	R	R	R		R
Budget & Treasury Office	186 138 949	19 345 829	455 426	(538 594)	-	(2 380 581)	203 021 029	11 352 162	17 558 506	(733 974)	28 176 694	174 844 335
Community & Social Services	26 279 837	255 966	-	-	-	(67 272)	26 468 531	5 489 234	2 045 133	(48 223)	7 486 144	18 982 387
Environmental Protection	48 538	-	-	-	-	-	48 538	13 966	4 922	-	18 888	29 650
Executive & Council	375 985	7 770	-	-	-	(15 404)	368 351	237 308	52 282	(14 766)	274 824	93 527
Other	382 511	-	-	-	-	(899)	381 612	243 027	61 978	(899)	304 106	77 506
Planning & Development	416 570	-	-	-	-	(11 547)	405 023	283 371	69 601	(9 880)	343 092	61 931
Public Safety	2 546 150	318 305	-	-	-	(30 500)	2 833 955	1 190 775	356 582	(26 284)	1 521 073	1 312 882
Road Transport	170 051 944	5 658 171	230 821	270 094	-	(248 337)	175 962 693	32 172 924	6 518 995	(222 603)	38 469 316	137 493 377
Sport & Recreation	84 157 104	440 809	3 886 119	-	-	(93 148)	88 390 884	10 268 201	6 355 440	(70 338)	16 553 303	71 837 581
Electricity	61 925 664	42 125	4 763 866	-	-	(710 696)	66 020 959	9 296 395	1 671 584	(7 282)	10 960 697	55 060 262
Waste Management	11 366 998	-	-	-	-	136 090	11 503 088	5 765 822	(621 185)	(99 312)	5 045 325	6 457 763
Water Waste Management	78 041 289	1 562 379	2 251 774	114 608	-	(9 972)	81 960 078	17 468 955	2 739 122	(8 680)	20 199 397	61 760 681
Water	58 968 266	3 416 976	31 635	(114 608)	-	(305)	62 301 964	12 554 331	1 792 670	(261)	14 346 740	47 955 224
TOTAL	680 699 805	31 048 330	11 619 641	(268 500)	-	(3 432 571)	719 666 705	106 336 471	38 605 630	(1 242 502)	143 699 599	575 967 106

Appendix D - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

(including inter-departmental charges)

2013				2014		
Actual Income	Actual Expenditure	Surplus/(Deficit)		Actual Income	Actual Expenditure	Surplus/(Deficit)
R	R	R		R	R	R
29 218 958	24 256 118	4 962 840	Executive & Council	30 156 773	18 229 835	11 926 938
66 787 712	43 677 859	23 109 853	Finance & Admin	97 588 856	57 665 582	39 923 274
1 467 190	4 716 210	-3 249 020	Planning & Development	2 583 747	6 380 864	-3 797 117
4 744 448	8 156 859	-3 412 411	Community & Social Services	5 424 874	10 032 525	-4 607 651
20 948 420	20 979 937	-31 517	Housing	8 489 451	8 380 067	109 384
7 291 220	11 593 418	-4 302 198	Public Safety	32 514 465	32 412 068	102 397
350 370	1 170 584	-820 214	Environmental Conservation	284 479	932 714	-648 235
7 436 459	17 526 672	-10 090 212	Sport & Recreation	12 058 850	23 372 428	-11 313 578
7 861 140	29 911 940	-22 050 800	Road Transport	7 171 772	32 779 560	-25 607 788
12 649 841	16 082 661	-3 432 820	Waste Water Management/Sewerage	15 492 295	17 513 481	-2 021 186
8 124 746	12 373 937	-4 249 191	Waste Management/Solid Waste	8 975 950	11 504 493	-2 528 543
27 954 359	20 610 301	7 344 058	Water	26 020 605	21 122 620	4 897 985
102 371 340	82 575 753	19 795 588	Electricity	109 001 814	95 344 280	13 657 534
0	1 293 449	-1 293 449	Hessequa Tourism	0	1 296 025	-1 296 025
297 206 204	294 925 698	2 280 506	Sub total	355 763 930	336 966 542	18 797 388
-17 150 866	-17 150 866	0	Less inter-departmental charges	-25 792 437	-25 792 437	0
280 055 338	277 774 832	2 280 506	Total	329 971 493	311 174 105	18 797 388

Appendix D (i) - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Budget	Amendments	Final Budget	Actual	Variance	Budget	Amendments	Final Budget	Actual	Variance
Executive & Council	30 679 488	-629 245	30 050 243	30 156 766	106 523	32 289 862	34 134	32 323 996	18 229 829	14 094 167
Finance & Admin	62 389 489	381 459	62 770 948	82 580 706	19 809 758	40 302 055	290 226	40 592 281	57 061 797	-16 469 516
Planning & Development	1 912 900	319 542	2 232 442	2 583 747	351 305	6 484 769	203 844	6 688 613	6 380 864	307 749
Community & Social Services	5 330 989	240 480	5 571 469	5 424 874	-146 595	9 015 771	102 402	9 118 173	9 459 026	-340 853
Housing	2 072 350	8 519 000	10 591 350	8 489 451	-2 101 899	2 066 600	8 519 000	10 585 600	8 380 067	2 205 533
Public Safety	5 130 439		5 130 439	32 514 465	27 384 026	10 923 917	-237 007	10 686 910	32 358 554	-21 671 644
Environmental Conservation	185 400	130 000	315 400	284 479	-30 921	852 555	108 067	960 622	932 714	27 908
Sport & Recreation	10 223 813	2 017 351	12 241 164	12 058 850	-182 314	15 611 102	-158 822	15 452 280	19 640 347	-4 188 067
Road Transport	7 368 594	-3 313 979	4 054 615	7 031 772	2 977 157	35 036 634	-344 510	34 692 124	32 739 574	1 952 550
Waste Water Management/Sewerage	22 334 967	-1 144 289	21 190 678	15 226 415	-5 964 263	13 769 765	73 395	13 843 160	13 538 722	304 438
Waste Management/Solid Waste	12 903 111	400 000	13 303 111	8 833 758	-4 469 353	10 365 122	1 352 459	11 717 581	10 471 843	1 245 738
Water	25 708 854	854 891	26 563 745	23 691 061	-2 872 684	18 202 536	651 364	18 853 900	17 638 365	1 215 535
Electricity	104 572 226	-4 729 501	99 842 725	101 095 149	1 252 424	84 695 746	-122 131	84 573 615	83 046 378	1 527 237
Hessequa Tourism	0	0	0	0	0	1 986 556	-55 985	1 930 571	1 296 025	634 546
Total	290 812 620	3 045 709	293 858 329	329 971 493	36 113 164	281 602 990	10 416 436	292 019 426	311 174 105	-19 154 679

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Revenue					
Property Rates	55 048 433	55 571 528	523 095	0.94	
Service charges	148 435 012	160 907 165	12 472 153	7.75	Indigent subsidy set-off against income but budgeted under expenses.
Rental of facilities and equipment	3 623 891	4 146 785	522 894	12.61	
Interest earned - external investments	3 336 129	2 520 000	-816 129	-32.39	
Interest earned - outstanding debtors	949 027	1 343 192	394 165	29.35	
Fines	29 854 614	2 637 414	-27 217 200	-1031.97	Effects of the interpretation of revised IGRAP 1 was more than anticipated.
Licences and permits	271 997	296 432	24 435	8.24	
Donated property, plant and equipment	18 897 400	0	-18 897 400	100.00	Recognition of donated assets not budgeted for.
Income for agency services	1 550 001	1 320 286	-229 715	-17.40	
Government grants and subsidies	61 606 289	60 070 829	-1 535 460	-2.56	
Other Income	6 259 973	4 044 698	-2 215 275	-54.77	Vat on operating grants not budgeted for. Income more than expected on various items.
Surplus on sale of assets	138 727	1 000 000	861 273	86.13	
Total Income	329 971 493	293 858 329	-36 113 163	12.29	

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Expenditure					
Employee related costs	103 458 937	100 580 243	-2 878 694	-2.86	Budget for charges to repairs and maintenance - transactions not recorded in AFS
Rumuneration of councillors	5 142 522	5 374 200	231 678	4.31	
Working Capital Reserve	24 194 517	3 274 593	-20 919 924	-638.86	Effects of the interpretation of revised IGRAP 1 was more than anticipated which resulted in a much higher provision than budgeted for.
Collection Costs	1 749 931	1 085 383	-664 548	-61.23	
Depreciation and impairment	18 689 860	20 862 496	2 172 636	10.41	The budgeted figure assumes that the full capital budget will be spent and depreciation were calculated on this amount. The full capital budget was however not spent.
Impairment	20 008 393	0	-20 008 393	100.00	Value adjustment as per new valuation roll not anticipated.
Repairs and Maintenance	10 900 673	17 133 646	6 232 973	36.38	Budget for salary expense - transactions not recorded in AFS
Interest - External borrowings	8 900 364	8 358 560	-541 804	-6.48	
Bulk Purchases	66 968 245	68 494 250	1 526 005	2.23	Consumption patterns lower than expected.
Contracted Services	6 894 065	4 927 863	-1 966 202	-39.90	Implementation of revised IGRAP 1 - expense transaction fee.
Loss on assets written off	2 181 410	0	-2 181 410	0.00	This is as a result of assets that were derecognised and disposed of during the year.
General Expenses	42 085 187	61 928 192	19 843 005	32.04	Indigent subsidy budgeted under expenses but off-set against income.
Total Expenditure	311 174 104	292 019 426	-19 154 679	6.56	
Net surplus for the year	18 797 389	1 838 903	-16 958 484	922.21	

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2014

		2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
Land						
	Land & Buildings	176 888	268 600	-91 712	-34.14	
		176 888	268 600	-91 712	-34.14	
Infrastructure						
	<u>Sewerage</u>	2 390 750	3 601 950	-1 211 200	-33.63	Pprojects formed part of the Consulting Engineering Tender that was cancelled during the 2013/2014 Financial year. We couldn't proceed with the advertising of a new tender, as there is still an active dispute preventing us from appointing Consulting Engineers. A second round of tenders were advertised but that process was also brought to a halt, due to the dispute as mentioned above.
	<u>Water</u>	3 442 208	4 757 016	-1 314 808	-27.64	Pprojects formed part of the Consulting Engineering Tender that was cancelled during the 2013/2014 Financial year. We couldn't proceed with the advertising of a new tender, as there is still an active dispute preventing us from appointing Consulting Engineers. A second round of tenders were advertised but that process was also brought to a halt, due to the dispute as mentioned above.
	<u>Electricity</u>	4 703 892	6 240 000	-1 536 108	-24.62	Pprojects formed part of the Consulting Engineering Tender that was cancelled during the 2013/2014 Financial year. We couldn't proceed with the advertising of a new tender, as there is still an active dispute preventing us from appointing Consulting Engineers. A second round of tenders were advertised but that process was also brought to a halt, due to the dispute as mentioned above.
	<u>Roads and Stormwater</u>	4 420 008	4 896 676	-476 668	-9.73	Pprojects formed part of the Consulting Engineering Tender that was cancelled during the 2013/2014 Financial year. We couldn't proceed with the advertising of a new tender, as there is still an active dispute preventing us from appointing Consulting Engineers. A second round of tenders were advertised but that process was also brought to a halt, due to the dispute as mentioned above.
		14 956 858	19 495 642	-4 538 784	-23.28	
Community Assets						
	<u>Public Conviniences</u>	3 884 817	4 479 656	-594 839	-13.28	
	<u>Cemeteries</u>	0	400 000	-400 000	-100.00	
	<u>Other</u>	714 553	747 350	-32 797	-4.39	
		4 599 370	5 627 006	-1 027 636	-18.26	
Other Assets						
	<u>Plant & Equipment</u>	1 623 577	2 044 090	-420 513	-20.57	
	<u>Motor Vehicles</u>	1 686 084	1 734 550	-48 466	-2.79	
	<u>Other</u>	720 145	1 073 797	-353 652	-32.93	
		4 029 806	4 852 437	-822 631	-20.50	
Total		23 762 922	30 243 685	-6 480 763	-21.43	

APPENDIX F - Unaudited

Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Name of Grant	Funder	Quarterly Receipts						Quarterly Expenditure					Previous Year Expend.	Total	Closing Balance 2014/06/30	Capital	Operating	VAT
		Opening Balance 2013/07/01	September	December	March	June	Total	September	December	March	June							
		R	R	R	R	R	R	R	R	R	R	R						
National Government		0	22 032 000	9 996 000	10 511 000	2 896 960	45 435 960	8 723 197	8 567 328	7 761 525	16 165 543	4 218 368	45 435 960	0	12 962 154	31 150 566	1 323 240	
Equitable Share	COGTA	0	11 745 000	9 396 000	7 048 000		28 189 000	7 047 250	7 047 250	7 047 250	7 047 250		28 189 000	0		28 189 000		
MIG Projects	COGTA	0	5 697 000		3 463 000		9 160 000	1 303 691	626 354	424 176	6 805 779		9 160 000	0	7 402 966	772 254	984 780	
Financial Management Grant	COGTA	0	1 300 000				1 300 000	372 256	331 419	211 364	384 962		1 300 000	0	36 531	1 181 022	82 447	
National Electricity Program	DME	0	2 000 000				2 000 000	0	511 995		166 598	1 321 408	2 000 000	0	1 770 526		229 474	
Municipal Systems Improvement Grant	COGTA	0	890 000				890 000	0	0	0	890 000		890 000	0		878 947	11 053	
Expanded Public Works Programme	DPW	0	400 000	600 000	0		1 000 000	0	50 310	78 735	870 955		1 000 000	0	855 171	129 343	15 486	
Emergency Relief Fund	COGTA					2 896 960	2 896 960				0	2 896 960	2 896 960	0	2 896 960			
Provincial Government		208 658	8 227 334	1 690 333	4 132 367	1 714 000	15 972 692	7 809 015	1 407 202	3 225 548	3 177 565		15 619 330	353 363	2 242 427	13 257 301	119 602	
Human Settlement Development	WC: Housing	0	6 640 000		0	1 714 000	8 354 000	6 640 000	0		1 714 000		8 354 000	0		8 354 000		
Library Municipal Replacement Funding	WC: Cult. Affairs	37 822	1 231 000	1 231 000	1 230 000		3 729 822	971 527	826 073	726 004	1 206 217		3 729 822	0	78 653	3 542 513	108656.01	
Slangrivier Land Reform	WC: Land Affairs	8 726					8 726						0	8 725.96				
Library Ext. Staff Levells	WC: Cult. Affairs	0	356 334	241 333	241 333		839 000	149 164	207 309	279 828	202 699		839 000	0	102 740	725 314	10 946	
Riversdale Thusong Centre	WC: Cult. Affairs			218 000			218 000	48 324	137 241	32 435			218 000	0		218 000		
Proclaimed Roads	WC: Transport	0			2 061 034		2 061 034			2 061 034			2 061 034	0	2 061 034			
Spatial Development Framework	WC: Environment	2 807					2 807						0	2 807.27				
Performance Management System	WC: Local Gov	125 042					125 042			121 841	3 201		125 042	0		125 042		
Housing Consumer Education	WC: Housing	34 261					34 261						0	34 261.00				
Financial Management Support Grant	WC: Local Govt.	0		600 000			600 000		236 579	4 405	51 448		292 432	307 568.42		292 432		
District Municipality		373 387	0	0	0	0	373 387	0	0	0	0		0	373 387	0	0		
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 787	0	0	0	0	78 787	0	0	0	0		0	78 787	0	0	0	
Alternative Electricity	Eden Distr. Mun.	273 533	0	0	0	0	273 533	0	0	0	0		0	273 533	0	0	0	
Housing Consumer Educations	Eden Distr. Mun.	21 068	0	0	0	0	21 068	0	0	0	0		0	21 068	0	0	0	
LED Learnership	Eden Distr. Mun.	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	
Other		1 172 793	55 244	2 318	527 250	139 226	1 896 830	39 878	135 051	81 025	295 045		550 999	1 345 830	0	550 999		
Skills Development	Seta	635 525	55 244	2 318	0	139 226	832 312	39 878	63 301	81 025	295 045		479 249	353 062.73		479 249		
National Lottery Fund		0			527 250		527 250						0	527 250				
Tourism		101 819					101 819						0	101 819				
Africana Centrum		6 615					6 615						0	6 615				
National Heritage Council		23 684					23 684						0	23 684				
Asla Devco - Water meters Slangrivier		345 150					345 150		71 750				71 750	273 400		71 750		
Public Participation Strategy		60 000					60 000						0	60 000				
TOTAL - CONDITIONAL GRANTS		1 754 838	30 314 578	11 688 651	15 170 617	4 750 186	63 678 869	16 572 089	10 109 582	11 068 097	19 638 153		61 606 289	2 072 580	15 204 581	44 958 866	1 442 842	
Section 123 1 (f) - An amount of R3 462 000 of the MIG allocation was withheld because of underspending - see note. 26.10																		