

# HESSEQUA MUNICIPALITY



# ANNUAL FINANCIAL STATEMENTS & REPORTS

30 JUNE 2015

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# HESSEQUA MUNICIPALITY

## GENERAL INFORMATION

EXECUTIVE MAYOR  
DEPUTY MAYOR  
SPEAKER

Councillor E Nel  
Councillor JJ Merkeur  
Councillor Dr J Prins

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson  
Member  
Member  
Member  
Member

Councillor E Nel  
Councillor JJ Merkeur  
Councillor CAE Prins  
Councillor LJ Fourie  
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 LJ Fourie  
Councillor CAE Prins  
Councillor LJ Fourie  
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 Berg Street  
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  
Councillor  
Councillor  
Councillor  
Councillor, Eden DM Rep  
Councillor  
Deputy Mayor  
Executive Mayor  
Speaker, Councillor, Executive Mayoral Committee  
Councillor, Executive Mayoral Committee  
Councillor

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2015

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to - 93, 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

31 August 2015

Date

# HESSEQUA MUNICIPALITY

## Statement from the Chief Financial Officer

### 1. Introduction

It is my pleasure to give a brief summary of the financial results of our Council for the financial year ended 30 June 2015.

The financial activities for the year, are reviewed in the various sections of this report.

### 2. Key financial indicators

#### Ratio Description

#### Current ratio

The current ratio is used to measure to which extent the municipality's liquid assets are able to cover its short-term liabilities, also known as working capital. Working capital refers to the financial resources to support the day-to-day operations of the entity giving effect to Section 215 of the Constitution.

The higher the ratio is to 1, the more liquid and solvent the municipality is and able to comply with Section 65 of the MFMA.

#### Revenue Management

*Actual income vs Budgeted income*

*Level of government grants to own income*

The increase in ratio indicates that the municipality's own income decreased relative to government grants received.

#### Expenditure management

*Actual expenditure vs Budgeted expenditure*

*Personnel costs to total expenditure*

*Interest paid as percentage of total expenditure*

The general accepted norm in this regard is 15%. The relatively low ratio indicates the Municipalities ability to finance capital programmes, to some extent, from own sources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

*Creditors to cash and investments*

#### Asset management

*Acquisition of PPE - Actual vs budgeted*

	2014/2015	2013/2014
Current ratio	1.78	1.57
Actual income vs Budgeted income	95.36%	112.29%
Level of government grants to own income	26.24%	24.70%
Actual expenditure vs Budgeted expenditure	92.98%	106.56%
Personnel costs to total expenditure	34.57%	33.26%
Interest paid as percentage of total expenditure	3.16%	2.86%
Creditors to cash and investments	28.21%	62.85%

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
<b>Land</b>				
<u>Land &amp; Buildings</u>	3 368 749	3 927 706	-558 957	-14.23
	<b>3 368 749</b>	<b>3 927 706</b>	<b>-558 957</b>	<b>-14.23</b>
<b>Infrastructure</b>				
<u>Sewerage</u>	6 476 349	13 741 926	-7 265 577	-52.87
<u>Water</u>	548 336	4 690 399	-4 142 063	-88.31
<u>Electricity</u>	7 844 629	21 680 888	-13 836 259	-63.82
<u>Roads and Stormwater</u>	2 604 470	26 762 656	-24 158 186	-90.27
	<b>17 473 784</b>	<b>66 875 869</b>	<b>-49 402 085</b>	<b>-73.87</b>

Statement from the Chief Financial Officer -(continued)

<b>Community Assets</b>				
<u>Public Conveniences</u>	225 943	645 930	-419 987	-65.02
<u>Sportfields</u>	2 436 770	3 049 199	-612 429	-20.08
<u>Cemeteries</u>	120 000	720 000	-600 000	-83.33
<u>Other</u>	455 170	586 000	-130 830	-22.33
	<b>3 237 883</b>	<b>5 001 129</b>	<b>-1 763 246</b>	<b>-35.26</b>
<b>Other Assets</b>				
<u>Plant &amp; Equipment</u>	1 434 677	1 611 800	-177 123	-10.99
<u>Motor Vehicles</u>	2 057 910	2 133 800	-75 890	-3.56
<u>Other</u>	1 294 605	1 723 783	-429 178	-24.90
	<b>4 787 192</b>	<b>5 469 383</b>	<b>-682 191</b>	<b>-20.50</b>
<b>Total</b>	<b>28 867 607</b>	<b>81 274 087</b>	<b>-52 406 480</b>	<b>-64.48</b>

**Budget Spent 35.52%**

*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.

Collection rate - (year levies less receipts)

**Debt management**

*Total liabilities/Total assets*

The ratio increased by 7.38% which indicates a lower 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 10 days relative to the prior year in creditors' payments.

	2014/2015	2013/2014
Consumer debtors collection period	71.78 days	69.24 days
Collection rate - (year levies less receipts)	97.62%	98.25%
Total liabilities/Total assets	35.45%	28.07%
Long term debt to Total operating revenue (Excl grants and transfers)	31.31%	28.79%
Percentage of Total annual repayment of long term debt to operating expenditure	3.70%	3.35%
Trade creditors payment period	66.23 days	56.89 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.

	2014/2015		2013/2014	Growth
	Actual	Budget	Actual	
<b>Revenue</b>				
Agency services	1 660 214	1 520 959	1 550 001	7.11%
Fines	36 681 634	21 953 475	29 854 614	22.87%
Gains on disposal of PPE	741 332	5 000 000	138 727	434.38%
Donated PPE	381 000	-	18 897 400	-97.98%
Interest Earned - External investments	6 051 531	2 580 000	3 336 129	81.39%
Interest Earned - Outstanding debtors	1 390 519	1 046 683	949 027	46.52%
Licenses and permits	208 337	307 136	271 997	-23.40%
Property rates	60 793 273	61 912 084	55 048 433	10.44%
Rental of facilities and equipment	4 023 975	3 698 489	3 623 891	11.04%
Services Charges	161 217 271	172 258 066	148 435 012	8.61%
Transfers Recognised	73 077 921	104 390 112	61 606 289	18.62%
Gain on revaluation of Investment Property	9 896 600	-	-	100.00%
Other revenue	5 681 950	4 739 746	6 259 974	-9.23%
	<b>361 805 558</b>	<b>379 406 750</b>	<b>329 971 493</b>	<b>9.65%</b>

Statement from the Chief Financial Officer -(continued)

	2014/2015		2013/2014	Growth
	Actual	Budget	Actual	
<b>Expenses</b>				
Bulk purchases	73 946 463	75 204 747	67 246 470	9.96%
Contracted services	6 298 152	6 534 744	6 894 065	-8.64%
Debt impairment	28 733 822	17 709 756	24 194 517	18.76%
Depreciation and impairment	19 922 542	21 794 896	38 338 735	-48.04%
Employee related cost	107 865 593	116 041 745	103 458 937	4.26%
Remuneration of councillors	5 791 455	5 857 571	5 142 522	12.62%
Finance charges	9 851 156	8 763 154	8 900 364	10.68%
Loss on disposal of assets	-	-	2 181 410	-100.00%
Repairs and maintenance	11 836 798	13 148 191	10 900 673	8.59%
Other expenditure	47 819 918	70 587 770	43 835 119	9.09%
	<b>312 065 898</b>	<b>335 642 574</b>	<b>311 092 811</b>	<b>0.31%</b>

**Net operating Surplus**

<b>49 739 660</b>	<b>43 764 176</b>	<b>18 878 682</b>
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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 9.65%.

Details of the main categories of income are as follows:

Service Charges	44.56%
Property rates	16.80%
Grants and subsidies	20.20%
Other	18.44%
	<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	23.70%
Employee related cost/Council Remuneration	36.42%
Depreciation and impairment	6.38%
Repairs and maintenance	3.79%
Finance cost	3.16%
Other	26.55%
	<u>100.00%</u>

**4. Debtors**

Total outstanding net debtors increased by R4 480 902 to a balance of R35 108 653 at 30 June 2015. Income from traffic fines increased to R36 681 634 and outstanding traffic receivables increased to R48 022 686 at 30 June 2015. A provision for impairment of traffic fines of R38 197 244 was made at year end.

**5. Borrowings, Investments and Cash**

Interest bearing debt increased to R90 399 578 in the financial year ended 30 June 2015. Cash and cash equivalents increased by R84 116 985 to close the year at R136 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.

**H.J. VILJOEN**  
**CHIEF FINANCIAL OFFICER**  
**31 August 2015**



**HESSEQUA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

	Note	2015	2014
		R	Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>174 287 850</b>	<b>85 877 960</b>
Inventory	2	905 652	810 318
Trade receivables from exchange transactions	4	16 750 566	16 742 956
Trade receivables from non-exchange transactions	5	18 358 087	13 884 795
VAT Receivable	6	1 351 217	1 592 968
Bank, Cash and Cash Equivalents	7	136 699 553	52 582 568
Operating Lease Assets	8	220 694	262 275
Current Portion of Long-term Receivables	13	2 080	2 080
<b>Non-Current Assets</b>		<b>643 888 991</b>	<b>579 282 457</b>
Property, Plant and Equipment	9	584 495 461	529 313 227
Intangible assets	10	363 545	325 557
Investment Property	11	50 690 000	41 301 608
Heritage Assets	12	8 321 875	8 321 875
Long-term Receivables	13	18 110	20 190
<b>Total Assets</b>		<b>818 176 840</b>	<b>665 160 417</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>97 775 198</b>	<b>54 798 344</b>
Consumer Deposits	14	3 741 830	3 461 317
Provisions	15	6 124 345	5 880 983
Creditors	16	38 562 580	33 047 495
Unspent Conditional Grants and Receipts	17	37 734 862	2 072 580
Operating Lease Liabilities	18	52 742	13 102
Current Portion of Long-term Liabilities	19	11 558 839	10 322 867
<b>Non-Current Liabilities</b>		<b>192 237 164</b>	<b>131 937 253</b>
Long-term Liabilities	19	78 840 740	66 937 045
Retirement Benefit Liabilities	20	42 945 000	43 405 996
Non-current Provisions	21	68 679 302	19 900 088
Trust Fund	50	1 772 122	1 694 124
<b>Total Liabilities</b>		<b>290 012 362</b>	<b>186 735 597</b>
<b>Total Assets and Liabilities</b>		<b>528 164 478</b>	<b>478 424 819</b>
<b>NET ASSETS</b>		<b>528 164 478</b>	<b>478 424 819</b>
Statutory Funds	22	245 694	131 441
Accumulated Surplus	23	527 918 784	478 293 378
<b>Total Net Assets</b>		<b>528 164 478</b>	<b>478 424 819</b>

**HESSEQUA MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Actual	
		2015 R	2014 R Restated
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Property Rates	24	60 793 273	55 048 433
Fines		36 681 634	29 854 614
Licences and permits		208 337	271 997
Income from agency services		1 660 214	1 550 001
Donated Property, Plant and Equipment		381 000	18 897 400
Government grants and subsidies	26 + 27	73 077 921	61 606 289
Gain on revaluation of Investment Property		9 896 600	-
<b>Revenue from exchange transactions</b>			
Service Charges	25	161 217 271	148 435 012
Rental of facilities and equipment		4 023 975	3 623 891
Interest earned - external investments		6 051 531	3 336 129
Interest earned - outstanding receivables		1 390 519	949 027
Other income	28	5 681 950	6 259 973
Gains on disposal of property, plant and equipment		741 332	138 727
<b>Total Revenue</b>		<b>361 805 558</b>	<b>329 971 493</b>
<b>Expenditure</b>			
Employee related costs	29	107 865 593	103 458 937
Remuneration of Councillors	30	5 791 455	5 142 522
Bad debts	31	28 733 822	24 194 517
Collection costs		2 501 108	1 749 931
Depreciation and amortisation	32	19 922 542	18 330 342
Impairment		-	20 008 393
Repairs and maintenance		11 836 798	10 900 673
Interest paid	33	9 851 156	8 900 364
Bulk purchases	34	73 946 463	67 246 470
Loss on disposal of property, plant and equipment		-	2 181 410
Contracted services		6 298 152	6 894 065
General expenses	35	45 318 809	42 085 187
<b>Total Expenditure</b>		<b>312 065 898</b>	<b>311 092 811</b>
<b>Surplus/(Deficit) For The Year</b>		<b>49 739 660</b>	<b>18 878 682</b>

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 2015**

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 July 2013</b>		22 057	-	459 451 687	459 473 744
Correction of errors	48.4			72 393	72 393
<b>Restated balance at 1 July 2013</b>		22 057	-	459 524 080	459 546 137
Restated surplus for the year	48.5			18 878 682	18 878 682
Transfer to Housing Reserve		109 384		-109 384	-
<b>Restated balance at 30 June 2014</b>		131 441	-	478 293 378	478 424 819
Surplus for the year				49 739 660	49 739 660
Transfer from Housing Reserve		114 253		-114 253	-
<b>Balance at 30 June 2015</b>		245 694	-	527 918 784	528 164 479

**HESSEQUA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

<b>Cash Flow from Operating Activities</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>Restated R</b>
<b>Receipts</b>			
Property rates		61 217 732	54 177 435
Fines		11 855 278	4 947 761
Government grants and subsidies		108 740 203	61 924 029
Service Charges		154 960 409	140 341 735
Income from agency services		1 660 214	1 550 001
Rental of facilities and equipment		4 023 975	3 623 891
Licences and permits		208 337	271 997
Other receipts		3 627 264	9 745 341
<b>Payments</b>			
Employee related cost		-107 415 515	-102 045 865
Remuneration of councillors		-5 791 455	-5 142 522
Suppliers paid		-84 361 816	-80 128 827
Other payments		-49 187 998	-43 653 420
<b>Cash generated from operations</b>	<b>37</b>	<b>99 511 153</b>	<b>45 611 558</b>
Interest received		7 442 050	4 285 156
Interest paid	<b>33</b>	-9 851 156	-8 900 364
<b>Net Cash from Operating Activities</b>		<b>97 102 048</b>	<b>40 996 350</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment	<b>9</b>	-28 810 127	-23 770 571
Purchase of intangible assets		-57 480	-
Sale of property, plant and equipment		1 382 287	136 384
Sale of Investment Property		1 000 000	-
Increase in non-current receivables		2 080	1 923
<b>Net Cash flows from Investing Activities</b>		<b>-26 483 240</b>	<b>-23 632 264</b>
<b>Cash flows from Financing Activities</b>			
New loans raised/(repaid)		13 139 666	-10 091 969
(Decrease)/increase in consumer deposits		280 513	209 253
Increase in Trust Funds		77 998	46 061
<b>Net Cash from Financing Activities</b>		<b>13 498 177</b>	<b>-9 836 655</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>84 116 984</b>	<b>7 527 431</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>52 582 568</b>	<b>45 055 138</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>36</b>	<b>136 699 553</b>	<b>52 582 568</b>

## HESSEQUA MUNICIPALITY

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2015

#### 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
<b>Revenue from non-exchange transactions</b>						<b>Note 57</b>
Property Rates	62 412 084	-500 000	61 912 084	60 793 273	-1 118 811	
Fines	4 316 357	17 637 118	21 953 475	36 681 634	14 728 159	Rev 1
Licences and permits	307 136	0	307 136	208 337	-98 799	
Income from agency services	1 520 959	0	1 520 959	1 660 214	139 255	
Donated Property, Plant & Equipment	0			381 000	381 000	
Government grants and subsidies	72 299 100	32 091 012	104 390 112	73 077 921	-31 312 191	Rev 2
Gain on revaluation of Investment Property				9 896 600	9 896 600	Rev 6
<b>Revenue from exchange transactions</b>						
Service Charges	172 449 789	-191 723	172 258 066	161 217 271	-11 040 795	Rev 3
Rental of facilities and equipment	3 698 489		3 698 489	4 023 975	325 486	
Interest earned - external investments	2 580 000		2 580 000	6 051 531	3 471 531	Rev 4
Interest earned - outstanding receivables	1 046 683		1 046 683	1 390 519	343 836	
Other income	3 113 634	1 626 112	4 739 746	5 681 950	942 204	
Gains on disposal of property, plant and equipment	5 000 000	0	5 000 000	741 332	-4 258 668	Rev 5
<b>Total Revenue</b>	<b>328 744 231</b>	<b>50 662 519</b>	<b>379 406 750</b>	<b>361 805 558</b>	<b>-17 601 191</b>	
<b>Expenditure</b>						
Employee related costs	108 408 389	7 633 356	116 041 745	107 865 593	-8 176 152	Exp 1
Remuneration of Councillors	5 857 571		5 857 571	5 791 455	-66 116	
Bad debts	3 056 367	14 653 389	17 709 756	28 733 822	11 024 066	Exp 2
Collection costs	1 604 474	1 112 612	2 717 086	2 501 108	-215 978	
Depreciation and amortisation	21 794 896		21 794 896	19 922 542	-1 872 354	Exp 3
Repairs and maintenance	20 349 256	-7 201 065	13 148 191	11 836 798	-1 311 393	Exp 4
Interest paid	8 763 154		8 763 154	9 851 156	1 088 002	Exp 5
Bulk purchases	75 204 747		75 204 747	73 946 463	-1 258 284	
Contracted services	5 939 247	595 497	6 534 744	6 298 152	-236 592	
General expenses	59 266 027	8 604 657	67 870 684	45 318 809	-22 551 875	Exp 6
<b>Total Expenditure</b>	<b>310 244 128</b>	<b>25 398 446</b>	<b>335 642 574</b>	<b>312 065 898</b>	<b>-23 576 677</b>	
<b>Surplus/(Deficit) For The Year</b>	<b>18 500 103</b>	<b>25 264 073</b>	<b>43 764 176</b>	<b>49 739 660</b>	<b>5 975 486</b>	

**HESSEQUA MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2015**

<b>Statement of Financial Position</b>	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						
<b>ASSETS</b>						<b>Note 57</b>
<b>Current Assets</b>	<b>70 593 908</b>	<b>39 516 009</b>	<b>110 109 917</b>	<b>174 287 849</b>	<b>64 177 932</b>	
Inventory	861 000	-50 682	810 318	905 653	95 335	
Trade receivables from exchange transactions	9 561 785	6 585 229	16 147 014	16 750 566	603 552	
Trade receivables from non-exchange transactions	13 884 428	5 194 123	19 078 551	18 358 087	-720 464	
VAT Receivable	1 473 420	564 771	2 038 191	1 351 217	-686 974	Fp1
Bank, Cash and Cash Equivalents	44 549 000	27 222 568	71 771 568	136 699 553	64 927 985	Fp2
Operating Lease Assets	262 275	0	262 275	220 694	-41 581	
Current Portion of Long-term Receivables	2 000	0	2 000	2 080	80	
<b>Non-Current Assets</b>	<b>676 955 467</b>	<b>-44 525 892</b>	<b>632 429 575</b>	<b>643 888 990</b>	<b>11 459 415</b>	
Property, Plant and Equipment	636 099 468	-52 863 324	583 236 144	584 495 461	1 259 317	
Intangible assets	313 000	13 557	326 557	363 545	36 988	
Investment Property	40 524 999	0	40 524 999	50 690 000	10 165 001	Fp3
Heritage Assets	0	8 321 875	8 321 875	8 321 875	0	
Long-term Receivables	18 000	2 000	20 000	18 110	-1 890	
<b>Total Assets</b>	<b>747 549 375</b>	<b>-5 009 883</b>	<b>742 539 492</b>	<b>818 176 839</b>	<b>75 637 347</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>49 663 000</b>	<b>2 194 529</b>	<b>51 857 529</b>	<b>97 775 196</b>	<b>45 917 667</b>	
Consumer Deposits	3 430 000	31 317	3 461 317	3 741 830	280 513	
Provisions	5 000 000	880 983	5 880 983	6 124 344	243 361	
Creditors	29 400 000	1 282 229	30 682 229	38 562 580	7 880 351	Fp4
Unspent Conditional Grants and Receipts	1 755 000	0	1 755 000	37 734 862	35 979 862	Fp5
Operating Lease Liabilities	0	0	0	52 742	52 742	
Current Portion of Long-term Liabilities	10 078 000	0	10 078 000	11 558 838	1 480 838	Fp6
<b>Non-Current Liabilities</b>	<b>173 651 882</b>	<b>-19 643 414</b>	<b>154 008 468</b>	<b>192 237 165</b>	<b>38 228 697</b>	
Long-term Liabilities	107 190 882	-22 117 955	85 072 927	78 840 740	-6 232 187	Fp7
Retirement Benefit Liabilities	52 816 000	934 541	53 750 541	42 945 001	-10 805 540	Fp8
Non-current Provisions	13 645 000	-154 000	13 491 000	68 679 302	55 188 302	Fp9
Trust Fund		1 694 000	1 694 000	1 772 122	78 122	
<b>Total Liabilities</b>	<b>223 314 882</b>	<b>-17 448 885</b>	<b>205 865 997</b>	<b>290 012 361</b>	<b>84 146 364</b>	
<b>Total Assets and Liabilities</b>	<b>524 234 493</b>	<b>12 439 002</b>	<b>536 673 495</b>	<b>528 164 478</b>	<b>-8 509 017</b>	
<b>NET ASSETS</b>	<b>524 234 493</b>	<b>12 439 002</b>	<b>536 673 378</b>	<b>528 164 478</b>	<b>-8 509 017</b>	
Statutory Funds	13 807 000	109 441	13 916 441	245 694	-13 670 864	Fp10
Accumulated Surplus	510 427 493	12 329 561	522 756 937	527 918 784	5 161 847	Fp11
<b>Total Net Assets</b>	<b>524 234 493</b>	<b>12 439 002</b>	<b>536 673 495</b>	<b>528 164 478</b>	<b>-8 509 017</b>	

**HESSEQUA MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2015**

<b>Cash Flow from Operating Activities</b>	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						<b>Note 57</b>
<b>Receipts</b>						
Ratepayers and other	243 510 773	18 561 470	262 072 243	237 882 529	-24 189 714	Cf1
Government grants and subsidies	72 299 100	32 282 477	104 581 577	108 740 203	4 158 626	
<b>Payments</b>						
Suppliers and employees	-273 377 459	-13 598 819	-286 976 278	-247 111 578	39 864 700	Cf2
<b>Cash generated from operations</b>	<b>42 432 414</b>	<b>37 245 128</b>	<b>79 677 542</b>	<b>99 511 154</b>	<b>19 833 612</b>	
Interest received	3 365 000		3 365 000	7 442 050	4 077 050	Cf3
Interest paid	-8 763 154		-8 763 154	-9 851 155	-1 088 001	Cf4
<b>Net Cash from Operating Activities</b>	<b>37 034 260</b>	<b>37 245 128</b>	<b>74 279 388</b>	<b>97 102 049</b>	<b>22 822 661</b>	
<b>Cash flows from Investing Activities</b>						
Purchase of property, plant and equipment	-70 860 935	-7 376 548	-78 237 483	-28 810 127	49 427 356	Cf5
Purchase of intangible assets				-57 480	-57 480	
Sale of property, plant and equipment	5 000 000		5 000 000	2 382 287	-2 617 713	Cf6
(Increase)/decrease in non-current receivables			0	2 080	2 080	
<b>Net Cash flows from Investing Activities</b>	<b>-65 860 935</b>	<b>-7 376 548</b>	<b>-73 237 483</b>	<b>-26 483 240</b>	<b>46 754 243</b>	
<b>Cash flows from Financing Activities</b>						
New loans raised/(repaid)	29 686 451	-11 550 918	18 135 533	13 139 666	-4 995 867	Cf7
(Decrease)/increase in consumer deposits	12 000		12 000	280 513	268 513	
Increase in Trust Funds			0	77 998	77 998	
<b>Net Cash from Financing Activities</b>	<b>29 698 451</b>	<b>-11 550 918</b>	<b>18 147 533</b>	<b>13 498 177</b>	<b>-4 649 356</b>	
<b>Net Increase / (decrease) in Cash and Cash Equivalents</b>	<b>871 776</b>	<b>18 317 662</b>	<b>19 189 438</b>	<b>84 116 984</b>	<b>64 927 548</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>48 652 462</b>	<b>3 930 105</b>	<b>52 582 568</b>	<b>52 582 568</b>	<b>0</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>49 524 238</b>	<b>22 247 767</b>	<b>71 772 006</b>	<b>136 699 553</b>	<b>64 927 547</b>	Cf8

**HESSEQUA MUNICIPALITY**

**APPROPRIATION STATEMENT AT 30 JUNE 2015**

**Statement of Financial Performance**

Figures in Rand

<b>Revenue</b>	<b>Original budget</b>	<b>Budget adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Virement (i.t.o. council approved policy)</b>	<b>Virement (not i.t.o. council approved policy)</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>Actual outcome as % of final budget</b>	<b>Actual outcome as % of original budget</b>
<b>Revenue from non-exchange transactions</b>									
Property Rates	62 412 084	-500 000	61 912 084			61 912 084	60 793 273	-1.8	-2.6
Fines	4 316 357	17 637 118	21 953 475			21 953 475	36 681 634	67.1	749.8
Licences and permits	307 136	0	307 136			307 136	208 337	-32.2	-32.2
Income from agency services	1 520 959	0	1 520 959			1 520 959	1 660 214	9.2	9.2
Donated Property, Plant & Equipment							381 000	100.0	100.0
Government grants and subsidies	72 299 100	32 282 477	104 581 577	-191 465		104 390 112	73 077 921	-30.0	1.1
Gain on revaluation of Investment Property							9 896 600		
<b>Revenue from exchange transactions</b>									
Service Charges	172 449 789	-191 723	172 258 066			172 258 066	161 217 271	-6.4	-6.5
Rental of facilities and equipment	3 698 489		3 698 489			3 698 489	4 023 975	8.8	8.8
Interest earned - external investments	2 580 000		2 580 000			2 580 000	6 051 531	134.6	134.6
Interest earned - outstanding receivables	1 046 683		1 046 683			1 046 683	1 390 519	32.9	32.9
Other income	3 113 634	1 582 612	4 696 246		43 500	4 739 746	5 681 950	19.9	82.5
Gains on disposal of property, plant and equipment	5 000 000	0	5 000 000			5 000 000	741 332	-85.2	-85.2
<b>Total Revenue</b>	<b>328 744 231</b>	<b>50 810 484</b>	<b>379 554 715</b>	<b>-191 465</b>	<b>43 500</b>	<b>379 406 750</b>	<b>361 805 559</b>	<b>-4.6</b>	<b>10.1</b>
<b>Expenditure</b>									
Employee related costs	108 408 389	7 633 356	116 041 745			116 041 745	107 865 593	-7.0	-0.5
Remuneration of Councillors	5 857 571		5 857 571			5 857 571	5 791 455	-1.1	-1.1
Bad debts	3 056 367	14 653 389	17 709 756			17 709 756	28 733 822	62.2	840.1
Collection costs	1 604 474	1 112 612	2 717 086			2 717 086	2 501 108	-7.9	55.9
Depreciation and amortisation	21 794 896		21 794 896			21 794 896	19 922 542	-8.6	-8.6
Repairs and maintenance	20 349 256	-7 136 097	13 213 159		-64 968	13 148 191	11 836 798	-10.0	-41.8
Interest paid	8 763 154		8 763 154			8 763 154	9 851 156	12.4	12.4
Bulk purchases	75 204 747		75 204 747			75 204 747	73 946 463	-1.7	-1.7
Contracted services	5 939 247	595 497	6 534 744			6 534 744	6 298 152	-3.6	6.0
General expenses	59 266 027	11 622 451	70 888 478	-126 496	-2 891 298	67 870 684	45 318 809	-33.2	-23.5
<b>Total Expenditure</b>	<b>310 244 128</b>	<b>28 481 208</b>	<b>338 725 336</b>	<b>-126 496</b>	<b>-2 956 266</b>	<b>335 642 574</b>	<b>312 065 897</b>	<b>-7.0</b>	<b>0.6</b>
<b>Surplus/(Deficit) For The Year</b>	<b>18 500 103</b>	<b>22 329 276</b>	<b>40 829 379</b>	<b>-64 969</b>	<b>2 999 766</b>	<b>43 764 176</b>	<b>49 739 663</b>	<b>13.7</b>	<b>-100.0</b>



**HESSEQUA MUNICIPALITY**

**APPROPRIATION STATEMENT AT 30 JUNE 2015**

**Capital Budget**

Figures in Rand

<b>GFS classification</b>	<b>Original budget</b>	<b>Budget adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Virement (i.t.o. council approved policy)</b>	<b>Virement (not i.t.o. council approved policy)</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>Actual outcome as % of final budget</b>	<b>Actual outcome as % of original budget</b>	<b>Reference</b>
Budget and Treasury Office	53 370	0	53 370	0	0	53 370	46 010	-13.8	-13.8	<u>Note 57</u>
Community and Social Services	1 042 085	0	1 042 085	0	0	1 042 085	313 686	-69.9	-69.9	
Corporate Services	1 350 160	125 700	1 475 860	0	1 148 765	2 624 625	2 201 967	-16.1	63.1	
Electricity	27 831 500	-6 011 112	21 820 388	0	0	21 820 388	7 957 611	-63.5	-71.4	Cap1
Executive and Council	38 000	0	38 000	0	0	38 000	33 461	-11.9	-11.9	
Housing	0	33 000	33 000	0	0	33 000	13 675	-58.6		
Planning and Development	6 800	0	6 800	0	0	6 800	6 460	-5.0	-5.0	
Public Safety	162 500	140 000	302 500	0	0	302 500	204 619	-32.4	25.9	
Road Transport	14 939 192	13 687 514	28 626 706	0	0	28 626 706	4 373 611	-84.7	-70.7	Cap2
Sport and Recreation	2 934 371	1 767 028	4 701 399	0	1 887 839	6 589 238	5 261 977	-20.1	79.3	
Waste Management	1 450 000	-27 000	1 423 000	0	0	1 423 000	1 222 809	-14.1	-15.7	
Waste Water Management	13 602 157	362 019	13 964 176	0	0	13 964 176	6 676 926	-52.2	-50.9	Cap3
Water	7 450 800	-2 700 601	4 750 199	0	0	4 750 199	554 796	-88.3	-92.6	Cap4
<b>Total</b>	<b>70 860 935</b>	<b>7 376 548</b>	<b>78 237 483</b>	<b>0</b>	<b>3 036 604</b>	<b>81 274 087</b>	<b>28 867 608</b>	<b>-64.5</b>	<b>-59.3</b>	

## **HESSEQUA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **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 2014 and 30 June 2015 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.

#### **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 management has 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, 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 2015**

#### **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.

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

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 4, 5 and 13 to the Annual Financial Statements.

##### **1. 2. 4 *Fair Value Estimations***

As described in Accounting Policy 6.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specifically as follows:

- Investment Property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

##### **1. 2. 5 *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. 6 *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).

## **HESSEQUA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2015**

#### **1. BASIS OF PRESENTATION (continued)**

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. 7 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.

#### **1. 2. 8 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. 9 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. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

#### **1. 2. 10 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 01/07/2014 to 30/06/2015.

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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences above 10% 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 20	Related Party Disclosures (Revised)
GRAP 32	Service Concession Arrangement Grantor - issued December 2009
GRAP 105	Transfers between entities under common control - issued November 2010
GRAP 106	Transfers between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010
GRAP 108	Statutory Receivables - issued December 2009
GRAP 109	Accounting by Principals and Agents
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

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.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20      Related Party Disclosures (Revised)

**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 2015

#### **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 2015**

#### **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 2015

#### **PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Buildings</b>	<b>5 - 50</b>
Roads and Paving	10 - 100		
Electricity	8 - 57	<b>Other</b>	
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
<b>Community</b>		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.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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.

# **HESSEQUA MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **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.

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

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.

## **HESSEQUA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2015**

#### **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.

## **HESSEQUA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2015**

#### **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.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable 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. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**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.

## HESSEQUA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### **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:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial assets at fair value
Bank, Cash and Cash Equivalents – Bank	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

# HESSEQUA MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 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

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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.

Prepayments are carried at cost less any accumulated impairment losses.

#### 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**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 2015**

#### **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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**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 arise. 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 2015**

#### **11. ASSETS CLASSIFIED AS HELD-FOR-SALE**

##### **11. 1 Initial Recognition**

The standard on GRAP 100 Non-current assets held for sale has been amended with effect as of the current year. The amendments led to the following changes in the presentation, classification and measurement of non-current assets held for sale.

- (a) Changes to the way in which non-current assets held for sale are measured, applied prospectively at the beginning of the period in which these amendments are adopted.
- (b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

This implies that assets classified as held for sale would be reclassified to its original designation (e.g. Property, plant and equipment) from the first period presented. The assets will be measured based on its original classification.

As per the transitional provision of this standard, management has assessed the residual values, useful lives, depreciation methods, and any indicators of impairment of the reclassified assets at the beginning of the 2014/15 period and not for prior periods. The reclassification was affected in the comparative figures as required by the transitional arrangements.

#### **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 reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**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 prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are 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 2015**

### **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.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

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.

Subsequent to initial recognition and measurement, the collectability of the revenue is accessed 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.

##### **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 2015**

#### **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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**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 BENEFIT LIABILITY**

**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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**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 the Statement of Financial Performance.

**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 the Statement of Financial Performance.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**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 2015**

#### **17. BORROWING COSTS**

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

#### **18. 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.

#### **19. 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.

#### **20. 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.

#### **21. 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.

#### **22. 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.

#### **23. 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 2015**

#### **24. 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.

#### **25. 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.

#### **26. 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.

#### **27. COMPARATIVE INFORMATION**

##### **27. 1 Current Year Comparatives**

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

##### **27. 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.

##### **27. 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 2014 to 30 June 2015.

#### **28. 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 2015**

#### **29. CAPITAL COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. 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.

#### **30. 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 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>

**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	584 687	469 068
Store Heidelberg - Electrical - at cost	112 876	93 938
Public Works - Heidelberg - at cost	12 681	3 469
Waterworks - Heidelberg - at cost	22 247	20 881
Water Inventory - at cost	165 613	199 770
	<u>898 103</u>	<u>787 126</u>

**2.2 Other**

Stilbaai Books	834	863
Refuse Bins	740	740
Hessequa Book: Riversdal Tourism	-	4 616
Albertinia Municipal Office	1 358	1 358
Slangrivier - Office	679	679
Stilbaai - Office	272	543
Gouritsmond Tourism	-	10 726
Stilbaai Tourism	136	136
Witsand - Office	950	950
Heidelberg - Office	1 358	1 358
Mayoral Office	1 223	1 223
	<u>1 223</u>	<u>1 223</u>

<b>Total</b>	<b>905 652</b>	<b>810 318</b>
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**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 R667 676 (2014: R691 141).

**3. ASSETS CLASSIFIED AS HELD-FOR-SALE**

	<b>Restated</b>
Property held-for-sale at beginning of year	- 776 609
Change in accounting policy - Properties previously recognised and disclosed as Non-current assets held for sale, refer to note 47.1	- -776 609
<b>Total assets classified as held-for-sale at beginning of the year as restated</b>	<b>- -</b>

GRAP 100 (revised as effective 1 April 2014) became effective during the current year and accordingly the balances previously reported under this heading has been reversed to its original classification. Refer to note 47: Change in accounting policy for details of the reclassification.

4. Trade receivables from exchange transactions	30 June 2014			30 June 2015		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	12 625 165	2 187 656	10 437 509	12 736 381	6 007 237	6 729 144
Water	5 240 784	2 417 403	2 823 381	6 460 112	3 046 974	3 413 138
Sewerage	4 329 339	2 735 816	1 593 523	5 121 970	2 415 826	2 706 144
Waste Management	2 157 580	1 160 610	996 970	2 685 274	1 266 535	1 418 739
Other	3 806 491	2 914 918	891 573	4 700 380	2 216 979	2 483 401
	<b>28 159 360</b>	<b>11 416 404</b>	<b>16 742 956</b>	<b>31 704 117</b>	<b>14 953 551</b>	<b>16 750 566</b>

**Ageing of consumer debtors****Electricity, Water, Waste Management & Sewerage**

Current (0 - 30 days)		13 777 014	13 077 229
<b>Past due</b>			
31 - 60 days		1 862 015	1 900 018
60 days +		859 714	563 841
90 days +		10 504 994	8 811 780
<b>Total</b>		<b>27 003 737</b>	<b>24 352 868</b>

**Other**

Current (0 - 30 days)		371 142	309 889
<b>Past due</b>			
31 - 60 days		378 454	213 344
60 days +		329 562	206 374
90 days +		3 621 222	3 076 884
<b>Total</b>		<b>4 700 380</b>	<b>3 806 491</b>

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
<b>As at 30 June 2015</b>				
<b>Current:</b>				
0 - 30 days	8 873 608	4 402 087	637 645	234 815
<b>Past Due:</b>				
31 - 60 Days	1 680 382	496 923	35 725	27 439
61 - 90 Days	996 749	164 925	15 593	12 010
+ 90 Days	12 548 914	880 596	561 032	135 674
Sub-total	<b>24 099 653</b>	<b>5 944 531</b>	<b>1 249 995</b>	<b>409 938</b>
Less: Provision for Impairment	-11 833 386	-2 918 877	0	-201 287
<b>Total Debtors by Customer Classification</b>	<b>12 266 267</b>	<b>3 025 654</b>	<b>1 249 995</b>	<b>208 651</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015  
R  
2014  
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
<b>As at 30 June 2014</b>				
<u>Current:</u>				
0 - 30 days	10 127 529	2 597 941	398 617	263 032
<u>Past Due:</u>				
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
<b>Sub-total</b>	<b>23 074 831</b>	<b>3 878 933</b>	<b>762 446</b>	<b>443 149</b>
Less: Provision for Impairment	-9 615 620	-1 616 144	-	-184 637
<b>Total Debtors by Customer Classification</b>	<b>13 459 211</b>	<b>2 262 789</b>	<b>762 446</b>	<b>258 512</b>

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

Balance at beginning of year	31 874 029	14 399 520
Impairment Losses recognised	29 132 809	21 169 188
Amounts written off as uncollectable	-3 570 787	-3 694 679
<b>Balance at end of year</b>	<b>57 436 052</b>	<b>31 874 029</b>

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

Consumer -and other debtors	19 238 808	15 358 242
Traffic Fines	38 197 244	16 515 787
	57 436 052	31 874 029

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.

The methodology followed in the calculation of the provision for impairment of consumer debtors was as follows:

- The highest 57 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management,
- High risk accounts were provided for at 100% - Debtors with indigent status,
- Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,
- All remaining debtors provided for at a percentage of non-payment for outstanding debt.

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 2015 consumer debtors of R2,602,410 (2014: R3,355,840) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	2 240 469	2 113 362
61 - 90 Days	361 941	770 215
91 Days +	0	472 263
<b>Total</b>	<b>2 602 410</b>	<b>3 355 840</b>

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	10 000 312	10 424 772
Insurance claims	-	3 836
Government subsidies	680 339	-
Prepaid Expenses	1 652 480	457 536
Employees PAYE & Salary control	9 766	7 878
Traffic Fines	48 022 686	23 196 330
Other	475 004	252 071
	60 840 587	34 342 423
Less: Provision for Impairment	-42 482 500	-20 457 628
<b>Total Trade Receivables from non-exchange transactions</b>	<b>18 358 087</b>	<b>13 884 795</b>

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	23 196 330	1 296 272
Movement of fines during the year	24 826 356	21 900 058
Fines outstanding the end of the year before provision for impairment	48 022 686	23 196 330
Less: Provision for Impairment of traffic fines	-38 197 244	-16 515 787
Fines outstanding the end of the year	<b>9 825 442</b>	<b>6 680 543</b>

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

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. 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)	3 679 170	3 459 391
<b>Past due</b>		
31 - 60 days	940 788	669 435
60 days +	281 100	195 328
90 days +	5 099 254	6 100 618
<b>Total</b>	<b>10 000 312</b>	<b>10 424 772</b>

**Summary of Debtors by Customer Classification**

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2015</b>				
<u>Current:</u>				
0 - 30 days	3 475 577	199 546	95	3 953
<u>Past Due:</u>				
31 - 60 Days	841 409	95 036	1 284	3 059
61 - 90 Days	258 095	22 140	-	864
+ 90 Days	4 161 599	258 617	638 055	40 983
Sub-total	<b>8 736 680</b>	<b>575 339</b>	<b>639 434</b>	<b>48 859</b>
Less: Provision for Impairment	-3 999 509	-263 381	0	-22 367
<b>Total Debtors by Customer Classification</b>	<b>4 737 171</b>	<b>311 958</b>	<b>639 434</b>	<b>26 492</b>
<b>As at 30 June 2014</b>				
<u>Current:</u>				
0 - 30 days	3 268 891	182 983	143	7 373
<u>Past Due:</u>				
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	<b>9 588 384</b>	<b>419 026</b>	<b>393 978</b>	<b>23 384</b>
Less: Provision for Impairment	-3 767 985	-164 666	-	-9 189
<b>Total Debtors by Customer Classification</b>	<b>5 820 399</b>	<b>254 360</b>	<b>393 978</b>	<b>14 195</b>

At 30 June 2015 receivables from non-exchange transactions of R2,035,866 (2014: R3,023,541) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	940 788	669 435
61 - 90 Days	281 100	195 328
91 Days +	813 998	2 158 778
<b>Total</b>	<b>2 035 886</b>	<b>3 023 541</b>

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****Restated**

VAT payable	-1 310 381	-1 502 852
VAT receivable	2 661 598	3 095 820
<b>Net VAT payable/(receivable)</b>	<b>1 351 217</b>	<b>1 592 968</b>

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 R3,130,238 (2014: R2,716,784) 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.

Refer to note 48.3 for details regarding a prior year correction of error.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015	2015	2014
	R	R
<b>7. CASH AND CASH EQUIVALENTS</b>		
Current Investments	132 722 778	48 040 192
Cash and Cash Equivalents	37 730	38 080
Bank	3 939 045	4 504 296
<b>Total Bank, Cash and Cash Equivalents</b>	<b>136 699 553</b>	<b>52 582 568</b>

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	<u>132 722 778</u>	<u>48 040 192</u>
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#### Summary of Investments

ABSA	10 199 452	-
FNB	16 298 827	24 703 847
Investec	15 265 717	21 817 762
Standard Bank	42 298 528	-
Nedbank	48 660 253	1 518 584
	<u>132 722 778</u>	<u>48 040 192</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5,6 % to 6 % (2014: 5,60% to 6%) per annum.

#### Allocations of investments

- Repayment of Long-term Liabilities as set out in Note 19	11 558 839	10 322 867
- Attributable to Unspent Conditional Grants as set out in Note 17	37 734 862	2 072 580
- Attributable to Housing Reserve as set out in Note 22	245 694	131 441
- Attributable to Trust Funds - see note 50	1 772 121	1 694 124
- Available for Operational Account	81 411 262	33 819 180
	<u>132 722 778</u>	<u>48 040 192</u>

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	3 523 029	18 810 030
Cash book balance at end of year	<u>3 923 263</u>	<u>3 523 029</u>

Bank statement balance at beginning of year	3 525 831	19 327 638
Bank statement balance at end of year	<u>4 173 280</u>	<u>3 525 831</u>

#### Current Account

First National Bank - Riversdale Branch Code 200313

Account Number 62225917543

Cheque Account

Cash book balance at beginning of year	981 267	13 850
Cash book balance at end of year	<u>15 782</u>	<u>981 267</u>

Bank statement balance at beginning of year	981 267	13 850
Bank statement balance at end of year	<u>15 782</u>	<u>981 267</u>

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.

**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	262 275	261 562
Operating Lease expenses recorded	-927 557	-902 768
Operating Lease payments effected	885 976	903 481
<b>Total Operating Lease Assets</b>	<b>220 694</b>	<b>262 275</b>

**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	899 743	1 027 771
2 to 5 years	2 269 534	1 825 789
More than 5 years	1 249 992	1 413 959
<b>Total Operating Lease Arrangements</b>	<b>4 419 269</b>	<b>4 267 519</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current year income of R41 581 (2014: Increase of R712). No restrictions have been imposed on the municipality in terms of the lease agreements.

**9. PROPERTY, PLANT AND EQUIPMENT****30 June 2015****Reconciliation of Carrying Value**

Description	Land	Buildings	Infrastructure	Community	Other	Total
<b>Carrying values at 1 July 2014 - As restated</b>	<b>168 800 843</b>	<b>32 764 198</b>	<b>287 444 284</b>	<b>13 541 771</b>	<b>26 762 131</b>	<b>529 313 227</b>
<b>Cost</b>	<b>187 096 824</b>	<b>51 923 721</b>	<b>354 321 518</b>	<b>20 536 024</b>	<b>56 541 744</b>	<b>670 419 832</b>
- Completed Assets	187 096 824	51 923 721	336 612 916	16 577 603	56 541 744	648 752 808
- Under Construction	-	-	17 708 602	3 958 421	-	21 667 023
<b>Accumulated Depreciation:</b>	<b>18 295 981</b>	<b>19 159 523</b>	<b>66 877 235</b>	<b>6 994 252</b>	<b>29 779 613</b>	<b>141 106 604</b>
- Cost	18 295 981	20 065 404	66 877 235	7 116 852	30 927 809	143 283 280
- Revaluation	-	-905 881	-	-122 599	-1 148 195	-2 176 675
Transfer to cost of completed assets due to projects completed	-	-	2 318 699	3 776 853	-	6 095 551
Transfer from cost under construction due to projects completed	-	-	-2 318 699	-3 776 853	-	-6 095 551
Disposals	-931 364	-290 636	-22 391	-	-848 148	-2 092 539
Depreciation on disposals	119 864	85 980	20 061	-	733 888	959 793
IGRAP 2 adjustment	-	-	-	-	47 026 902	47 026 902
<b>Total acquisitions</b>	<b>381 000</b>	<b>2 305 815</b>	<b>17 736 143</b>	<b>3 258 690</b>	<b>5 509 480</b>	<b>29 191 127</b>
Acquisitions	381 000	96 155	2 239 593	2 652 590	5 467 307	10 836 645
Capital under Construction - Additions	-	2 209 660	15 496 549	606 100	42 173	18 354 482
<b>Depreciation:</b>	<b>-</b>	<b>3 364 360</b>	<b>9 904 406</b>	<b>1 527 987</b>	<b>5 106 297</b>	<b>19 903 050</b>
- Based on cost	-	3 364 360	9 904 406	1 527 987	5 106 297	19 903 050
- Based on revaluation	-	-	-	-	-	-
<b>Impairment:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Based on cost	-	-	-	-	-	-
<b>CARRYING VALUES AT 30 JUNE 2015</b>	<b>168 370 343</b>	<b>31 500 997</b>	<b>295 273 692</b>	<b>15 272 474</b>	<b>74 077 955</b>	<b>584 495 461</b>
<b>Cost</b>	<b>186 546 460</b>	<b>53 938 901</b>	<b>372 035 270</b>	<b>23 794 713</b>	<b>108 229 978</b>	<b>744 545 322</b>
- Completed Assets	186 546 460	51 729 240	341 148 817	23 007 045	108 187 805	710 619 368
- Under Construction	-	2 209 660	30 886 453	787 668	42 173	33 925 954
<b>Accumulated Depreciation and impairment:</b>	<b>18 176 117</b>	<b>22 437 903</b>	<b>76 761 579</b>	<b>8 522 239</b>	<b>34 152 023</b>	<b>160 049 861</b>
- Cost	18 176 117	23 343 784	76 761 579	8 644 839	35 300 218	162 226 536
- Revaluation	-	-905 881	-	-122 599	-1 148 195	-2 176 675

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2014

Restated

## Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Community	Other	Total
<b>Carrying values at 1 July 2013</b>	<b>168 525 804</b>	<b>39 117 378</b>	<b>282 157 314</b>	<b>10 227 701</b>	<b>27 028 928</b>	<b>527 057 126</b>
<b>Cost</b>	<b>168 525 804</b>	<b>53 397 672</b>	<b>339 641 858</b>	<b>16 428 867</b>	<b>53 179 228</b>	<b>631 173 430</b>
- Completed Assets	168 525 804	53 397 672	325 090 248	16 428 867	53 179 228	616 621 819
- Under construction	-	-	14 551 610	-	-	14 551 610
<b>Accumulated Depreciation:</b>	<b>-</b>	<b>14 280 294</b>	<b>57 484 544</b>	<b>6 201 166</b>	<b>26 150 300</b>	<b>104 116 304</b>
- Cost	-	15 024 979	57 781 344	6 250 806	27 218 209	106 275 338
- Correction of error - Refer to note 48	-	-744 685	-296 800	-49 641	-1 067 909	-2 159 034
Transfer to cost of completed assets due to projects completed	-	-	4 504 228	-	-	4 504 228
Transfer from cost under construction due to projects completed	-	-	-4 504 228	-	-	-4 504 228
Disposals	-426 380	-1 544 533	-846 544	-	-604 113	-3 421 569
Depreciation on disposals	-	617 798	141 607	-	483 097	1 242 502
<b>Total acquisitions</b>	<b>18 997 400</b>	<b>70 582</b>	<b>15 526 203</b>	<b>4 107 157</b>	<b>3 966 629</b>	<b>42 667 971</b>
Acquisitions	18 997 400	70 582	7 864 983	148 736	3 966 629	31 048 330
Capital under Construction - Additions	-	-	7 661 220	3 958 421	-	11 619 641
<b>Depreciation:</b>	<b>-</b>	<b>3 877 215</b>	<b>9 534 297</b>	<b>793 086</b>	<b>4 112 410</b>	<b>18 317 009</b>
- Based on cost as restated	-	4 038 411	9 579 374	866 045	4 192 697	18 676 527
- Correction of error	-	-161 196	-45 077	-72 959	-80 286	-359 518
Impairment:						
- Based on cost	18 295 981	1 619 812	-	-	-	19 915 793
<b>CARRYING VALUES AT 30 JUNE 2014 AS RESTATED</b>	<b>168 800 843</b>	<b>32 764 198</b>	<b>287 444 284</b>	<b>13 541 771</b>	<b>26 762 131</b>	<b>529 313 227</b>
<b>Cost</b>	<b>187 096 824</b>	<b>51 923 721</b>	<b>354 321 518</b>	<b>20 536 024</b>	<b>56 541 744</b>	<b>670 419 832</b>
- Completed Assets	187 096 824	51 923 721	336 612 916	16 577 603	56 541 744	648 752 808
- Under Construction	-	-	17 708 602	3 958 421	-	21 667 023
<b>Accumulated Depreciation and impairment:</b>	<b>18 295 981</b>	<b>19 159 523</b>	<b>66 877 235</b>	<b>6 994 252</b>	<b>29 779 613</b>	<b>141 106 604</b>
- Cost	18 295 981	20 065 404	67 219 111	7 116 852	30 927 809	143 625 156
- Correction of error - Refer to note 48	-	-905 881	-341 877	-122 599	-1 148 195	-2 518 552

## 9.1 Property, Plant and Equipment Under Construction

	R	R
- Buildings	2 209 660	-
- Infrastructure	30 886 453	17 708 602
- Community	787 668	3 958 421
- Other assets	42 173	-
	<b>33 925 954</b>	<b>21 667 023</b>

## Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	29 191 127	42 667 971
- Less: Donated Assets	-381 000	-18 897 400
	<b>28 810 127</b>	<b>23 770 571</b>

## 9.2 Impairment of Property, Plant and Equipment

The Municipality carried out a review of the recoverable amount of all its Assets.

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

Other assets - Office machines	105 441	280 277
	<b>105 441</b>	<b>280 277</b>

**10 INTANGIBLE ASSETS**

<b>At Cost less Accumulated Amortisation and Accumulated Impairment Losses</b>	<b>363 545</b>	<b>325 557</b>
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The movement in Intangible Assets is reconciled as follows:

	325 557	338 890
<b>Carrying value at 1 July 2014</b>		
Cost	400 000	400 000
Accumulated Amortisation	-74 443	-61 110
Acquisitions during the Year:	57 480	-
Amortisation during the Year:	-19 492	-13 333
<b>Carrying value at 30 June 2015</b>	<b>363 545</b>	<b>325 557</b>
Cost	457 480	400 000
Accumulated Amortisation	-93 935	-74 443

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (See note 32)

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

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, are the following:

- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

No restrictions apply to any of the Intangible Assets of the municipality.

**11. INVESTMENT PROPERTY****Restated**

<b>At fair value as restated</b>	<b>50 690 000</b>	<b>41 301 608</b>
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The movement in Investment Property is reconciled as follows:

	41 301 608	41 976 608
<b>Carrying values at 1 July 2014 as restated</b>		
Fair value as previously reported	41 301 608	40 524 999
Change in accounting policy - Properties previously recognised and disclosed as Non-current assets held for sale, refer to note 3	-	1 451 609
Disposals	-508 209	-582 400
Fair value adjustments due to revaluation	9 896 600	-92 600
<b>Carrying values at 30 June 2015</b>	<b>50 690 000</b>	<b>41 301 608</b>
Fair value	50 690 000	41 301 608
Accumulated impairment loss	-	-

*Investment Property* opening balances have been restated to correctly classify amounts previously classified as Non-current assets Held for Sale in terms of GRAP 100. Refer to Note 47.2 on "Change in Accounting Policy" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	244 982	15 006
Direct Operating expenses - Repairs and maintenance	-36 062	-55 448

All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

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

**11.1 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2014: R0)

**11.2 Investment Property carried at Fair Value:**

The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were performed by DDP valuers and the valuer E. Roos is a professional valuer, with registration no. 5000/5.

**12. HERITAGE ASSETS**

30 June 2015

**Reconciliation of Carrying Value**

	Mayoral chains	Art collections, antiques and exhibits	Total
<b>Carrying value at 1 July 2014</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
Impairment losses	-	-	-
Disposals	-	-	-
<b>CARRYING VALUE AT 30 JUNE 2015</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
	-	-	-

30 June 2014

**Reconciliation of Carrying Value**

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

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

No restrictions apply to any of the Intangible Assets of the municipality.

**12.1 Impairment of Heritage Assets**

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 2015**

	2015 R	2014 R
<b>13. LONG-TERM RECEIVABLES</b>		
Sport clubs/Pre-primary school	20 190	22 270
Other	-	-
	20 190	22 270
<b>Less:</b> Current portion transferred to current receivables	-2 080	-2 080
Car Loans	-	-
Sport clubs	-2 080	-2 080
Housing - Stilbaai	-	-
	-	-
<b>Total</b>	<b>18 110</b>	<b>20 190</b>

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 Gholfklub

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

**14. CONSUMER DEPOSITS**

<b>Electricity and Water</b>	3 741 830	3 461 317
<b>Balance 30 June 2015</b>	<b>3 741 830</b>	<b>3 461 317</b>

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	777 511	728 073
Staff bonuses	3 167 834	2 907 910
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20.1 below)	1 794 000	1 917 000
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 20.2 below)	2 000	2 000
Current portion of Provision for long-service Awards (See note 21 below)	383 000	326 000
<b>Total Provisions</b>	<b>6 124 345</b>	<b>5 880 983</b>

**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 2014	-	2 907 910	1 917 000	326 000	2 000	728 069
Transfer from non-current	-	-	0	0	-	-
Contribution to provisions	-	3 167 834	1 794 000	383 000	-	777 511
Expenditure incurred	-	-2 907 910	-1 917 000	-326 000	-	-728 069
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>3 167 834</b>	<b>1 794 000</b>	<b>383 000</b>	<b>2 000</b>	<b>777 511</b>
Balance at 1 July 2013	1 703 891	2 409 645	1 801 000	379 000	3 000	896 250
Transfer from non-current	-	-	1 917 000	326 000	-	-
Contribution to provisions	-1 703 891	498 265	-	-	-	728 073
Expenditure incurred	-	-	-1 801 000	-379 000	-1 000	-896 254
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>2 907 910</b>	<b>1 917 000</b>	<b>326 000</b>	<b>2 000</b>	<b>728 069</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015	2015	2014
	R	R
<b>16. CREDITORS</b>		<b>Restated</b>
Trade Creditors	24 933 040	19 812 997
Payments received in advance	667 528	213 311
Retentions	2 180 761	1 625 636
Staff Leave	5 379 761	4 625 980
Other Creditors	5 401 490	6 769 570
<b>Total</b>	<b>38 562 580</b>	<b>33 047 495</b>

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		
<b>17.1 Conditional Grants from other spheres of Government - Appendix F</b>	<b>37 222 266</b>	<b>726 750</b>
National Government Grants	35 349 810	-
Provincial Government Grants	1 499 069	353 363
District Municipality Grants	373 388	373 387
<b>17.2 Other Conditional Receipts - Appendix F</b>	<b>512 596</b>	<b>1 345 830</b>
Tourism	101 819	101 819
Skills Development	47 079	353 063
National Lottery Fund	-	527 250
ASLA Devco - Water meters Slangrivier	273 400	273 400
National Heritage Council	23 684	23 684
Africana Centre	6 615	6 615
Public Participation Strategy	60 000	60 000
<b>Total conditional grants and receipts</b>	<b>37 734 862</b>	<b>2 072 580</b>

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	13 102	36 992
Operating Lease expenses recorded	-546 640	-483 379
Operating Lease payments effected	586 280	459 489
<b>Total Operating Lease Liabilities</b>	<b>52 742</b>	<b>13 102</b>

#### 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:

<b>Buildings:</b>	517 149	510 198
Up to 1 year	300 443	311 120
2 to 5 years	216 706	199 078
More than 5 years	-	-
<b>Computer software:</b>	1 591 817	-
Up to 1 year	216 989	-
2 to 5 years	1 056 000	-
More than 5 years	318 828	-
<b>Total Operating Lease Arrangements</b>	<b>2 108 966</b>	<b>510 198</b>

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

Minimum lease payments	540 554	613 539
<b>Total Operating Lease Expenses</b>	<b>540 554</b>	<b>613 539</b>

**19. LONG-TERM LIABILITIES**

Annuity Loans	90 256 294	76 932 873
Finance Lease Liabilities	143 284	327 039
	90 399 578	77 259 912
<b>Less:</b> Current portion transferred to current liabilities	11 558 839	10 322 867
Annuity Loans	11 415 555	10 139 112
Finance Lease Liabilities	143 284	183 755
<b>Total long-term liabilities (Neither past due nor impaired)</b>	<b>78 840 740</b>	<b>66 937 045</b>

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 8.90% to 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% (2014: 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)**

Minimum lease payments	Present value of minimum lease payments
151 383	151 383.30
-	-
151 383	151 383.30
8 099	8 098.90
<b>143 284</b>	143 284.40
	143 284.40
	-

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

- Office equipment



**20. RETIREMENT BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	42 809 000	43 181 427
Ex-gratia Pension Benefit Liability	135 999	224 570
<b>Total</b>	<b>42 945 000</b>	<b>43 405 996</b>

**20.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	45 098 427	41 817 598
Contributions to Provision	5 179 000	4 845 000
Expenditure incurred	-1 667 054	-1 564 171
Actuarial gain	-4 007 373	-
Balance at end of Year	44 603 000	45 098 427
Transfer to Current Provisions	-1 794 000	-1 917 000
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>42 809 000</b>	<b>43 181 427</b>

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Members	44 603 000	45 098 427	41 817 598	35 158 832	32 663 036
<b>Total Liability</b>	<b>44 603 000</b>	<b>45 098 427</b>	<b>41 817 598</b>	<b>35 158 832</b>	<b>32 663 036</b>
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	-4 007 373	-	3 953 040	-	7 651 562

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 2015 by Hildegard Wilson, 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)	150	152
Continued Members (Retirees, widowers and orphans)	55	58
<b>Total members</b>	<b>205</b>	<b>210</b>

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

In-service Members	21 491 000	20 642 721
Continued Members	23 112 000	24 455 706
<b>Total liability</b>	<b>44 603 000</b>	<b>45 098 427</b>

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 2015 is estimated to be R1,591,000 and R3,588,000 respectively, whereas the cost for the ensuing year is estimated to be R1,607,000 and R4,077,000 respectively.

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

Discount Rate - (Yield curve)	5.53 - 10.04%	7.89%
Health Care Cost Inflation Rate (1% above current CPI)	5.36%	7.64%
Net Effective Discount Rate	.65% - 1.96	0.23%

The discount rate was determined with reference to high quality corporate bond yields at the reporting date. Where there is no deep market in Government Bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, current market rates of the appropriate term to discount shorter term payments was used, and estimated the discount rate for longer maturities, by extrapolating current market rates along the yield curve.

ii) Mortality rates

Pre-retirement SA 85 - 90 mortality table	SA 85 - 90 mortality table
Post-retirement PA (90 - 1) ultimate mortality table	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The average retirement age for in-service members has been assumed at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

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	45 098 427	41 817 598
Current service costs	1 591 000	1 546 000
Interest cost	3 588 000	3 299 000
Benefits paid	-1 667 054	-1 564 171
Actuarial losses	-4 007 373	-
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>44 603 000</b>	<b>45 098 427</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>44 603 000</b>	<b>45 098 427</b>

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

Present value of fund obligations	44 603 000	45 098 427
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
<b>Total Benefit Liability</b>	<b>44 603 000</b>	<b>45 098 427</b>

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

Current service cost	1 591 000	1 546 000
Interest cost	3 588 000	3 299 000
Actuarial losses	-4 007 373	0
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>1 171 627</b>	<b>4 845 000</b>

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	6 719 000	5 770 000
Effect on the defined benefit obligation	51 466 000	48 301 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	4 856 000	4 112 000
Effect on the defined benefit obligation	38 997 000	36 201 000

The municipality expects to make a contribution of R5 684 000 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	226 570	213 570
Contributions to Provision	-15 326	13 000
Expenditure incurred	-14 326	-
Decrease due to Re-measurement	-58 918	-
Balance at end of Year	138 000	226 570
Transfer to Current Provisions	-2 000	-2 000
<b>Total Ex-Gratia Pensioners Benefits Liability</b>	<b>135 999</b>	<b>224 570</b>

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Members	138 000	226 570	213 570	129 385	127 880
<b>Total Liability</b>	<b>138 000</b>	<b>226 570</b>	<b>213 570</b>	<b>129 385</b>	<b>127 880</b>

Experience adjustments were calculated as follows:

	2015	2014	2013	2012	2011
Liabilities: (Gain)/Loss	-58 918	-	73 922	-	35 750

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2015, 64 (2014: 82) 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 2015**

**2015**      **2014**  
R              R

**20. RETIREMENT BENEFIT LIABILITIES (continued)**

The Municipality provides a once-off pension benefit to all employees who entered service prior to 31 December 1994 on normal retirement (65 for males and 60 for females). Only members who were still in-service after 1 July 1998 are entitled to the benefit. The benefit is calculated according to the average annual salary earned as at 31 December 1994 multiplied by number of years of service up to 31 December 1994, multiplied by 10%.

The interest-cost for the next year is estimated to be R0. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

**i) Rate of interest**

Discount Rate (Yield curve) 5.53 - 10.04% 7.92%

The discount rate was determined with reference to high quality corporate bond yields at the reporting date. Where there is no deep market in Government Bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, current market rates of the appropriate term to discount shorter term payments was used, and estimated the discount rate for longer maturities, by extrapolating current market rates along the yield curve.

**ii) Mortality rates**

The SA85-90 Ultimate mortality table was used by the actuaries

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

Balance at the beginning of the year	226 570	213 570
Interest cost	-15 326	13 000
Benefits paid	-14 326	-
Actuarial losses / (gains)	-58 918	-
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>138 000</b>	<b>226 570</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>138 000</b>	<b>226 570</b>

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

Present value of fund obligations	138 000	226 570
Actuarial gains / (losses) not recognised	-	-
<b>Total Benefit Liability</b>	<b>138 000</b>	<b>226 570</b>

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

Interest cost	-15 326	13 000
Actuarial losses / (gains)	-58 918	-
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>-74 244</b>	<b>13 000</b>

The effect of a twenty percent decrease and increase in the assumed withdrawal rate is as follows:

**Increase:**

Effect on the interest cost	12 000	13 000
Effect on the defined benefit obligation	146 000	181 000

**Decrease:**

Effect on the interest cost	10 000	13 000
Effect on the defined benefit obligation	130 000	188 000

**21. NON-CURRENT PROVISIONS**

Provision for Long Service Awards	7 077 000	6 409 286
Land-fill Sites	61 602 302	13 490 802
<b>Total non-current provisions</b>	<b>68 679 302</b>	<b>19 900 089</b>

**The movement in Non-current Provisions are reconciled as follows:**

	2015/06/30	2015/06/30
	Land-fill sites	Long Service Awards
Balance at beginning of year as restated	13 490 802	6 735 286
Increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	47 026 902	1 147 000
Expenditure incurred	-	-507 000
Increase due to discounting	1 084 598	-
Increase due to re-measurement	-	84 714
	61 602 302	7 460 000
Transfer to current provisions	-	-383 000
<b>Balance at end of year</b>	<b>61 602 302</b>	<b>7 077 000</b>

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

	2015	2014	2013	2012	2011
	R	R	R	R	R
Members	7 460 000	6 735 286	6 004 800	3 522 373	3 193 753
<b>Total Liability</b>	<b>7 460 000</b>	<b>6 735 286</b>	<b>6 004 800</b>	<b>3 522 373</b>	<b>3 193 753</b>
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	84 714	145 000	476 000	-	163 479

**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 most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Hildegard Wilson, 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, 514 (2014: 534) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2015 is estimated to be R604,000 and R543,000 respectively, whereas the cost for the ensuing year is estimated to be R653,000 and R690 000 respectively.

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

Discount Rate	5.53 - 10.04%	7.96%
General salary inflation (1% above current CPI)	5.36%	7.33%
Net Effective Discount Rate	.65% - 1.96	0.59%

The discount rate was determined with reference to high quality corporate bond yields at the reporting date. Where there is no deep market in Government Bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, current market rates of the appropriate term to discount shorter term payments was used, and estimated the discount rate for longer maturities, by extrapolating current market rates along the yield curve.

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

Balance at the beginning of the year	6 735 286	6 004 800
Current service costs	604 000	541 000
Interest cost	543 000	443 000
Benefits paid	-507 000	-398 514
Actuarial losses / (gains)	84 714	145 000
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>7 460 000</b>	<b>6 735 286</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>7 460 000</b>	<b>6 735 286</b>

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

Present value of fund obligations	7 460 000	6 735 286
Actuarial gains / (losses) not recognised	-	-
<b>Total Benefit Liability</b>	<b>7 460 000</b>	<b>6 735 286</b>

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

Current service cost	604 000	541 000
Interest cost	543 000	443 000
Actuarial losses	84 714	145 000
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>1 231 714</b>	<b>1 129 000</b>

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	1 475 000	1 266 000
Effect on the defined benefit obligation	8 121 000	7 322 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	1 225 000	1 043 000
Effect on the defined benefit obligation	6 872 000	6 169 000

The municipality expects to make a contribution of R1 343 000 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.

Refer to note 49.1 for details regarding a change in accounting estimate, which had no effect in the current year.

**22. STATUTORY FUNDS**

**Housing Reserve**

Balance 1 July	131 441	22 057
Rental Income	146 229	135 451
	277 670	157 508
Less: Expenses	-31 976	-26 067
<b>Total at 30 June</b>	<b>245 694</b>	<b>131 441</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**22. STATUTORY FUNDS - (continued)**

The Housing reserve is represented by the following:

Investment (included in investments note 7)	245 694	131 441
<b>Total Housing Reserve Assets</b>	<b>245 694</b>	<b>131 441</b>

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:

		<b>Restated</b>
Opening balance as restated	478 293 378	459 524 080
Surplus for the year as restated	49 739 660	18 878 682
Transfer to Housing Reserve	-114 253	-109 383
<b>Total Accumulated Surplus</b>	<b>527 918 784</b>	<b>478 293 378</b>

**24. PROPERTY RATES**

Actual

Residential, Commercial & State	65 615 910	59 418 459
Less: Income Forgone	-4 822 637	-4 370 027
<b>Total Assessment Rates</b>	<b>60 793 273</b>	<b>55 048 432</b>

Valuations

	<b>R000's</b>	<b>R000's</b>
Residential, Commercial & State	9 970 962	10 250 922
Agriculture	3 592 214	3 449 149
Municipal	321 756	288 375
Churches	118 201	105 770
<b>Total Property Valuations</b>	<b>14 003 134</b>	<b>14 094 216</b>

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 0.005669 c/R (2013/2014: 0.004973 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 implemented a new property valuation roll on 1 July 2014.

The rates tariffs for the 2014/2015 financial year was as follows:

	<b>2014/2015</b>	<b>2013/2014</b>
<b>Residential</b>	.005669c/R	.004973c/R
<b>Vacant Land</b>	.009879c/R	.006957c/R
<b>Agriculture</b>	.001417c/R	.001243c/R
<b>State</b>	.012500c/R	.010417c/R
<b>Business</b>	.005803c/R	.005090c/R

A rebate of R50 000 on the value of the property (2013/2014: 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	103 556 659	98 194 615
Sale of water	26 264 933	22 320 192
Connection Fees - Geyser load control	142 438	110 107
Admission fees Swimming Pools	59 984	42 647
Camping Fees	6 799 327	6 189 547
Refuse removal fees	10 136 653	8 780 290
Sewerage and sanitation charges	14 257 277	12 797 613
<b>Total Service Charges</b>	<b>161 217 271</b>	<b>148 435 012</b>

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 2015

2015  
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2014  
R

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

**Operating**

		40 278 269	31 258 653
<b>National:</b>			
Equitable Share	26.1	29 993 000	28 189 000
Financial Management Grant	26.2	1 450 000	1 258 355
MIG Projects	26.10	649 850	791 955
Expanded Public Works Programme	26.4	346 296	129 343
Energy Efficiency Demand Side Management	26.12	884 603	-
Municipal Systems Improvement Grant	26.15	934 000	890 000
Disaster Recovery Grant	26.19	6 020 520	-

**Provincial:**

		17 901 396	13 354 359
Human Settlement Development	26.5	11 249 796	8 354 000
Library: Extending Staffing Levels	26.7	1 219 137	725 314
Riversdal Thusong Centre	26.3	-	218 000
Libraries Municipal Replacement Funding	26.14	4 116 453	3 639 571
National Emergency Housing Programme	26.21	50 204	-
Tuin op die Brak	26.22	300 000	-
Municipal Capacity Building Grant	26.16	101 600	-
Performance Management Systems	26.17	-	125 042
Financial Management Support Grant	26.18	864 206	292 432

**Capital Projects**

		13 648 442	14 177 307
<b>National:</b>			
Financial Management Grant	26.2	-	41 645
Accelerated Community Infrastr. Programme	26.8	200 000	-
MIG Allocations	26.10	9 292 022	8 368 045
National Electricity Program	26.11	-	2 000 000
Disaster Recovery Grant	26.19	335 874	2 896 960
Energy Efficiency Demand Side Management	26.12	3 036 603	-
Expanded Public Works Programme	26.4	783 943	870 657

**Provincial:**

		153 697	2 264 971
Library: Extending Staffing Levels	26.7	100 980	113 686
Libraries Municipal Replacement Funding	26.14	39 042	90 251
Housing Consumer Education	26.23	13 675	-
Public Transport Infrastructure	26.13	-	2 061 034

<b>Total Government Grants &amp; Subsidy - Operational</b>		<b>58 179 665</b>	<b>44 613 012</b>
<b>Total Government Grants &amp; Subsidy - Capital</b>		<b>13 802 139</b>	<b>16 442 278</b>

Government - Operating Grants		58 179 665	44 613 012
Government - Capital Grants		13 802 139	16 442 278
<b>TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F</b>		<b>71 981 804</b>	<b>61 055 290</b>
Other grants note 27		1 096 117	550 999
		<b>73 077 921</b>	<b>61 606 289</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015  
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2014  
R

**26 GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**26.1 Equitable Share**

Current Year Receipts	29 993 000	28 189 000
Conditions met - transferred to revenue	-29 993 000	-28 189 000
<b>Conditions still to be met - transferred to liabilities (refer note 17.1)</b>	-	-

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

**26.2 Financial Management Grant**

Balance unspent at beginning of year	-	-
Other adjustment	-	-
Current Year Receipts	1 450 000	1 300 000
Conditions met - transferred to revenue: Operating Expenses	-1 450 000	-1 258 355
Conditions met - transferred to revenue: Capital Expenses	-	-41 645
<b>Conditions still to be met - transferred to liabilities (refer note 17.1)</b>	-	-

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	-	-
Current Year Receipts	-	218 500
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-218 500
<b>Conditions still to be met - transferred to liabilities (refer note 17.1)</b>	-	-

This grant is been utilised for social an economic development.

**26.4 Extended Public Works Programme**

Balance unspent at beginning of year	-	-
Current Year Receipts	1 335 000	1 000 000
Conditions met - transferred to revenue: Operating Expenses	-346 296	-129 343
Conditions met - transferred to revenue: Capital Expenses	-783 943	-870 657
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>204 761</b>	-

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

**26.5 Human Settlement Development**

Balance unspent at beginning of year	-	-
Current Year Receipts	11 249 796	8 354 000
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-11 249 796	-8 354 000
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	-	-

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	2 807
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>2 807</b>	<b>2 807</b>

This grant is earmarked for environmental projects

**26.7 Library Extending Staffing Levels**

Balance unspent at beginning of year	-	-
Current Year Receipts	1 355 000	839 000
Conditions met - transferred to revenue: Capital Expenses	-100 980	-113 686
Conditions met - transferred to revenue: Operating Expenses	-1 219 137	-725 314
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>34 883</b>	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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2014  
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**26 GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**26.8 Accelerated Community Infrastr. Programme**

Balance unspent at beginning of year	-	-
Current Year Receipts	200 000	-
Conditions met - transferred to revenue: Operating Expenses	-200 000	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>-</b>	<b>-</b>

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	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>21 068</b>	<b>21 068</b>

This grant is earmarked for consumer awareness projects

**26.10 MIG Infrastructure allocations**

Balance unspent at beginning of year	-	-
Current Year Receipts	16 459 000	9 160 000
Conditions met - transferred to Revenue: Capital Expenses	-9 292 022	-8 368 045
Conditions met - transferred to revenue: Operating Expenses	-649 850	-791 955
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>6 517 128</b>	<b>-</b>

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 due to underspending -(Council decision 8.2 28/05/2014). In the November 2015 National adjustment budget, the amount was reallocated to the Municipality.

**26.11 National Electricity Program**

Balance unspent at beginning of year	-	-
Current Year Receipts	-	2 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-2 000 000
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>-</b>	<b>-</b>

The INEP grant was used for electrification of housing schemes

**26.12 Energy Efficiency Demand Side Mgmt**

Balance unspent at beginning of year	-	-
Current Year Receipts	4 000 000	-
Conditions met - transferred to Revenue: Capital Expenses	-3 036 603	-
Conditions met - transferred to revenue: Operating Expenses	-884 603	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>78 794</b>	<b>-</b>

This grant was used for energy efficiency measures.

**26.13 Public Transport Infrastructure**

Balance unspent at beginning of year	-	-
Current Year Receipts	-	2 061 034
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-2 061 034
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>-</b>	<b>-</b>

This grant was used for Provincial road projects. At the May 2015 MAYCO meeting, the committee expressed its displeasure that the Main Road subsidy amounting to R300,400 was forfeited due to underspending.

**26.14 Libraries Municipal Replacement Funding**

Balance unspent at beginning of year	-	37 822
Current Year Receipts	4 486 000	3 692 000
Conditions met - transferred to Revenue: Operating Expenses	-4 116 453	-3 639 571
Conditions met - transferred to Revenue: Capital Expenses	-39 042	-90 251
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>330 505</b>	<b>-</b>

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

**26.15 Municipal Systems Improvement Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	934 000	890 000
Conditions met - transferred to revenue: Operating Expenses	-934 000	-890 000
Conditions met - transferred to revenue: Capital Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>-</b>	<b>-</b>

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

**26.16 Municipal Capacity Building Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	500 000	-
Conditions met - transferred to revenue: Operating Expenses	-101 600	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>398 400</b>	<b>-</b>

This grant was used for project preparation



**26. GOVERNMENT GRANTS AND SUBSIDIES - (continued)**

**26.17 Performance Management Systems**

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

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	307 568	-
Current Year Receipts	1 189 800	600 000
Conditions met - transferred to revenue: Operating Expenses	-864 206	-292 432
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>633 162</b>	<b>307 568</b>

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

**26.19 Disaster Recovery Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	34 905 520	2 896 960
Conditions met - transferred to revenue: Operating Expenses	-6 020 520	-
Conditions met - transferred to revenue: Capital Expenses	-335 874	-2 896 960
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>28 549 126</b>	<b>-</b>

This grant was used for the rehabilitation of infrastructure damaged by floods

**26.20 Greenest Municipality Competition**

Balance unspent at beginning of year	-	-
Current Year Receipts	70 000	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>70 000</b>	<b>-</b>

The allocation was for winning the greenest municipality competition, and will be utilised to enhance green project

**26.21 National Emergency Housing Programme**

Balance unspent at beginning of year	-	-
Current Year Receipts	50 204	-
Conditions met - transferred to revenue: Operating Expenses	-50 204	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>-</b>	<b>-</b>

For repairing a fire damaged house on erf 4637, Morestond Riversdal

**26.22 Tuin op die Brak**

Balance unspent at beginning of year	-	-
Current Year Receipts	300 000	-
Conditions met - transferred to revenue: Operating Expenses	-300 000	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>-</b>	<b>-</b>

For development purposes

**26.23 Housing Consumer Education**

Balance unspent at beginning of year	34 261	34 261
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-13 675	-
<b>Conditions still to be met - transferred to liabilities (refer note17.1)</b>	<b>20 586</b>	<b>34 261</b>

This grant is earmarked for consumer awareness projects

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015  
R

2014  
R

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

		2015	2014
		R	R
<b>Operating</b>		<b>588 867</b>	<b>479 249</b>
Seta	27.1	568 867	479 249
National Lottery Fund	27.3	20 000	-
<b>Capital</b>		<b>507 250</b>	<b>71 750</b>
Asla Devco - Water Meters Slangrivier	27.4	-	71 750
National Lottery Fund	27.3	507 250	-
<b>Total Operating Grants</b>		<b>588 867</b>	<b>479 249</b>
<b>Total Capital Grants</b>		<b>507 250</b>	<b>71 750</b>

**27.1 Skills Development**

Balance unspent at beginning of year		353 063	635 525
Current Year Receipts		262 883	196 787
Conditions met - transferred to revenue: Operating Expenses		-568 867	-479 249
<b>Conditions still to be met - transferred to liabilities (refer note17.2)</b>		<b>47 079</b>	<b>353 063</b>

This grant is utilised for various staff skills development programmes

**27.2 Africana Centrum**

Balance unspent at beginning of year		6 615	6 615
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
<b>Conditions still to be met - transferred to liabilities (refer note17.2)</b>		<b>6 615</b>	<b>6 615</b>

This was utilised for maintenance and general expenditure

**27.3 National Lottery Fund**

Balance unspent at beginning of year		527 250	-
Current Year Receipts		-	527 250
Conditions met - transferred to revenue: Operating Expenses		-20 000	-
Conditions met - transferred to revenue: Capital Expenses		-507 250	-
<b>Conditions still to be met - transferred to liabilities (refer note17.2)</b>		<b>-</b>	<b>527 250</b>

This grant is earmarked for projects in previously disadvantaged areas

**27.4 Asla Devco - Water Meters Slangrivier**

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

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

**28. OTHER INCOME**

Included in other income is the following:

Capital Contribution: Water and electricity	488 494	353 287
Sewerage	331 545	231 267
Building plans	722 270	496 627
Other Income	3 788 135	4 869 349
Roadworthy Certificates	305 733	280 479
Services Electricians	45 773	28 963
<b>Total</b>	<b>5 681 950</b>	<b>6 259 973</b>

**29. EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	77 995 882	68 653 768
Employee related costs - Contributions for UIF, pensions and medical aids	17 192 082	17 003 675
Travel, motor car, accommodation, subsistence and other allowances	7 143 689	7 647 463
Housing benefits and allowances	306 879	251 062
Overtime payments	2 901 191	3 915 969
Contribution to provision for post- retirement medical aid benefits	1 171 627	4 845 000
Contribution to long-service provision	1 228 487	1 129 000
Contribution to ex-gratia provision	-74 244	13 000
<b>Total Employee Related Costs</b>	<b>107 865 593</b>	<b>103 458 937</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	960 842	887 460
Performance Bonuses	157 921	147 797
Travel Allowance	48 000	60 000
Telephone allowance	16 894	14 476
Contributions to UIF, Medical and Pension Fund	195 760	180 550
<b>Total</b>	<b>1 379 417</b>	<b>1 290 283</b>

**Remuneration of the Manager Community Services**

Annual Remuneration	549 715	502 364
Long service Bonus	62 394	-
Performance Bonus	80 016	74 893
Travel Allowance	80 000	88 851
Telephone allowance	7 200	7 276
Contributions to UIF, Medical and Pension Fund	147 096	136 204
<b>Total</b>	<b>926 421</b>	<b>809 588</b>

**Remuneration of the Manager Streets & Storm water**

Annual Remuneration	748 470	660 573
Performance Bonus	119 012	111 392
Travel Allowance	-	48 000
Telephone allowance	8 400	8 476
Other Allowance	15 762	66 979
Contributions to UIF, Medical and Pension Fund	159 333	141 510
<b>Total</b>	<b>1 050 977</b>	<b>1 036 930</b>

**Remuneration of the Manager Planning Services**

Annual Remuneration	710 934	663 481
Performance Bonus	119 012	111 392
Travel Allowance	60 000	60 000
Telephone allowance	7 200	7 276
Contributions to UIF, Medical and Pension Fund	136 870	127 436
<b>Total</b>	<b>1 034 016</b>	<b>969 585</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015	2015 R	2014 R
<b>29. EMPLOYEE RELATED COSTS (continued)</b>		
<b>Remuneration of the Manager Information Technology</b>		
Annual Remuneration	-	-
Performance Bonus	-	63 546
Telephone allowance	-	-
Leave Encashment	-	-
Contributions to UIF, Medical and Pension Fund	-	-
<b>Total</b>	<b>-</b>	<b>63 546</b>
<b>Remuneration of the Manager Financial Services</b>		
Annual Remuneration	604 191	579 108
Performance Bonus	119 012	111 392
Travel Allowance	183 926	152 456
Telephone allowance	7 200	7 276
Contributions to UIF, Medical and Pension Fund	119 687	118 520
<b>Total</b>	<b>1 034 016</b>	<b>968 752</b>
<b>Remuneration of the Manager Corporate Services</b>		
Annual Remuneration	689 133	644 641
Performance bonus	111 278	104 154
Telephone allowance	7 200	7 200
Contributions to UIF, Medical and Pension Fund	159 681	141 489
<b>Total</b>	<b>967 292</b>	<b>897 484</b>
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:		
<b>Post-employment Benefits:-</b>		
Municipal Manager	434 992	352 630
Chief Financial Officer	287 568	358 865
Manager: Corporate Services	75 662	411 845
Manager: Planning	96 958	76 149
Manager: Social	146 644	135 500
Manager: Technical and Engineering Services	47 092	35 401
<b>Total</b>	<b>1 088 916</b>	<b>1 370 390</b>
<b>Other Long-term Benefits:-</b>		
Chief Financial Officer	37 068	36 960
Manager: Corporate Services	61 207	27 664
Manager: Planning	84 503	67 906
Manager: Social	66 161	167 022
Manager: Technical and Engineering Services	69 748	46 582
<b>Total</b>	<b>318 687</b>	<b>346 134</b>
<b>Staff Leave Benefits:-</b>		
Municipal Manager	78 583	58 790
Chief Financial Officer	52 230	50 118
Manager: Corporate Services	6 684	9 936
Manager: Planning	65 657	63 537
Manager: Social	74 646	69 125
Manager: Technical and Engineering Services	24 557	16 523
<b>Total</b>	<b>302 358</b>	<b>268 029</b>
<b>30. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	742 963	659 151
Deputy Executive Mayor	599 264	532 214
Speaker	599 264	532 214
Mayoral Committee Members	1 690 020	1 501 440
Councillors	2 159 944	1 917 503
	<b>5 791 455</b>	<b>5 142 522</b>
Ward committee's - see other expenses	-	16 782
<b>Total Councillors' Remuneration</b>	<b>5 791 455</b>	<b>5 159 304</b>
<b>In-kind Benefits</b>		
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 2015	2015	2014
	R	R
<b>31. PROVISION FOR IMPAIRMENT OF DEBTORS</b>		
Contribution to bad debt provision - ex I & E	28 733 822	21 187 722
Contribution from bad debt provision	-3 570 787	-3 694 679
Bad debts written off	3 570 787	6 701 474
<b>Total</b>	<b>28 733 822</b>	<b>24 194 517</b>

**The contribution consist of the following:**

Rates and service debtors	5 858 144	7 678 730
Traffic fines	22 875 677	16 515 787
<b>Total</b>	<b>28 733 822</b>	<b>24 194 517</b>

32. DEPRECIATION AND AMORTISATION		Restated
PPE (Note 9)	19 903 050	18 317 009
Intangible assets (Note 10)	19 492	13 333
<b>Total</b>	<b>19 922 542</b>	<b>18 330 342</b>

Refer to notes 48.5 and 49.2 for details regarding correction of errors in the prior year and a change in estimate.

33. INTEREST PAID		
Long-term liabilities	8 586 737	8 329 729
Other	1 264 419	570 635
<b>Total</b>	<b>9 851 156</b>	<b>8 900 364</b>

34. BULK PURCHASES		Restated
Electricity	68 621 388	63 331 911
Water	5 325 075	3 914 559
<b>Total</b>	<b>73 946 463</b>	<b>67 246 470</b>

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".

The prior year purchases of electricity from Eskom have been corrected to include an accrual for unbilled electricity usage for the last part of June. Refer to note 48.2.

35. GENERAL EXPENSES		
Audit Fees - External	2 456 472	2 098 988
Chemicals	1 589 145	1 383 408
Insurance	467 210	680 463
Material & Supplies	655 661	724 606
Other	15 678 426	12 904 840
Housing projects	11 249 796	8 354 000
Clean-up projects	589 260	600 471
Environmental education	409 214	610 221
Tourism	156 587	473 704
Development Costs	113 993	251 296
Levy: Dept. of Water Affairs	375 026	278 216
Operational Leases: Office Machines	-	-1 782
Land and Buildings	400 585	403 005
Postage & Telephone	2 133 801	2 382 619
Printing & Stationery	641 613	637 577
Software assistance	1 043 421	840 540
Travelling & Subsistence	1 071 674	914 088
Valuation fees	199 933	2 070 734
Vehicle Costs	6 086 993	6 478 195
<b>Total</b>	<b>45 318 809</b>	<b>42 085 187</b>

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	37 730	38 080
Bank, cash and cash equivalents	136 661 823	52 544 488
<b>Total</b>	<b>136 699 553</b>	<b>52 582 568</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015	2015	2014
	R	R
<b>37. CASH GENERATED BY OPERATIONS</b>		
		<b>Restated</b>
Surplus for the year	49 739 660	18 878 682
<i>Adjustments for:</i>		
Depreciation and amortisation	19 922 542	18 330 342
Gain on disposal of assets	-741 332	-138 727
Impairment of property, plant and equipment	-	20 008 393
Loss on disposal of property, plant and equipment and transfers	-	2 460 910
Gain on revaluation of investment property	-9 896 600	-
Donated property, plant and equipment	-381 000	-18 897 400
Contribution to provision for impairment of debtors	29 132 809	21 187 722
Increase in Retirement Benefit Liabilities	-460 996	3 178 829
Increase in Non-current Provisions	1 752 313	1 799 804
Increase in Investment Properties	-	406 500
Increase/(decrease) in operating lease liabilities	39 641	-23 889
Increase/(decrease) in operating lease assets	41 581	-713
Investment & Debtors Interest	-7 442 050	-4 285 156
Interest paid	9 851 156	8 900 364
<b>Operating surplus before working capital changes:</b>	<b>91 557 722</b>	<b>71 805 662</b>
(Increase)/Decrease in inventories	-95 334	-13 091
(Increase)/Decrease in debtors	-6 691 084	-6 653 474
(Increase)/Decrease in other debtors	-26 922 624	-19 469 865
(Increase)/Decrease in provisions	243 360	-1 311 804
(Increase/Decrease) in conditional grants and receipts	35 662 280	317 740
(Increase/Decrease) in creditors	5 515 083	3 472 687
(Increase)/Decrease in VAT	241 750	-2 536 294
<b>Cash generated by operations</b>	<b>99 511 153</b>	<b>45 611 558</b>

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

#### 38.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	1 165 194	936 013
Amount paid - current year	-1 165 194	-936 013
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>-</b>

#### 38.2 PAYE and UIF

Opening Balance	-	-
Current year payroll deductions	12 066 463	10 794 149
Amount paid - current year	-12 066 463	-10 794 149
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>-</b>

#### 38.3 Pension and Medical Aid deductions

Opening Balance	-	-
Current year payroll deductions	27 408 407	23 865 528
Amount paid - current year	-27 408 407	-23 865 528
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>-</b>

#### 38.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	2 456 472	2 098 988
Amount paid - current year	-2 456 472	-2 098 988
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>-</b>

#### 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 2015.

#### 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.

**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:

	30 June 2015	30 June 2015
	Number of Cases	R
<b>&lt;R2 000</b>	<b>283</b>	<b>263 949</b>
Sole supplier	-	-
Emergency	47	33 445
Exceptional Circumstances	236	230 504
Impractical	-	-
<b>R2 000 - R30 0000</b>	<b>178</b>	<b>1 537 697</b>
Sole supplier	6	75 356
Emergency	20	159 161
Exceptional Circumstances	152	1 303 180
Impractical	-	-
<b>R30 000 - R200 000</b>	<b>48</b>	<b>2 811 500</b>
Sole supplier	3	141 281
Emergency	7	311 106
Exceptional Circumstances	38	2 359 113
Impractical	-	-
<b>&gt; R200 000</b>	<b>4</b>	<b>7 125 241</b>
Sole supplier	-	-
Emergency	-	-
Exceptional Circumstances	4	7 125 241
Impractical	-	-
<b>Total</b>	<b>513</b>	<b>11 738 387</b>

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

Department	Service	Provider	Reason for deviation	Amount
Corporate Services	Agreement with Collaborator	Business Engineering	Agreement for seven years support services. Business Engineering developed the software and is therefore the sole provider of the support service.	1 603 310
Corporate Services	Professional Services rendered	Stadler & Swart	Hoffmeyer en Seun Attorney, a local Attorney, represented the Municipality in a case involving a local business. Mentioned attorney had a conflict of interest and a non-local attorney needed to be appointed urgently to prevent further conflicts of interest.	99 187
Office of the Municipal Manager	Revival water proofing treatment of the Civic Centre.	CJ Gerber t/a RCS Waterproofing	Water proofing was done in 2009 with a 10 year guarantee, provided that revival treatments be done every 2.5 years. The treatment needed to be done to ensure the guarantee.	119 244
Office of the Municipal Manager	Procurement of Server Infrastructure	First Technology Western Cape	Additional hardware was required to finalize phase 2 of SCOA implementation. First Technology WC is the supplier but was not registered on the Municipalities' database.	80 169
Office of the Municipal Manager	Procurement of File Server	ISM	Four quotes were received for required hardware. Delivery time 3 - 4 weeks and ISM was the only provider with stock to be delivered within two weeks. Hardware was urgently needed to reload Financial Server.	101 265
Streets, Stormwater and Parks	Appointment of Consulting Engineers	Royal Haskoning DHV (Pty) Ltd	RHDHV was appointed for the upgrading of Riversdale sewerage works phase 2, although it appeared as if they were not registered on the data base anymore. Appointment was approved by the Municipal Manager.	3 880 314
Streets, Stormwater and Parks	Repairs to the water pump of Olienhoutfontein Water pump Station - Stilbaai.	HSM Amanzi Pump & Sewerage Engineers	Repairs done in accordance with the rotation register.	84 719
Streets, Stormwater and Parks	Update of the Municipalities' Infrastructure asset register	Aurecon South Africa	Aurecon Consulting Engineers was not found on the data base, but they were the only supplier that have the information of the Municipalities' asset register.	129 030
Community Services	Hessequa Fire Services	FFA Operations (Pty) Ltd	FFA Operations could supply the same services as Eden District Municipality but at a much better price.	965 141

**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 Councilors, 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.

**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 13 to the Annual Financial Statements.

**41.3 Interest of Related Parties**

Councillors and/or management of the municipality had no relationships with businesses during the financial period.

**41.4 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.

**41.5 Purchases from Related Parties**

The municipality procured services from the following service providers, which are considered to be Related Parties as per the definition in the Supply Chain Management Policy:

Service Provider	Related Person	Capacity	Municipal Capacity	2015 R	2014 R
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman	39 140	25 294
Henna's Catering	E du Preez	Owner	Cashier/Clerk	87 480	30 660
Jl Daries	H Daries	Owner	Care Taker	51 830	23 727
Heidelberg Motors	K Gunter	Owner	Library Assistant	1 281 160	-
CRR General Dealers	CJ Riddles	Owner	Handyman	124 193	-
CP Precision Management / C Paulsen	E Snyers			221 328	-
Seasons Find 982 CC	Ms Y Daniels	Owner	Clerk	-	223 200
<b>Total</b>				<b>1 805 132</b>	<b>302 881</b>

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	20 187 314	5 947 427
Community	244 157	741 754
<b>Total Capital Commitments</b>	<b>20 431 470</b>	<b>6 689 181</b>

This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

20 431 470	6 689 181
<b>20 431 470</b>	<b>6 689 181</b>

**43. AFTER BALANCE SHEET EVENTS**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

**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 2014.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% (period 30 June 2009 - 31 January 2012) and 23.06% (period 1 February 2012 - 30 June 2014) by their councils. The actuarial valuation report at 30 June 2014 disclosed an actuarial valuation amounting to R3,631,518,000 (30 June 2013 : R3,226,863,000), with a nett accumulated surplus of R23,343,000 (2013 : R10,030,000 (deficit)), with a funding level of 104.4% (30 June 2013 : 99.7%).



**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.

The actuarial valuation report at 30 June 2014 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R566,689,000 (30 June 2013 : R483,618,000), net investment reserve of R0 (30 June 2013 : R787,000) and a funding level of 100% (2012 : 99.8%).

The actuary concluded that :

- The Pensioner Account has a surplus of R127.3 million and a funding level of 106.2%. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.
- The balance of the DB Section for DB active members has a surplus of R23.3 million and a funding level of 101.7%.
- The DC Section has a funding level of 100.0% and no surplus.
- There is a future service contribution rate shortfall of 8.98% of salary in respect of 32 remaining DB active members after the transfer of DB active members to the DC Section.
- The Trustees granted a pension increase of 5% effective 1 January 2015 and a bonus of 50% of monthly pension payable in December 2014. Pro-rata pension increases and bonus apply for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2014, the nature of the assets is suitable for the Fund and the Fund's investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

**Cape Joint Retirement Fund**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R17,172,854 (30 June 2013: R13,607,813) million, with funding levels of 99,9% and 112,6% (30 June 2013: 100,2% and 105,1%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9%) and the municipalities (8%) 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 Councilors' 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 2009: R1,123,672) 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. The Actuary certified that the Fund has a funding level of 99.5% as at the 30 June 2012 and is therefore technically not financially sound. However they regarded the deficit of R6,407,706 made as relatively insignificant in the context of the Fund.

**SALA Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R12,658.2 (30 June 2013: R10,439.2) million, with funding levels of 100,0% (30 June 2013: 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.

**National Fund For Municipal Workers**

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R9,031,759,000 (30 June 2013 : R6,981,450,000), with funding levels of 100.10% (30 June 2013: 99.97%). The actuary certified that the assets of the fund are sufficient to cover 100.10% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

**South African Municipal Workers Union National Provident Fund**

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2,455,947,000 (30 June 2005 : R1,511,461,000), with funding levels of 100% (30 June 2005: 100%). The investment smoothing reserve has increased from 1.2% of the market value of assets (or 1.25% of members' Fund Credits) at the previous valuation date to 4.6% of the market value of assets (or 5.5% of members' Fund Credits) at the current valuation date. The actuary certified that based on the 2011 valuation the Fund's assets are sufficient to cover the members' Fund Credits and Risk Benefits Reserve and to provide for an investment smoothing reserve of 5.5% of members' Fund Credits as at 30 June 2011. In addition, there is a substantial surplus of some R413 million. The Fund is therefore in a very sound financial position.

An amount of R12,622 million (2014: R11,365 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 POLICIES IN TERMS OF GRAP 3**

The standard of GRAP on Non-current assets held for sale and discontinued operations (2010) was withdrawn and replaced by the standard of GRAP on discontinued operations (revised 2013). The amendment resulted in the withdrawal of the measurement, presentation and disclosure requirements related to non-current assets held for sale.

**47.1 Assets classified as held-for-sale** **R**

<b>Balances as published as at 30 June 2014</b>		776 609
Withdrawal of measurement , presentation and disclosure of non-current assets held for sale	Refer to note 3	-776 609

**Restated balances as at 30 June 2014** -

**47.2 Investment property** **R**

<b>Balance as published as at 30 June 2014</b>		40 524 999
Withdrawal of measurement , presentation and disclosure of non-current assets held for sale - Opening balance	Refer to note 11	1 451 609
Withdrawal of measurement , presentation and disclosure of non-current assets held for sale - Prior year - Disposals		-582 400
Withdrawal of measurement , presentation and disclosure of non-current assets held for sale - Prior year - Impairment		-92 600

**Restated balances as at 30 June 2014 - Refer to note 11** 41 301 608

**48. CORRECTION OF ERRORS**

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

- Incorrect presentation and disclosure of assets under construction.
- Incorrect measurement of various assets in the fixed asset register due to insufficient assessment of the useful lives of assets still in use.
- Creditors: Correction of prior years accrual of Eskom unbilled electricity usage, pro-rata for June.

**48.1 Property, Plant and Equipment**

**Balances as published as at 30 June 2014** **PPE**

Improved presentation of assets under construction - Completed assets - Cost - Opening balance	Refer to note 9	-9 334 067
Improved presentation of assets under construction - Under construction assets - Cost - Opening balance	Refer to note 9	9 334 067
Improved presentation of capital under construction - Transfer to cost of completed assets due to projects completed - Prior Year	Refer to note 9	4 504 228
Improved presentation of capital under construction - Transfer from cost of completed assets due to projects completed - Prior Year	Refer to note 9	-4 504 228
Correction of accumulated depreciation due to changes in useful lives - Buildings accumulated depreciation - Opening balance	Refer to note 9	744 685
Correction of accumulated depreciation due to changes in useful lives - Buildings accumulated depreciation - Prior year	Refer to note 9	161 196
Correction of accumulated depreciation due to changes in useful lives - Infrastructure accumulated depreciation - Opening balance	Refer to note 9	296 800
Correction of accumulated depreciation due to changes in useful lives - Infrastructure accumulated depreciation - Prior year	Refer to note 9	45 077
Correction of accumulated depreciation due to changes in useful lives - Community assets accumulated depreciation - Opening balance	Refer to note 9	49 641
Correction of accumulated depreciation due to changes in useful lives - Community assets accumulated depreciation - Prior year	Refer to note 9	72 959
Correction of accumulated depreciation due to changes in useful lives - Other assets accumulated depreciation - Opening balance	Refer to note 9	1 067 909
Correction of accumulated depreciation due to changes in useful lives - Other assets accumulated depreciation - Prior year	Refer to note 9	80 286

**Restated balances as at 30 June 2014 - see note 9** 529 313 225

**48.2 Creditors**

<b>Balance as published as at 30 June 2014</b>	30 351 547
Correction of prior years Eskom accrual for unbilled electricity usage for 2014	2 695 948

**Restated balance as at 30 June 2014 - see note 16** 33 047 495

**48.3 VAT RECEIVABLE**

<b>Balance as published as at 30 June 2014</b>	1 261 887
Correction of prior years Eskom accrual for unbilled electricity usage - VAT portion	331 081

**Restated balance as at 30 June 2014 - see note 6** 1 592 968

**48.4 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:

<b>Balance as published as at 30 June 2013</b>	459 451 687
Correction of accumulated depreciation due to changes in useful lives - Buildings	744 685
Correction of accumulated depreciation due to changes in useful lives - Infrastructure	296 800
Correction of accumulated depreciation due to changes in useful lives - Community assets	49 641
Correction of accumulated depreciation due to changes in useful lives - Other assets	1 067 909
Correction of prior years Eskom accrual for unbilled electricity usage for 2013	-2 086 641

**Restated balance as at 30 June 2013 - Refer to note 23** 459 524 079

**48. Correction of errors (Continued)**

**48.5 Appropriations to the 2013/2014 profit and loss**

Corrections were made to certain profit and loss accounts which affected the 2013/2014 year.

<b>Surplus for the year as previously stated:</b>		18 797 389
Depreciation and amortisation	Correction of accumulated depreciation due to changes in useful lives - Infrastructure accumulated depreciation - Opening balance	161 196
Depreciation and amortisation	Correction of accumulated depreciation due to changes in useful lives - Infrastructure	45 077
Depreciation and amortisation	Correction of accumulated depreciation due to changes in useful lives - Community assets	72 959
Depreciation and amortisation	Correction of accumulated depreciation due to changes in useful lives - Other assets	80 286
Bulk purchases	Measurement of Eskom electricity used not yet invoiced for 2014- Other creditors	-2 364 866
Bulk purchases	Reversal of prior year Measurement of Eskom electricity used not yet invoiced for 2013	2 086 641
<b>Restated balance as at 30 June 2014</b>		<u><u>18 878 682</u></u>

**49. CHANGE IN ACCOUNTING ESTIMATES**

**49.1 Landfill Sites: Change in disclosure due to IGRAP 2 adjustments**

As at 30 June 2015 the rehabilitation costs of the landfill sites in the Hessequa municipal area were re-evaluated by an independent consulting engineer. Based on the evaluation the amount of outflow of resources embodying economic benefits and a change in the discount rate resulted in an increase in the provision for rehabilitation.

The effect of this revision is as follows in the current and future periods:

Current period:	No effect as the change in estimate is from 30 June 2015
	R
Future periods - Increase in finance cost due to unwinding of discount:	45 062 229
Future periods - Increase in depreciation charge:	47 026 901

**49.2 Depreciation: Change in depreciation charge due to reassessment of usefull lifes**

The estimated useful lives and depreciation method were reviewed at 30 June 2015. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Depreciation charge before reassessment of usefull lifes	21 147 204
Decrease in depreciation charge for the current period due to reassessment of usefull lifes	<u>-1 224 662</u>
Depreciation charge as per Note 32	<u>19 922 542</u>
Future periods: Increase in depreciation charge	<u>1 224 662</u>

**50. TRUST FUNDS**

Nature Development - Stilbaai	1 572 588	1 507 645
Elsje Koorits Tuberculosis Fund	<u>199 533</u>	<u>186 480</u>
<b>Total Trust Funds</b>	<u><b>1 772 122</b></u>	<u><b>1 694 124</b></u>

**51. FINANCIAL INSTRUMENTS****51.1 Classification of Financial Instruments****FINANCIAL ASSETS**

Financial Assets		Classification		
In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:				
<b>Long-term Receivables</b>				
Sport clubs/Pre-primary School	Note 13	Amortised cost	18 110	20 190
<b>Consumer Debtors</b>				
Rates	Note 5	Amortised cost	10 000 312	10 424 772
Electricity	Note 4	Amortised cost	12 736 381	12 625 165
Water	Note 4	Amortised cost	6 460 112	5 240 784
Sewerage	Note 4	Amortised cost	5 121 970	4 329 339
Waste Management	Note 4	Amortised cost	2 685 274	2 157 580
Other	Note 4	Amortised cost	4 700 380	3 806 491
Less: Provision for Impairment	Note 4	Amortised cost	-19 238 808	-15 358 245
<b>Other Debtors</b>				
Insurance claims	Note 5	Amortised cost	-	3 836
Government subsidies		Amortised cost	680 339	-
<b>Current Portion of Long-term Receivables</b>				
Sport clubs/Pre-primary School	Note 13	Amortised cost	2 080	2 080
<b>Cash and Cash Equivalents</b>				
Call Deposits	Note 7	Amortised cost	132 722 778	4 542 376
Bank balances and Cash Floats	Note 7	Amortised cost	3 976 775	48 040 192

**SUMMARY OF FINANCIAL ASSETS****Loans and Receivables:**

Long-term Receivables	Note 13	Sport clubs/Pre-primary School	18 110	20 190
Consumer Debtors	Note 5	Rates	10 000 312	10 424 772
Consumer Debtors	Note 4	Electricity	12 736 381	12 625 165
Consumer Debtors	Note 4	Water	6 460 112	5 240 784
Consumer Debtors	Note 4	Sewerage	5 121 970	4 329 339
Consumer Debtors	Note 4	Waste Management	2 685 274	2 157 580
Consumer Debtors	Note 4	Other	4 700 380	3 806 491
Consumer Debtors		Less: Provision for Impairment	-19 238 808	-15 358 245
Other Debtors	Note 5	Insurance claims	-	3 836
Other Debtors	Note 5	Government subsidies	680 339	-
Current Portion of Long-term Receivables	Note 13	Sport clubs/Pre-primary School	2 080	2 080
Bank, Cash and Cash Equivalents	Note 7	Bank Balances, Cash Floats and Advances	136 699 553	52 582 568
			<b>159 865 703</b>	<b>75 834 560</b>

**TOTAL FINANCIAL ASSETS****159 865 703**      **75 834 560**

51. FINANCIAL INSTRUMENTS - (continued)

FINANCIAL LIABILITIES

Financial Liabilities		Classification		
<b>Long-term Liabilities</b>				
Annuity Loans	Note 19	Amortised cost	78 840 740	66 937 045
<b>Consumer Deposits</b>				
Electricity and Water	Note 14	Amortised cost	3 741 830	3 461 317
<b>Creditors</b>				
Trade Creditors	Note 16	Amortised cost	24 933 040	19 812 997
Retentions	Note 16	Amortised cost	2 180 761	1 625 636
Other Creditors	Note 16	Amortised cost	5 401 490	6 769 570
<b>Current Portion of Long-term Liabilities</b>				
Annuity Loans	Note 19	Amortised cost	11 558 839	10 322 867

SUMMARY OF FINANCIAL LIABILITIES

Long-term Liabilities	Note 19	Annuity Loans	78 840 740	66 937 045
Consumer Deposits	Note 14	Electricity and Water	3 741 830	3 461 317
Creditors	Note 16	Trade Creditors	24 933 040	19 812 997
Creditors	Note 16	Retentions	2 180 761	1 625 636
Creditors	Note 16	Other Creditors	5 401 490	6 769 570
Current Portion of Long-term Liabilities	Note 19	Annuity Loans	11 558 839	10 322 867
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>126 656 699</b>	<b>108 929 433</b>

51.2 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 2015		30 June 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS</b>				
<b>Loans and Receivables</b>				
Long-term Receivables	159 865 703	159 865 703	75 834 560	75 834 560
Call Deposits	18 110	18 110	20 190	20 190
Consumer Debtors	132 722 778	132 722 778	4 542 376	4 542 376
Other Debtors	22 465 621	22 465 621	23 225 886	23 225 886
Bank Balances and Cash	680 339	680 339	3 836	3 836
Current Portion of Long-term Receivables	3 976 775	3 976 775	48 040 192	48 040 192
	2 080	2 080	2 080	2 080
<b>Total Financial Assets</b>	<b>159 865 703</b>	<b>159 865 703</b>	<b>75 834 560</b>	<b>75 834 560</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Loans and receivables:</b>				
<u>Unsecured Bank Facilities:</u>				
- Annuity Loans	90 399 578	90 399 578	77 259 912	77 259 912
	90 399 578	90 399 578	77 259 912	77 259 912
<b>Trade and Other Payables:</b>				
Consumer Deposits	36 257 120	36 257 120	31 669 521	31 669 521
Creditors	3 741 830	3 741 830	3 461 317	3 461 317
Unspent Conditional Grants	32 515 290	32 515 290	28 208 204	28 208 204
	-	-	-	-
<b>Cash and Cash equivalents</b>				
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>126 656 699</b>	<b>126 656 699</b>	<b>108 929 433</b>	<b>108 929 433</b>

**51. 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.

**51.3 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.

**51.4 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.

**51.5 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.

**51.6 Market risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

**51.7 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.

**51.8 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.

**51. 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
<b>30 June 2015</b>					
Development Bank	8.90% - 11.56%	13 780 292	46 869 234	27 126 367	87 775 893
Nedbank	9.01%	3 783 945	15 135 781	7 483 262	26 402 988
First National Bank	11.40%	2 519 495	10 078 443		12 597 938
Finance Leases	13,6% - 32,6%	143 284			143 284
Trade Creditors	0%	24 933 040			24 933 040
Retentions	0%	2 180 761			2 180 761
Other Creditors	0%	5 401 490			5 401 490
		<b>52 742 307</b>	<b>72 083 458</b>	<b>34 609 629</b>	<b>159 435 394</b>
<b>30 June 2014</b>					
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
Finance Leases	9.33% - 11.56%	2 520 900	10 083 598	2 520 900	15 125 398
First National Bank	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
		<b>43 177 848</b>	<b>59 799 069</b>	<b>31 000 080</b>	<b>133 976 997</b>

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.

**51.9 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	2 080
Consumer Debtors	16 750 566	16 742 956
Other Debtors	18 358 087	13 884 795
Bank and Cash Balances	136 699 553	52 582 568
<b>Maximum interest and credit risk exposure</b>	<b>171 810 286</b>	<b>83 212 399</b>

**52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**52.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	42 670 080	9 914 348
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year due to budget exceeded - operating	8 479 413	42 670 080
Purchases without valid order	46 510	-
Other	19 603	-
Approved by Council or condoned	-42 670 080	-9 914 348
<b>Unauthorised expenditure awaiting authorisation:</b>	<b>8 545 526</b>	<b>42 670 080</b>

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

	2015 R Actual	2015 R Budget	2015 R Variance	2015 R Unauthorised
Executive & Council	30 806 265	37 137 744	-6 331 479	
Finance & Admin	43 601 705	46 330 448	-2 728 743	
Planning & Development	6 940 704	7 446 581	-505 877	
Community & Social Services	9 465 642	10 433 281	-967 639	
Housing	11 331 976	11 408 878	-76 902	
Public Safety	35 996 336	28 542 687	7 453 649	7 453 649
Environmental Conservation	897 667	1 052 666	-154 999	
Sport & Recreation	15 793 548	16 765 080	-971 532	
Road Transport	33 934 362	35 932 834	-1 998 472	
Waste Water Management/Sewerage	14 728 923	15 515 941	-787 018	
Waste Management/Solid Waste	12 793 173	11 767 409	1 025 764	1 025 764
Water	19 910 138	20 201 298	-291 160	
Electricity	90 618 219	93 107 727	-2 489 508	
Hessequa Tourism	0	0	0	
<b>Total</b>	<b>326 818 658</b>	<b>335 642 574</b>	<b>-8 823 916</b>	<b>8 479 413</b>



**52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (Continued)**

**52.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	638 043	1 337 283
Less: Approved by Council or condoned		
Damages to Telkom lines	-	46 807
Interest paid due to late payment of creditors	19 205	-
CDW's settlement paid	182 798	-
Expenses incurred in the unrealised sale of Takkieskloof	19 740	-
Electricity losses above the threshold (Refer note 53)	-	-
Water losses above the threshold (Refer note 53)	533 318	591 236
<b>Fruitless and Wasteful Expenditure awaiting condonement</b>	<b>1 393 103</b>	<b>1 975 326</b>
Less: Approved by Council or condoned	-46 807	-1 337 283
<b>Fruitless and wasteful expenditure awaiting authorisation:</b>	<b>1 346 296</b>	<b>638 043</b>

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. There are currently no disciplinary steps or criminal proceedings on these fruitless and wasteful expenditure.

**52.3 Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	-	836 906
Irregular expenditure current year	13 640 878	1 487 099
Condoned or written off	-	-2 324 005
<b>Irregular expenditure awaiting condonement</b>	<b>13 640 878</b>	<b>-</b>

2015			
Incident	Service	Disciplinary Steps/Criminal Proceedings	
Contract expansion contrary to memo 62 and Art 116(3)	Refurbishment of Waste water treatment works	None	4 379 528
Incorrect Preference points calculation	Fencing	None	91 400
Suppliers with no declaration of interest	Life Savers	None	593 400
Suppliers with no declaration of interest	Fire Protection	None	690 168
Suppliers without tax clearance certificates	Infrastructure Updates	None	75 315
Suppliers without tax clearance certificates	Filing system	None	230 714
Contract expansion contrary to memo 62 and Art 116(3)	Refurbishment of Waste water treatment works	None	1 206 355
Contract expansion contrary to memo 62 and Art 116(3)	Upgrading of existing Albertinia-Theronville sportsfield	None	2 085 355
Contract expansion contrary to memo 62 and Art 116(3)	Upgrading of existing Albertinia-Theronville sportsfield	None	192 090
Tenders not advertised for the required period	Several as per available list	None	4 096 552
<b>Total Irregular expenditure</b>			<b>13 640 878</b>

2014			
Incident	Service	Disciplinary Steps/Criminal Proceedings	
Suppliers without tax clearance certificates	Appointment of Life Savers Services		694 215
Suppliers with no declaration of interest	Electricity Meters	None	172 793
Suppliers with no declaration of interest	Water Meters	None	447 198
Failure to obtain 3 quotations	Advertising, repairs etc.	None	53 167
Suppliers with no declaration of interest	Repairs earthmoving equipment	None	119 726
<b>Total Irregular expenditure</b>			<b>1 487 099</b>

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

**53. MATERIAL LOSSES**

Electricity distribution losses

- Units purchased (Kwh)	85 282 745	85 446 395
- Units lost during distribution (Kwh)	8 252 207	8 509 310
- Percentage lost during distribution	9.68%	9.96%

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	1 487 697	1 209 191
Movement in stock	825	-
Kiloliters sold	845 706	815 818
Kiloliters lost in distribution	642 816	393 373
Percentage loss in distribution	43%	33%
Cost per kiloliter - (50% @R1.60 & 50% @ 0.46c)	R1.60/0.46	R1.39/0.42
Total cost in Rand	662 100	356 003
Amount greater than 12% transferred to fruitless expenditure	478 221	224 684

**Heidelberg and Witsand**

Kiloliters purchased	538 741	514 236
Movement in stock	-310	-
Kiloliters sold	471 610	406 017
Kiloliters lost in distribution	66 821	108 219
Percentage loss in distribution	12%	21%
Cost per kiloliter	8.26	6.37
Total cost in Rand	551 941	689 355
Amount greater than 12% transferred to fruitless expenditure	17 941	296 273

**Slangrivier**

Kiloliters purchased	89 032	87 931
Movement in stock	389	-
Kiloliters sold	68 829	55 139
Kiloliters lost in distribution	20 592	32 792
Percentage loss in distribution	23%	37%
Cost per kiloliter	3.75	3.16
Total cost in Rand	77 220	103 623
Amount greater than 12% transferred to fruitless expenditure	37 156	70 279
<b>Total amount transferred to fruitless expenditure (Refer note 52.2)</b>	<b>533 318</b>	<b>591 236</b>

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.

**54. CONTINGENT LIABILITIES**

Save for 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.	R200 000 - R300 000
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 been placed on the roll for hearing in September 2015. No monetary value has been established.	-
Nachley Simon v HM	This matter is a possible claim, but no formal court documents have been received yet. We have met with the Applicant and his attorney. Matter will probably be settled outside court. No monetary value established.	-
HM v Breedt	Matter regarding illegal construction. The replying affidavits have been filed and we are waiting a court date.	-
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. The matter is currently handled by our insurers. No monetary value established yet.	-
O Saunders v HM	Potential claim against the Municipality. Applicant refuses to pay outstanding electricity tariffs but contends that the debt should be written off, as he was unable to access his property.	-
DB Joubert v HM	Applicant claims damages from the Municipality regarding flood damage suffered a number of years ago. Applicant did not give notice of intention to institute proceedings, but summons has been issued. The Municipality intends to defend the matter and raised two special pleas. The matter is on the roll for 12 August 2015.	-
Royal Haskoning DHV v HM	Supply Chain matter. The Applicants were awarded a contract for a project, whereafter another Consulting Engineering firm objected against the award of the contract. We are negotiating with the firms and will attempt to settle the matter outside the court.	-

**55. COMPARATIVE FIGURES**

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

**56. 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.

**57. 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 The Municipality received an additional R 22,22 million for Flood Disaster Relief- and R3,462 for MIG funding in 2014/15 which could not be spent and thus not recognised as income.
- Rev3 Indigent subsidy set-off against income but budgeted under expenses
- Rev4 Additional interest earned on investments due to Flood Disaster Relief and MIG Funding received during 2014/15 and not budgeted for.
- Rev5 Sale of land not realised
- Rev6 Recognition of fair value adjustment on investment properties not budgeted for

**Expenditure**

- Exp1 Provision for retirement benefits less than anticipated. Senior posts became vacant during the year and has not yet been filled.
- Exp2 Effects of the interpretation of revised IGRAP 1 was more than anticipated which resulted in a much higher provision than budgeted for.
- Exp3 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.
- Exp4 Savings on budgeted items
- Exp5 Interest on land-fill sites not budgeted for
- Exp6 Indigent subsidy budgeted under expenses but off-set against income.

**57. BUDGET COMPARATIVE NOTES (Continued)****Assets**

- Fp1 More budgeted for than realised  
 Fp2 Receipt of Disaster Recovery Funds not budgeted for  
 Fp3 Fair value adjustment not budgeted for

**Liabilities**

- Fp4 Due to high spending at yearend, the creditors in the budget was understated  
 Fp5 Receipt of Disaster Recovery Funds not budgeted for  
 Fp6 Under budgeted as a result of uncertainty of spending external financing  
 Fp7 Full loan not taken up because of poor spending  
 Fp8 Provision for long service awards incorrectly budgeted for under Retirement benefit liability instead of Non-current Provision  
 Fp9 Revaluation in terms of IGRAP 2 for landfill sites not budgeted for, and Long service awards - see comment above  
 Fp10 Capital Replacement Fund budgeted for under statutory funds, but disclosed in AFS under Accumulated Surplus  
 Fp11 See comment above

**Cash Flow**

- Cf1 Refer to budget comparison for Statement of Financial Performance for detail  
 Cf2 Refer to budget comparison for Statement of Financial Performance for detail  
 Cf3 Additional interest earned on investments due to Flood Disaster Relief – and MIG Funding received during 2014/15 and not budgeted for.  
 Cf4 Interest on land-fill sites not budgeted for  
 Cf5 Capital spending less than budget  
 Cf6 Sale of land not realised  
 Cf7 Capital spending from external loans not realised as per budgeted projections  
 Cf8 Additional investments due to Flood Disaster Relief – and MIG Funding received during 2014/15 and not budgeted for.

**Appendix A - Unaudited**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

<b>EXTERNAL LOANS</b>	<b>Interest Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30-Jun-14</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30-Jun-15</b>
				R	R	R	R
<b>Annuity Loans</b>							
Development Bank	10.50%	12007420	2021	17 586 050	0	-1 811 780	15 774 270
Development Bank	9.38%	102004	2015	1 335 434	0	-869 795	465 639
Development Bank	9.33%	102770	2017	4 001 734	0	-1 214 650	2 787 084
First National Bank	11.40%	4-000-019-445-833	2020	10 738 600	0	-1 333 067	9 405 533
Development Bank	11.56%	103465	2019/06	6 036 886	0	-952 916	5 083 970
Nedbank	9.01%	7831031707	2022/06	22 049 165	0	-2 798 770	19 250 395
Development Bank	8.90%	61007148	2023/06	15 185 003	0	-1 161 891	14 023 113
Development Bank	9.98%	12007830	2024/06		24 781 200	-1 314 911	23 466 290
<b>Total External Loans</b>				<b>76 932 872</b>	<b>24 781 200</b>	<b>-11 457 779</b>	<b>90 256 293</b>

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2015**

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	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
<b>Land and Buildings</b>														
Land	187 096 824	381 000	0	0	0		-931 364	186 546 460	18 295 981	0	-119 864		18 176 117	168 370 343
Buildings	51 923 721	96 155	0	0	2 209 660		-290 636	53 938 901	19 159 524	3 364 360	-85 980		22 437 904	31 500 997
	<b>239 020 545</b>	<b>477 155</b>		<b>0</b>	<b>2 209 660</b>	<b>0</b>	<b>-1 222 000</b>	<b>240 485 360</b>	<b>37 455 505</b>	<b>3 364 360</b>	<b>-205 844</b>	<b>0</b>	<b>40 614 021</b>	<b>199 871 340</b>
<b>Investment Property</b>														
Land and Buildings	41 301 609	0	0	9 896 600	0		-508 209	50 690 000	0	0	0	0	0	50 690 000
	<b>41 301 609</b>	<b>0</b>	<b>0</b>	<b>9 896 600</b>	<b>0</b>	<b>0</b>	<b>-508 209</b>	<b>50 690 000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50 690 000</b>
<b>Intangible Assets</b>														
Water Rights	400 000	0	0	0	0	0	0	400 000	74 444	13 333	0	0	87 777	312 223
Software	0	57 480	0	0	0	0	0	57 480	0	6 159	0	0	6 159	51 321
	<b>400 000</b>	<b>57 480</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>457 480</b>	<b>74 444</b>	<b>19 492</b>	<b>0</b>	<b>0</b>	<b>93 936</b>	<b>363 544</b>
<b>Infrastructure</b>														
<b>Sewerage</b>														
Purification	38 570 781	0	0	0	1 304 605		-22 391	39 852 995	6 640 909	1 088 407	-20 061		7 709 255	32 143 740
Outfall Sewerage	6 537 566	0	0	0	5 010 347		0	11 547 913	3 185 102	435 404	0		3 620 506	7 927 407
Reticulation	32 715 658	29 818	0	0	131 579	44 893	0	32 921 948	8 885 543	821 460	0		9 707 003	23 214 945
<b>Water</b>														
Water Meters	4 290 689	0	0	0	69 983		0	4 360 672	884 701	135 767	0		1 020 468	3 340 204
Reticulation Network	24 217 610	0	0	0	427 153	-44 893	0	24 599 871	5 917 677	579 062	0		6 496 739	18 103 132
Pump Stations	2 357 629	0	0	0	0		0	2 357 629	929 058	157 149	0		1 086 207	1 271 423
Purification Works	2 516 929	0	0	0	46 200		0	2 563 129	1 261 234	157 557	0		1 418 791	1 144 338
Reservoirs/Tanks	27 391 122	0	0	0	5 000		0	27 396 122	4 837 978	741 607	0		5 579 585	21 816 537
<b>Electricity</b>														
Power Stations	429 072	0	0	0	663 982		0	1 093 053	116 022	6 738	0		122 760	970 293
Transformer Kiosks	4 148 072	0	0	0	0		0	4 148 072	365 510	87 448	0		452 958	3 695 114
Substations	9 352 091	0	0	0	1 686 905		0	11 038 995	935 488	86 754	0		1 022 242	10 016 753
Streetlights	2 458 012	0	0	0	0	8 303	0	2 466 315	435 721	69 779	0		505 501	1 960 814
Electricity Meters	2 896 596	0	0	0	0		0	2 896 596	562 852	53 220	0		616 072	2 280 524
Mains	39 645 323	0	0	0	5 591 638	-8 303	0	45 228 657	5 175 457	845 343	0		6 020 800	39 207 857
<b>Solid Waste</b>														
	975 483	0	0	0	0		0	975 483	540 426	53 858	0		594 284	381 199

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2015**

	Cost							Accumulated Depreciation and - impairments							
	Opening Balance R	Additions R	IGRAP 2 Adjustments R	Fair Value Adjustment R	Under Construction additions R	Transfers due to unbundling R	Disposals Transfer R	Closing Balance R	Opening Balance R	Additions - Depreciation R	Disposals - Depreciation R	Additions - Impairments	Closing Balance R	Carrying Value R	
<b>Roads and Stormwater</b>															
Motorways	106 199 715	0	0	0	358 388		0	106 558 103	15 994 593	3 081 661	0		19 076 255	87 481 849	
Stormwater	44 754 399	1 521 883	0	0	200 770		0	46 477 052	8 860 498	1 342 175	0		10 202 674	36 274 379	
Parking Areas	809 405	0	0	0	0		0	809 405	28 529	20 684	0		49 214	760 191	
Footpaths	4 055 368	687 892	0	0	0		0	4 743 260	1 319 936	140 332	0		1 460 268	3 282 992	
	<b>354 321 519</b>	<b>2 239 593</b>		<b>0</b>	<b>15 496 549</b>		<b>0</b>	<b>-22 391</b>	<b>372 035 271</b>	<b>66 877 236</b>	<b>9 904 406</b>	<b>-20 061</b>	<b>0</b>	<b>76 761 580</b>	<b>295 273 691</b>
<b>Community Assets</b>															
Cemeteries	849 874	50 000	0	0	70 000		0	969 874	398 717	62 221	0		460 938	508 936	
Sport Grounds	12 287 183	2 436 770	0	0	0		0	14 723 952	4 050 401	1 154 069	0		5 204 470	9 519 483	
Parks	6 832 179	0	0	0	89 521		0	6 921 699	2 515 987	293 087	0		2 809 074	4 112 625	
Public Conveniences	566 788	165 820	0	0	446 579		0	1 179 187	29 146	18 611	0		47 757	1 131 430	
	<b>20 536 022</b>	<b>2 652 590</b>		<b>0</b>	<b>606 100</b>		<b>0</b>	<b>23 794 712</b>	<b>6 994 252</b>	<b>1 527 987</b>	<b>0</b>	<b>0</b>	<b>8 522 239</b>	<b>15 272 473</b>	
<b>Heritage Assets</b>															
Mayoral chains	30 000	0	0	0	0		0	30 000	0	0	0	0	0	30 000	
Art Collections, antiques and exhibits	8 291 875	0	0	0	0		0	8 291 875	0	0	0	0	0	8 291 875	
	<b>8 321 875</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>8 321 875</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8 321 875</b>	

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2015**

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	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
<b>Other Assets</b>														
<b>Emergency Equipment</b>														
Emergency	559 021	52 632	0	0	0		0	611 653	230 945	50 072	0		281 018	330 635
<b>Plant&amp;Equipment</b>														
Graders and Frontloaders	4 522 659	0	0	0	0		0	4 522 659	2 042 050	454 830	0		2 496 880	2 025 779
Tractors	3 309 007	0	0	0	0		-99 851	3 209 156	1 504 879	288 405	-74 742		1 718 542	1 490 614
Boats	40 000	0	0	0	0		0	40 000	15 131	3 852	0		18 984	21 016
Lawnmowers	1 311 431	102 314	0	0	0		-50 420	1 363 324	851 838	141 725	-48 045		945 517	417 806
Compressors	116 586	0	0	0	0		0	116 586	88 989	7 394	0		96 383	20 203
Other Plant and Equipment	5 031 413	600 452	0	0	0		-120 696	5 511 170	3 046 400	507 973	-119 137		3 435 236	2 075 933
<b>MotorVehicles</b>														
Sedans	819 335	125 695	0	0	0		0	945 030	458 270	109 663	0		567 933	377 096
Motor Cycles	78 769	0	0	0	0		0	78 769	60 794	7 763	0		68 557	10 212
Trailers	1 956 119	0	0	0	0		0	1 956 119	1 075 285	179 173	0		1 254 458	701 661
Trucks/LDV's	19 292 145	2 735 024	0	0	0		-163 187	21 863 982	9 931 690	1 503 453	-153 036		11 282 107	10 581 875
<b>Office Equipment</b>														
Computer Equipment	2 336 496	538 725	0	0	0		-95 368	2 779 852	1 172 699	353 678	-86 297		1 440 080	1 339 773
Other Equipment	689 011	81 619	0	0	0		-55 709	714 921	423 235	61 062	-32 479		451 819	263 102
Office Machines	2 930 340	1 078 547	0	0	0		-197 227	3 811 660	1 843 788	459 767	-182 385		2 121 170	1 690 490
Furniture and Fittings	4 874 217	152 300	0	0	0		-65 691	4 960 826	3 404 731	452 953	-37 767		3 819 917	1 140 909
<b>Security Equipment</b>														
Security	139 734	0	0	0	42 173		0	181 907	31 995	10 693	0		42 687	139 220
<b>Landfill site rehabilitation</b>														
Landfill site rehabilitation	8 535 463	0	47 026 902	0	0		0	55 562 365	3 596 893	513 842	0		4 110 735	51 451 630
	<b>56 541 744</b>	<b>5 467 307</b>	<b>47 026 902</b>	<b>-</b>	<b>42 173</b>	<b>-</b>	<b>(848 148)</b>	<b>108 229 978</b>	<b>29 779 613</b>	<b>5 106 297</b>	<b>(733 888)</b>	<b>-</b>	<b>34 152 022</b>	<b>74 077 956</b>
<b>TOTAL</b>	<b>720 443 314</b>	<b>10 894 125</b>	<b>47 026 902</b>	<b>9 896 600</b>	<b>18 354 482</b>	<b>-</b>	<b>(2 600 748)</b>	<b>804 014 676</b>	<b>141 181 049</b>	<b>19 922 542</b>	<b>(959 793)</b>	<b>-</b>	<b>160 143 798</b>	<b>643 870 878</b>



**Appendix C - Unaudited**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2015**

								<b>Accumulated Depreciation</b>				<b>Carrying Value 30/06/2015</b>
	<b>Restated Opening Balance 1/7/2014</b>	<b>Additions</b>	<b>Under Construction</b>	<b>IGRAP 2 Adjustment</b>	<b>Fair Value Adjustment</b>	<b>Disposals</b>	<b>Closing Balance 30/06/2015</b>	<b>Restated Opening Balance 1/7/2014</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing Balance 30/06/2015</b>	
	R	R	R			R	R	R	R	R	R	R
Budget & Treasury Office	233 312 139	1 045 840	322 555	-	9 896 600	(1 854 023)	242 723 111	32 606 640	2 583 339	(311 264)	34 878 715	207 844 396
Community & Social Services	21 778 327	257 021	420 049	-	-	(61 259)	22 394 138	5 294 683	916 637	(17 756)	6 193 564	16 200 574
Environmental Protection	48 538	-	-	-	-	-	48 538	18 888	4 735	-	23 623	24 915
Executive & Council	2 335 153	1 209 488	-	-	-	(180 119)	3 364 522	1 369 128	319 814	(176 394)	1 512 548	1 851 974
Other	381 612	-	-	-	-	(21 410)	360 202	254 348	50 356	(16 405)	288 299	71 903
Planning & Development	476 373	6 460	-	-	-	(464)	482 369	363 897	53 886	(464)	417 319	65 050
Public Safety	2 833 955	162 446	140 068	-	-	(70 065)	3 066 404	1 471 177	336 182	(68 043)	1 739 316	1 327 088
Road Transport	176 098 435	2 462 857	291 262	-	-	(313 399)	178 539 155	38 012 914	6 277 246	(282 989)	44 007 171	134 531 984
Sport & Recreation	61 146 204	2 758 203	2 223 957	-	-	(62 974)	66 065 390	11 781 040	2 418 091	(54 577)	14 144 554	51 920 836
Electricity	66 020 959	9 263	7 844 629	-	-	(6 296)	73 868 555	10 866 193	1 551 427	(4 364)	12 413 256	61 455 299
Waste Management	11 250 899	2 745 692	117 096	47 026 902	-	-	61 140 589	4 812 711	752 881	-	5 565 592	55 574 997
Water Waste Management	82 349 988	230 395	6 446 531	-	-	(29 489)	88 997 425	20 062 062	2 758 847	(27 120)	22 793 789	66 203 636
Water	62 410 734	6 460	548 336	-	-	(1 249)	62 964 281	14 267 390	1 899 100	(416)	16 166 074	46 798 207
<b>TOTAL</b>	<b>720 443 316</b>	<b>10 894 125</b>	<b>18 354 483</b>	<b>47 026 902</b>	<b>9 896 600</b>	<b>(2 600 747)</b>	<b>804 014 679</b>	<b>141 181 071</b>	<b>19 922 541</b>	<b>(959 792)</b>	<b>160 143 820</b>	<b>643 870 859</b>

**Appendix D - Unaudited**

**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

(including inter-departmental charges)

2014				2015		
Actual Income	Actual Expenditure	Surplus/(Deficit)		Actual Income	Actual Expenditure	Surplus/(Deficit)
R	R	R		R	R	R
30 156 773	18 229 835	11 926 938	Executive & Council	32 116 434	30 806 265	1 310 169
97 588 856	57 665 582	39 923 274	Finance & Admin	100 663 994	44 226 966	56 437 028
2 583 747	6 380 864	-3 797 117	Planning & Development	2 921 288	6 940 704	-4 019 416
5 424 874	10 032 525	-4 607 651	Community & Social Services	5 800 933	10 176 858	-4 375 925
8 489 451	8 380 067	109 384	Housing	11 459 905	11 331 976	127 929
32 514 465	32 412 068	102 397	Public Safety	39 607 128	36 066 352	3 540 776
284 479	932 714	-648 235	Environmental Conservation	470 169	897 667	-427 498
12 058 850	23 372 428	-11 313 578	Sport & Recreation	13 681 202	20 160 229	-6 479 027
7 171 772	32 779 560	-25 607 788	Road Transport	9 017 572	33 980 604	-24 963 032
15 492 295	17 513 481	-2 021 186	Waste Water Management/Sewerage	27 172 624	19 470 070	7 702 554
8 975 950	11 504 493	-2 528 543	Waste Management/Solid Waste	14 823 737	13 873 065	950 672
26 020 605	21 122 620	4 897 985	Water	33 387 490	23 684 592	9 702 898
109 001 814	95 344 280	13 657 534	Electricity	113 752 185	103 519 652	10 232 533
0	1 296 025	-1 296 025	Hessequa Tourism	0	0	0
<b>355 763 930</b>	<b>336 966 542</b>	<b>18 797 388</b>	<b>Sub total</b>	<b>404 874 661</b>	<b>355 135 000</b>	<b>49 739 661</b>
<b>-25 792 437</b>	<b>-25 792 437</b>	<b>0</b>	Less inter-departmental charges	<b>-28 316 342</b>	<b>-28 316 342</b>	<b>0</b>
<b>329 971 493</b>	<b>311 174 105</b>	<b>18 797 388</b>	<b>Total</b>	<b>376 558 319</b>	<b>326 818 658</b>	<b>49 739 661</b>
			Note: Income per Statement of performance = R361 805 558 - Difference = Equitable share expenses off-set against income - R14 752 761			
			Note: Expenses per Statement of performance = R312 065 899 - Difference = Equitable share expenses off-set against income - R14 752 761			

**Appendix D (i) - Unaudited**

**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Budget	Amendments	Final Budget	Actual	Variance	Budget	Amendments	Final Budget	Actual	Variance
Executive & Council	30 571 299	1 556 112	32 127 411	32 116 434	-10 977	36 411 979	725 765	37 137 744	30 806 265	6 331 479
Finance & Admin	69 457 609	2 169 567	71 627 176	84 874 601	13 247 425	44 683 181	1 647 267	46 330 448	43 601 705	2 728 743
Planning & Development	6 180 773	171 565	6 352 338	2 921 288	-3 431 050	7 505 489	-58 908	7 446 581	6 940 704	505 877
Community & Social Services	6 382 045	21 816	6 403 861	5 800 933	-602 928	10 342 008	91 273	10 433 281	9 465 642	967 639
Housing	1 791 234	9 634 329	11 425 563	11 459 905	34 342	1 827 549	9 581 329	11 408 878	11 331 976	76 902
Public Safety	7 114 996	17 815 318	24 930 314	39 607 128	14 676 814	12 988 966	15 553 721	28 542 687	35 996 336	-7 453 649
Environmental Conservation	520 000	35 000	555 000	470 169	-84 831	1 096 027	-43 361	1 052 666	897 667	154 999
Sport & Recreation	9 407 946	3 815 757	13 223 703	13 681 202	457 499	16 932 134	-167 054	16 765 080	15 793 548	971 532
Road Transport	17 048 828	15 061 086	32 109 914	8 870 572	-23 239 342	35 289 760	643 074	35 932 834	33 934 362	1 998 472
Waste Water Management/Sewerage	28 485 314	1 077 196	29 562 510	26 867 476	-2 695 034	15 546 892	-30 951	15 515 941	14 728 923	787 018
Waste Management/Solid Waste	14 380 836	0	14 380 836	14 660 970	280 134	11 660 475	106 934	11 767 409	12 793 173	-1 025 764
Water	28 238 022	2 341 377	30 579 399	30 443 986	-135 413	19 644 084	557 214	20 201 298	19 910 138	291 160
Electricity	109 165 329	-3 036 604	106 128 725	104 783 655	-1 345 070	96 315 584	-3 207 857	93 107 727	90 618 219	2 489 508
Hessequa Tourism	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>328 744 231</b>	<b>50 662 519</b>	<b>379 406 750</b>	<b>376 558 319</b>	<b>-2 848 431</b>	<b>310 244 128</b>	<b>25 398 446</b>	<b>335 642 574</b>	<b>326 818 658</b>	<b>8 823 916</b>

Note: Income per Statement of performance = R361 805 558 - Difference = Equitable share expenses off-set against income - R14 752 761

Note: Expenses per Statement of performance = R312 065 899 - Difference = Equitable share expenses off-set against income - R14 752 761

**APPENDIX E (1) - Unaudited**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015**

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
<b>Revenue</b>					
Property Rates	60 793 273	61 912 084	1 118 811	1.81	
Service charges	161 217 271	172 258 066	11 040 795	6.41	Indigent subsidy set-off against income but budgeted under expenses.
Rental of facilities and equipment	4 023 975	3 698 489	-325 486	-8.80	
Interest earned - external investments	6 051 531	2 580 000	-3 471 531	-134.56	Additional interest earned on investments due to Flood Disaster Relief – and MIG Funding received during 2014/15 and not budgeted for.
Interest earned - outstanding debtors	1 390 519	1 046 683	-343 836	-32.85	
Fines	36 681 634	21 953 475	-14 728 159	-67.09	Effects of the interpretation of revised IGRAP 1 was more than anticipated.
Licences and permits	208 337	307 136	98 799	32.17	
Donated property, plant and equipment	381 000	0	-381 000	100.00	
Income for agency services	1 660 214	1 520 959	-139 255	-9.16	
Government grants and subsidies	73 077 921	104 390 112	31 312 191	30.00	The Municipality budget for an additional R 22,22 million for Flood Disaster Relief- and R3,462 for MIG funding in 2014/15. The income for the grants will only be acknowledge when the conditions are met.
Gain on revaluation of investment property	9 896 600	0	-9 896 600		
Other Income	5 681 950	4 739 746	-942 204	-19.88	
Surplus on sale of assets	741 332	5 000 000	4 258 668	85.17	Sale of land not realised
<b>Total Income</b>	<b>361 805 560</b>	<b>379 406 750</b>	<b>17 601 191</b>	<b>-4.64</b>	

**APPENDIX E (1) - Unaudited**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015**

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
<b>Expenditure</b>					
Employee related costs	107 865 593	116 041 745	8 176 152	7.05	Provision for retirement benefits less than anticipated. Senior posts became vacant during the year and has not yet been filled.
Rumuneration of councillors	5 791 455	5 857 571	66 116	1.13	
Working Capital Reserve	28 733 822	17 709 756	-11 024 066	-62.25	Effects of the interpretation of revised IGRAP 1 was more than anticipated which resulted in a much higher provision than budgeted for.
Collection Costs	2 501 108	2 717 086	215 978	7.95	
Depreciation and impairment	19 922 542	21 794 896	1 872 354	8.59	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.
Repairs and Maintenance	11 836 798	13 148 191	1 311 393	9.97	Savings on budgeted items
Interest - External borrowings	9 851 156	8 763 154	-1 088 002	-12.42	Interest on Land Fill sites not budgeted for.
Bulk Purchases	73 946 463	75 204 747	1 258 284	1.67	
Contracted Services	6 298 152	6 534 744	236 592	3.62	
General Expenses	45 318 809	67 870 684	22 551 875	33.23	Indigent subsidy budgeted under expenses but off-set against income.
<b>Total Expenditure</b>	<b>312 065 896</b>	<b>335 642 574</b>	<b>23 576 677</b>	<b>-7.02</b>	
<b>Net surplus for the year</b>	<b>49 739 664</b>	<b>43 764 176</b>	<b>-5 975 486</b>	<b>13.65</b>	

APPENDIX E (2) - Unaudited

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2015

		2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
<b>Land</b>						
	<b><u>Land &amp; Buildings</u></b>	3 368 749	3 927 706	-558 957	-14.23	
		<b>3 368 749</b>	<b>3 927 706</b>	<b>-558 957</b>	<b>-14.23</b>	
<b>Infrastructure</b>						
	<b><u>Sewerage</u></b>	6 476 349	13 741 926	-7 265 577	-52.87	Due to a dispute against the appointing of Consulting Engineers for 11 Sewerage projects, appointments were only done by December 2014. Due to designing stages and procurement processes, mostly professional fees were spent by 30 June 2015. The rest of the budget was transferred to 2015/16 budget. Additional MIG funding of R3,462,000 was received in January 2015 for Bulk Sewerage project (Melkhoufontein) and due to limited time R2,150,000 of the unspent balance will be roll over to the 2015/16 financial year. The budget for 4 Projects for pumps will also be transferred to the 2015/16 budget.
	<b><u>Water</u></b>	548 336	4 690 399	-4 142 063	-88.31	Due to a dispute against the appointing of Consulting Engineers for 12 Waternetwork projects, appointments were only done by December 2014. Due to designing stages and procurement processes, only professional fees were spent by 30 June 2015. The rest of budget was transferred to 2015/16 budget. Additional MIG funding of R3,462,000 was received in January 2015 for Bulk Water project (Melkhoufontein) and due to limited time, R2,150,000 of the unspent balance will be rolled forward to the 2015/16 financial year.
	<b><u>Electricity</u></b>	7 844 629	21 680 888	-13 836 259	-63.82	The budget for installation of 66/11KV main sub-station (Stilbaai) was adjusted to R 16 500 000 for 2014 /15 of which only R 3 706 764 was spent. R 7.23 million was unspent due to the transformer which was not delivered on site before 30 June 2015. The rest was a saving on the project. The R 7,23 million to be adjusted on the 2015/16 budget to successfully complete the project.
	<b><u>Roads and Stormwater</u></b>	2 604 470	26 762 656	-24 158 186	-90.27	The Municipality received R 22 million for Flood Disaster Relief in January 2015. The project could not be implemented in 2014/15 and in March 2015 National Treasury Gazetted that flood damage funds qualify for a roll over to the 2015/16 financial year. The municipal contribution for main roads (Riversdal) of R 985 014 was not spent by 30 June 2015. This was due to construction being 3 months late and Province will fund 100% of the road. Main Road (Albertinia) was not done in 2014/15 financial year and should be seen as an underspending.
		<b>17 473 784</b>	<b>66 875 869</b>	<b>-49 402 085</b>	<b>-73.87</b>	
<b>Community Assets</b>						
	<b><u>Public Conveniences</u></b>	225 943	645 930	-419 987	-65.02	
	<b><u>Sportfields</u></b>	2 436 770	3 049 199	-612 429	-20.08	The saving is for VAT claimed back on the Upgrading of sport facilities - Theronville - phase 1 which was funded from MIG and LOTTO funds
	<b><u>Cemeteries</u></b>	120 000	720 000	-600 000	-83.33	Due to the land negotiations in Albertinia, the funds could not be spent by 30 June 2015. The R 600 000 will be transferred to the 2015/16 financial year and funds will only be spent once the negotiations have been finalised.
	<b><u>Other</u></b>	455 170	586 000	-130 830	-22.33	
		<b>3 237 883</b>	<b>5 001 129</b>	<b>-1 763 246</b>	<b>-35.26</b>	
<b>Other Assets</b>						
	<b><u>Plant &amp; Equipment</u></b>	1 434 677	1 611 800	-177 123	-10.99	
	<b><u>Motor Vehicles</u></b>	2 057 910	2 133 800	-75 890	-3.56	
	<b><u>Other</u></b>	1 294 605	1 723 783	-429 178	-24.90	
		<b>4 787 192</b>	<b>5 469 383</b>	<b>-682 191</b>	<b>-20.50</b>	
<b>Total</b>		<b>28 867 607</b>	<b>81 274 087</b>	<b>-52 406 480</b>	<b>-64.48</b>	

**APPENDIX F - Unaudited**

**Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003**

Name of Grant	Funder	Opening Balance 2014/07/01 R	Quarterly Receipts					Quarterly Expenditure					Closing Balance 2015/06/30 R
			September	December	March	June	Total	September	December	March	June	Total	
			R	R	R	R	R	R	R	R	R	R	
<b>National Government</b>		<b>0</b>	<b>19 417 000</b>	<b>15 336 000</b>	<b>54 323 520</b>	<b>200 000</b>	<b>89 276 520</b>	<b>15 563 765</b>	<b>11 128 822</b>	<b>9 766 693</b>	<b>17 467 430</b>	<b>53 926 710</b>	<b>35 349 810</b>
Equitable Share	COGTA	0	11 872 000	9 998 000	8 123 000	0	29 993 000	7 498 250	7 498 250	7 498 250	7 498 250	29 993 000	0
MIG Projects	COGTA	0	3 127 000	3 437 000	9 895 000	0	16 459 000	1 544 039	2 993 328	1 791 484	3 613 021	9 941 872	6 517 128
Financial Management Grant	COGTA	0	1 450 000	0	0	0	1 450 000	442 756	271 937	218 941	516 366	1 450 000	0
Municipal Systems Improvement Grant	COGTA	0	934 000	0	0	0	934 000	0	75 370	0	858 630	934 000	0
Expanded Public Works Programme	DPW	0	534 000	401 000	400 000	0	1 335 000	58 200	68 033	115 870	888 136	1 130 239	204 761
Disaster Recovery Grant	COGTA	0	0	0	34 905 520	0	34 905 520	6 020 520	0	0	335 874	6 356 394	28 549 126
Accelerated Community Infrastr. Programme	DWA	0	0	0	0	200 000	200 000	0	0	0	200 000	200 000	0
Energy Efficiency Demand Side Mgmt	COGTA	0	1 500 000	1 500 000	1 000 000	0	4 000 000	0	221 904	142 148	3 557 153	3 921 205	78 795
<b>Provincial Government</b>		<b>353 362</b>	<b>2 047 000</b>	<b>2 302 260</b>	<b>14 851 540</b>	<b>0</b>	<b>19 554 162</b>	<b>1 125 854</b>	<b>1 584 931</b>	<b>6 853 004</b>	<b>8 491 304</b>	<b>18 055 093</b>	<b>1 499 069</b>
Human Settlement Development	WC: Housing	0	0	141 260	11 108 536	0	11 249 796	0	141 260	5 249 159	5 859 377	11 249 796	0
Library Municipal Replacement Funding	WC: Cult. Affairs	0	1 495 334	1 495 333	1 495 333	0	4 486 000	857 043	1 158 069	976 438	1 163 945	4 155 495	330 505
Municipal Capacity Building Grant	WC: Local Gov	0	0	0	500 000	0	500 000	0	0	0	101 600	101 600	398 400
Slangrivier Land Reform	WC: Land Affairs	8 725	0	0	0	0	8 725	0	0	0	0	0	8 725
Library Ext. Staff Levells	WC: Cult. Affairs	0	551 666	401 667	401 667	0	1 355 000	268 811	285 602	277 203	488 501	1 320 117	34 883
Greenest Municipality Competition	WC: Environment	0	0	0	70 000	0	70 000	0	0	0	0	0	70 000
National Emergency Housing Programme	WC: Housing	0	0	0	50 204	0	50 204	0	0	50 204	0	50 204	0
Tuin-op-die-Brak	WC: Cult. Affairs	0	0	0	300 000	0	300 000	0	0	300 000	0	300 000	0
Spatial Development Framework	WC: Environment	2 807	0	0	0	0	2 807	0	0	0	0	0	2 807
Housing Consumer Education	WC: Housing	34 261	0	0	0	0	34 261	0	0	0	13 675	13 675	20 586
Financial Management Support Grant	WC: Local Govt.	307 568	0	264 000	925 800	0	1 497 368	0	0	0	864 206	864 206	633 162
<b>District Municipality</b>		<b>373 388</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>373 388</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>373 388</b>
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 787	0	0	0	0	78 787	0	0	0	0	0	78 787
Alternative Electricity	Eden Distr. Mun.	273 533	0	0	0	0	273 533	0	0	0	0	0	273 533
Housing Consumer Educations	Eden Distr. Mun.	21 068	0	0	0	0	21 068	0	0	0	0	0	21 068
<b>Other</b>		<b>1 345 830</b>	<b>44 373</b>	<b>45 026</b>	<b>145 440</b>	<b>28 044</b>	<b>1 608 713</b>	<b>123 601</b>	<b>544 379</b>	<b>239 116</b>	<b>189 021</b>	<b>1 096 117</b>	<b>512 596</b>
Skills Development	Seta	353 063	44 373	45 026	145 440	28 044	615 946	103 601	168 170	108 075	189 021	568 867	47 079
National Lottery Fund		527 250	0	0	0	0	527 250	20 000	376 209	131 041	0	527 250	0
Tourism		101 819	0	0	0	0	101 819	0	0	0	0	0	101 819
Africana Centrum		6 615	0	0	0	0	6 615	0	0	0	0	0	6 615
National Heritage Council		23 684	0	0	0	0	23 684	0	0	0	0	0	23 684
Asla Devco - Water meters Slangrivier		273 400	0	0	0	0	273 400	0	0	0	0	0	273 400
Public Participation Strategy		60 000	0	0	0	0	60 000	0	0	0	0	0	60 000
<b>TOTAL - CONDITIONAL GRANTS</b>		<b>2 072 580</b>	<b>21 508 373</b>	<b>17 683 286</b>	<b>69 320 500</b>	<b>228 044</b>	<b>110 812 783</b>	<b>16 813 220</b>	<b>13 258 132</b>	<b>16 858 813</b>	<b>26 147 755</b>	<b>73 077 920</b>	<b>37 734 863</b>