

OVERBERG

DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2015

OVERBERG DISTRICT MUNICIPALITY

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OVERBERG DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Overberg Municipality is a district municipality performing the functions as set out in the Constitution, 1996.

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Overberg Municipality includes the following areas:

*Cape Agulhas
Overstrand
Swellendam
Theewaterskloof*

MUNICIPAL MANAGER

D P BERETTI

CHIEF FINANCIAL OFFICER

J C P TESSELAAR

REGISTERED OFFICE

26 Long Street, Bredasdorp, 7280

AUDITORS

Auditor General South Africa (AGSA)

PRINCIPLE BANKERS

Absa Bank

RELEVANT LEGISLATION

Municipal Finance Management Act, 2003. (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act, 1998. (Act no 117 of 1998)

Municipal Systems Act, 2000. (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act, 1997. (Act no 108 of 1997)

Housing Act, 1997. (Act no 107 of 1997)

Municipal Property Rates Act, 2004. (Act no 6 of 2004)

Electricity Act, 1987. (Act no 41 of 1987)

Skills Development Levies Act, 1999. (Act no 9 of 1999)

Employment Equity Act, 1998. (Act no 55 of 1998)

Unemployment Insurance Act, 1966. (Act no 30 of 1966)

Basic Conditions of Employment Act, 1997. (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALGBC Leave Regulations

OVERBERG DISTRICT MUNICIPALITY

MEMBERS OF THE OVERBERG DISTRICT MUNICIPALITY

COUNCILLORS

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

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2015, which are set out on pages 1 to 88 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and am satisfied that the Municipality can continue its operational existence for the foreseeable future.

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

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



D P BERETTI

Municipal Manager

9.11.2015,

Date

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		3 836 493	5 586 973
Accumulated Surplus		3 836 493	5 586 973
Non-Current Liabilities		77 442 741	63 972 471
Long-term Liabilities	2	666 124	1 478 990
Employee benefits	3	58 344 968	54 654 766
Non-Current Provisions	4	18 431 649	7 838 715
Current Liabilities		16 195 045	19 444 117
Consumer Deposits	5	11 820	11 820
Current Employee benefits	6	8 739 707	8 005 540
Payables from exchange transactions	7	2 378 785	2 379 592
Unspent Conditional Government Grants and Receipts	8	4 250 961	8 264 401
Current Portion of Long-term Liabilities	2	813 772	782 765
Total Net Assets and Liabilities		97 474 280	89 003 561
ASSETS			
Non-Current Assets		79 683 609	70 893 012
Property, Plant and Equipment	10	39 696 099	40 483 393
Investment Property	11	111 000	111 000
Intangible Assets	12	314 158	274 895
Capitalised Restoration Cost	13	11 129 780	1 591 152
Employee Benefits	14	28 432 572	28 432 572
Current Assets		17 790 671	18 110 550
Inventory	15	929 573	1 039 175
Receivables from exchange transactions	16	722 950	501 432
Receivables from non-exchange transactions	17	1 477 019	1 610 441
Unpaid Conditional Government Grants and Receipts	8	-	50 701
Taxes	9.3	301 879	199 251
Operating Lease Arrangements	18	-	-
Cash and Cash Equivalents	19	14 359 250	14 709 550
Total Assets		97 474 280	89 003 561

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		55 462 827	51 704 341
Transfer Revenue		55 223 408	51 684 165
Government Grants and Subsidies	20	55 198 408	51 684 165
Public Contributions and Donations		25 000	-
Other Revenue		239 418	20 176
Actuarial Gains	3	182 075	16 421
Reversal Debt Impairments	27	46 642	-
Impairments Recovered	29	10 701	3 755
Revenue from Exchange Transactions		72 815 615	69 091 288
Government Grants and Subsidies	20	53 036 166	50 621 904
Service Charges	21	658 048	645 663
Rental of Facilities and Equipment	23	11 498 416	10 718 124
Interest Earned - external investments		1 677 642	1 290 199
Interest Earned - outstanding debtors		4 244	4 780
Interest Earned - other		35 000	-
Licences and Permits		116 416	75 938
Agency Services	24	4 798 966	4 489 097
Other Income	22	990 718	838 102
Gain on disposal of Property, Plant and Equipment		-	407 482
Total Revenue		128 278 441	120 795 630
EXPENDITURE			
Employee related costs	25	62 090 292	54 700 922
Employee related costs (Roads)	25	8 894 342	8 813 584
Remuneration of Councillors	26	4 995 864	5 144 455
Debt Impairment	27	74 806	330 327
Depreciation and Amortisation	28	2 348 990	2 144 288
Impairments	29	-	-
Repairs and Maintenance	30	18 789 001	18 149 091
Actuarial losses	3	211 455	476 288
Finance Charges	31	5 949 599	5 157 305
Contracted services		537 682	125 583
Grants and Subsidies	32	5 000	-
Stock Adjustments		214 454	57 383
General Expenses	33	25 636 174	26 939 169
Loss on disposal of Property, Plant and Equipment		281 263	510 184
Total Expenditure		130 028 921	122 548 578
NET SURPLUS/(DEFICIT) FOR THE YEAR		(1 750 480)	(1 752 948)

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Surplus	Total
	R	R
Balance at 1 JULY 2013	(21 216 602)	(21 216 602)
Correction of error - Refer to note 35.06	28 556 523	28 556 523
Restated balance on 1 JULY 2013	7 339 922	7 339 922
Net Deficit for the year	(1 752 948)	(1 752 948)
Balance at 30 JUNE 2014	5 586 973	5 586 973
Net Deficit for the year	(1 750 480)	(1 750 480)
Balance at 30 JUNE 2015	3 836 493	3 836 493

OVERBERG DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 (Actual) R	30 JUNE 2014 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		17 484 698	16 163 275
Government		104 666 514	99 574 466
Interest		1 716 886	1 294 979
Payments			
Suppliers and employees		(121 536 771)	(113 562 568)
Finance charges	31	(149 869)	(233 295)
Transfers and Grants	32	(5 000)	-
Cash generated by operations	36	2 176 458	3 236 857
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(1 646 184)	(2 119 367)
Proceeds on Disposal of Fixed Assets		-	2 131 736
Purchase of Intangible Assets		(98 715)	-
Net Cash generated by/(from) Investing Activities		(1 744 899)	12 369
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(781 858)	(1 021 134)
Decrease in Consumer Deposits		-	(5 770)
Net Cash from Financing Activities		(781 858)	(1 026 904)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(350 300)	2 222 322
Cash and Cash Equivalents at the beginning of the year		14 709 550	12 487 228
Cash and Cash Equivalents at the end of the year	19	14 359 250	14 709 550
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(350 300)	2 222 322

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R	2015 R	2015 R	
	Actual	Final Budget	Variance	Explanations for material variances
ASSETS				
Current assets				
Cash	2 549 064	4 555 111	(2 006 047)	Cash being invested higher than anticipated
Call investment deposits	11 810 186	-	11 810 186	Unspent roll over grants and additional funding for the roads function
Consumer debtors	722 950	1 842 004	(1 119 055)	Employee Benefits to be Recovered from Provincial Roads Department not budgeted for
Other Receivables	1 778 898	-	1 778 898	
Inventory	929 573	1 039 175	(109 602)	Stock adjustments
Total current assets	<u>17 790 671</u>	<u>7 436 290</u>	<u>10 354 381</u>	
Non current assets				
Investment property	111 000	111 000	-	
Property, plant and equipment	50 825 879	41 523 184	9 302 695	Additions to capitalised restoration costs
Intangible Assets	314 158	274 895	39 263	Purchases more than anticipated
Employee Benefits	28 432 572	-	28 432 572	Refer to note 14 in the Notes
Total non current assets	<u>79 683 609</u>	<u>41 909 079</u>	<u>37 774 530</u>	
TOTAL ASSETS	<u>97 474 280</u>	<u>49 345 369</u>	<u>48 128 910</u>	
LIABILITIES				
Current liabilities				
Borrowing	813 772	648 469	165 303	Not material
Consumer deposits	11 820	11 820	-	
Trade and other payables	6 629 745	2 270 094	4 359 651	Unspent roll over grants and additional funding for the roads function
Provisions and Employee Benefits	8 739 707	9 395 715	(656 008)	Actuarial calculations
Total current liabilities	<u>16 195 045</u>	<u>12 326 098</u>	<u>3 868 947</u>	
Non current liabilities				
Borrowing	666 124	957 435	(291 311)	No increase in financial leased assets liabilities
Provisions and Employee Benefits	76 776 617	62 493 482	14 283 135	Additions to the provision for rehabilitation of the tip site
Total non current liabilities	<u>77 442 741</u>	<u>63 450 917</u>	<u>13 991 824</u>	
TOTAL LIABILITIES	<u>93 637 786</u>	<u>75 777 015</u>	<u>17 860 771</u>	
NET ASSETS	<u>3 836 493</u>	<u>(26 431 646)</u>	<u>30 268 139</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	3 836 493	(26 431 646)	30 268 140	
TOTAL COMMUNITY WEALTH/EQUITY	<u>3 836 493</u>	<u>(26 431 646)</u>	<u>30 268 140</u>	

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R	2015 R	2015 R	
	Approved Budget	Adjustments	Final Budget	Explanations for material adjustments
ASSETS				
Current assets				
Cash	3 608 770	946 341	4 555 111	Improved financial position
Consumer debtors	439 560	1 402 444	1 842 004	Increase in debtors
Other Receivables	2 008 363	(2 008 363)	-	
Inventory	2 968 461	(1 929 286)	1 039 175	Changes to GRAP 100 in respect of Assets held for sale
Total current assets	9 025 154	(1 588 864)	7 436 290	
Non current assets				
Investment property	-	111 000	111 000	Transfer from PPE to Investment Property not provided for in approved budget
Property, plant and equipment	42 372 294	(849 111)	41 523 184	Not material
Intangible Assets	306 581	(31 686)	274 895	Amortisation on Intangible Assets not provided for in approved budget
Total non current assets	42 678 875	(769 796)	41 909 079	
TOTAL ASSETS	51 704 030	(2 358 661)	49 345 369	
LIABILITIES				
Current liabilities				
Borrowing	811 916	(163 447)	648 469	No increase in financial leased assets liabilities
Consumer deposits	17 590	(5 770)	11 820	No new tenants at Dennehof
Trade and other payables	2 692 975	(422 881)	2 270 094	Decrease due to timeous receipt of invoices
Provisions and Employee Benefits	7 335 489	2 060 226	9 395 715	Actuarial calculations
Total current liabilities	10 857 970	1 468 128	12 326 098	
Non current liabilities				
Borrowing	665 807	291 628	957 435	Budgeted for additional leased assets
Provisions and Employee Benefits	68 365 780	(5 872 298)	62 493 482	Actuarial calculations
Total non current liabilities	69 031 587	(5 580 670)	63 450 917	
TOTAL LIABILITIES	79 889 557	(4 112 542)	75 777 015	
NET ASSETS	(28 185 528)	1 753 881	(26 431 646)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	(28 185 528)	1 753 881	(26 431 646)	Improvement due to improved financial management
TOTAL COMMUNITY WEALTH/EQUITY	(28 185 528)	1 753 881	(26 431 646)	

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R	2015 R	2015 R	
	Actual	Final Budget	Variance	
REVENUE BY SOURCE				
Public Contributions and Donations	25 000	-	25 000	Not provided for in budget
Service charges	658 048	648 130	9 918	Not material
Rental of facilities and equipment	11 498 416	11 161 920	336 496	Not material Funds available for investments higher than anticipated
Interest earned - external investments	1 677 642	1 000 000	677 642	Not material
Interest earned - outstanding debtors	4 244	4 100	144	Not provided for in budget
Interest earned - other	35 000	-	35 000	Not provided for in budget
Actuarial Gains	182 075	-	182 075	Money recovered not anticipated
Reversal Debt Impairments	46 642	-	46 642	Money recovered not anticipated
Impairments Recovered	10 701	-	10 701	Increase in control at resorts
Licences and permits	116 416	49 000	67 416	Additional funding received in respect of roads function
Agency services	4 798 966	4 610 996	187 970	Additional funding received in respect of roads function
Government Grants and Subsidies - Operating	108 234 574	106 049 701	2 184 873	Not material
Other revenue	990 718	958 475	32 243	Selling of property delayed due to objection from local municipalities
Gains on disposal of PPE	-	697 430	(697 430)	
Total Operating Revenue	128 278 441	125 179 752	3 098 689	
EXPENDITURE BY TYPE				
Employee related costs	70 984 634	63 381 406	7 603 228	Change in disclosure of roads salaries - previously disclosed as repairs and maintenance
Remuneration of councillors	4 995 864	5 078 156	(82 293)	Not material
Debt impairment	74 806	-	74 806	Calculation for provision of debt impairment altered
Depreciation & asset impairment	2 348 990	1 951 760	397 230	Assets previously disclosed as WIP now depreciated
Finance charges	5 949 599	145 380	5 804 219	Interest on provisions for employee benefits re-allocated
Stock Adjustments	214 454	-	214 454	Not provided for in budget
Contracted services	537 682	503 000	34 682	Not material
Grants and subsidies paid	5 000	150 000	(145 000)	Less grants paid than anticipated
Other expenditure	44 636 630	56 710 853	(12 074 223)	Change in disclosure of roads salaries - previously disclosed as repairs and maintenance
Loss on disposal of PPE	281 263	-	281 263	Assets not meeting requirements of an asset disposed during the year
Total Operating Expenditure	130 028 921	127 920 555	2 108 366	
Operating Deficit for the year	(1 750 480)	(2 740 803)	990 323	
Government Grants and Subsidies - Capital	-	-	-	
Net Deficit for the year	(1 750 480)	(2 740 803)	990 323	

**OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

ADJUSTMENTS TO APPROVED BUDGET

	2015 R Approved Budget	2015 R Adjustments	2015 R Final Budget	2015 R Final Virements	2015 R Final Year End Budget	Reasons for material adjustments
REVENUE BY SOURCE						
Service charges	648 130	-	648 130	-	648 130	
Rental of facilities and equipment	11 161 920	-	11 161 920	-	11 161 920	
Interest earned - external investments	500 000	500 000	1 000 000	-	1 000 000	Funds available for investment higher than anticipated
Interest earned - outstanding debtors	4 100	-	4 100	-	4 100	
Licences and permits	49 000	-	49 000	-	49 000	
Agency services	4 872 750	(261 754)	4 610 996	-	4 610 996	Increase in roads subsidies
Government Grants and Subsidies - Operating	95 423 040	10 626 661	106 049 701	8 250 000	114 299 701	Increase in roads subsidies
Other revenue	412 120	546 355	958 475	-	958 475	Revenue received higher than anticipated
Gains on disposal of PPE	850 000	(152 570)	697 430	-	697 430	Expected selling price less than anticipated during original budget process
Total Operating Revenue	113 921 060	11 258 692	125 179 752	8 250 000	133 429 752	
EXPENDITURE BY TYPE						
Employee related costs	63 417 020	(35 614)	63 381 406	14 895 000	78 276 406	Change in disclosure of roads salaries - previously disclosed as repairs and maintenance
Remuneration of councillors	5 035 810	42 346	5 078 156	26 722	5 104 878	Not material
Depreciation & asset impairment	1 996 760	(45 000)	1 951 760	-	1 951 760	Not material
Finance charges	140 540	4 840	145 380	-	145 380	Not material
Contracted services	-	503 000	503 000	-	503 000	Increase due to re-opening of Karwyderskraal
Grants and subsidies paid	-	150 000	150 000	-	150 000	Provision made for grants
Other expenditure	46 375 640	10 335 213	56 710 853	(6 671 722)	50 039 131	Change in disclosure of roads salaries - previously disclosed as repairs and maintenance
Total Operating Expenditure	116 965 770	10 954 785	127 920 555	8 250 000	136 170 555	
Operating Surplus/(Deficit) for the year	(3 044 710)	303 907	(2 740 803)	-	(2 740 803)	
Net Surplus/(Deficit) for the year	(3 044 710)	303 907	(2 740 803)	-	(2 740 803)	

OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R Actual	2015 R Final Budget	2015 R Variance	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	17 484 698	18 128 667	(643 969)	Not material
Government - operating	104 666 514	105 939 701	(1 273 187)	Roll over grants
Interest	1 716 886	1 000 000	716 886	Funds available for investment higher than anticipated
Payments				
Suppliers and Employees	(121 536 771)	(121 304 155)	(232 616)	Not material
Finance charges	(149 869)	(145 380)	(4 489)	Not material
Transfers and Grants	(5 000)	(150 000)	145 000	Due to a cut in DORA allocations expenditure levels were cut
NET CASH FROM/(USED) OPERATING ACTIVITIES	2 176 458	3 468 833	(1 292 375)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	697 430	(697 430)	Selling of properties were delayed
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Purchase of Intangible Assets	(98 715)	-	(98 715)	Upgrading of software required not anticipated
Capital assets	(1 646 184)	(1 639 046)	(7 138)	Not material
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1 744 899)	(941 616)	(803 283)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(781 858)	(830 521)	48 663	No new leases raised during the year
NET CASH FROM/(USED) FINANCING ACTIVITIES	(781 858)	(830 521)	48 663	
NET INCREASE IN CASH AND CASH EQUIVALENTS	(350 300)	1 696 696	(2 046 996)	
NET INCREASE/(DECREASE) IN CASH HELD				
Cash and Cash Equivalents at the beginning of the year	14 709 550	2 858 415	11 851 135	Improvement in financial control
Cash and Cash Equivalents at the end of the year	14 359 250	4 555 111	9 804 139	Improvement in financial control

**OVERBERG DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

ADJUSTMENTS TO APPROVED BUDGET

	2015 R	2015 R	2015 R	
	Approved Budget	Adjustments	Final Budget	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	17 143 920	984 747	18 128 667	Better control measures being implemented
Government - operating	94 963 040	10 976 661	105 939 701	Increased allocation for the roads function
Interest	504 100	495 900	1 000 000	Funds available for investment higher than anticipated
Payments				
Suppliers and Employees	(111 428 650)	(9 875 505)	(121 304 155)	Increased expenditure due to increased allocation for the roads function
Finance charges	(140 540)	(4 840)	(145 380)	Not material
Transfers and Grants	-	(150 000)	(150 000)	Due to a cut in DORA allocations expenditure levels were cut
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>1 041 870</u>	<u>2 426 963</u>	<u>3 468 833</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	850 000	(152 570)	697 430	Selling of property delayed due to objection from local municipalities
Payments				
Capital assets	(767 000)	(872 046)	(1 639 046)	Roll over grants from the previous year
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>83 000</u>	<u>(1 024 616)</u>	<u>(941 616)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(785 690)	(44 831)	(830 521)	Not material
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(785 690)</u>	<u>(44 831)</u>	<u>(830 521)</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>339 180</u>	<u>1 357 516</u>	<u>1 696 696</u>	
NET INCREASE/(DECREASE) IN CASH HELD				
Cash and Cash Equivalents at the beginning of the year	3 270 000	(411 585)	2 858 415	Financial results of previous year considered
Cash and Cash Equivalents at the end of the year	3 609 180	945 931	4 555 111	Improvement in financial control

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

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

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.4. COMPARATIVE INFORMATION

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

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

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

The comparable information includes the following:

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

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

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

Standard	Description	Effective Date
Directive 11	<p>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement bases.</p>	1 April 2015
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015 (Application date for municipalities still unknown)
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under</p>	1 April 2015

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	<p>common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the entity to a Jointly Controlled Entity (JCE).</p>	1 April 2015

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	No significant impact is expected as the Municipality does not have any JCE's at this stage.	
IGRAP17	<p>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

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

1.9. RESERVES

1.9.1 Accumulated Surplus/Deficit

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

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

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

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

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met.

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

1.13. UNSPENT PUBLIC CONTRIBUTIONS

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

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

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

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

1.14. PROVISIONS

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

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

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

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

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- 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;

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

- the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.15. EMPLOYEE BENEFITS

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

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

1.15.1 Post-Retirement Medical Obligations

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

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.15.2 Long Service Awards

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

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

1.15.3 Ex gratia Gratuities

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

1.15.4 Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.15.5 Staff Bonuses Accrued

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

1.15.6 Pension and retirement fund obligations

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

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.15.7 Other Short-term Employee Benefits

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

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

1.16. BORROWING COSTS

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

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major

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spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2 Subsequent Measurement – Cost Model

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

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

1.17.3 Depreciation and Impairment

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

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

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

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

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1.17.4 De-recognition

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

1.18. INTANGIBLE ASSETS

1.18.1 Initial Recognition

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

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

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

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

1.18.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the

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useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3 Amortisation and Impairment

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

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

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

1.18.4 De-recognition

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

1.19. INVESTMENT PROPERTY

1.19.1 Initial Recognition

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

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

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

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

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

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

1.19.2 Subsequent Measurement – Cost Model

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

1.19.3 Depreciation and Impairment – Cost Model

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

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

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

1.19.4 De-recognition

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

1.19.5 Application of deemed cost - Directive 7

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

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

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

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

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

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

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

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

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

1.20.2 Non-cash-generating assets

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

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

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

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

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

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

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

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

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

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

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

1.21. INVENTORIES

1.21.1 Initial Recognition

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

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

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

1.21.2 Subsequent Measurement

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

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

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

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

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

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

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation. Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.22.2.2 *Payables and Annuity Loans*

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

1.22.2.3 *Cash and Cash Equivalents*

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

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

1.22.2.4 *Non-Current Investments*

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

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

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

1.22.3 ***De-recognition of Financial Instruments***

1.22.3.1 *Financial Assets*

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

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

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained

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substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

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

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

1.22.3.2 *Financial Liabilities*

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

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

1.22.4 ***Offsetting of Financial Instruments***

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

1.23 **STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1 ***Initial Recognition***

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2 ***Measurement***

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

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The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- (i) derecognise the receivable; and

- (ii) recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

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

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

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance

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property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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

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

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

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

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

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

1.24.2 Revenue from Exchange Transactions

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

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

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

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

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

Grants or transfers (specifically relating to the roads functions performed) received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant or transfer is conditional. The liability is transferred to revenue as and when the conditions attached to the grant or transfer is met.

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates

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

1.25. RELATED PARTIES

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

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

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

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

- (a) are married or live together in a relationship similar to a marriage; or

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- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

Management personnel include:

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

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

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

1.26. UNAUTHORISED EXPENDITURE

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

1.27. IRREGULAR EXPENDITURE

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

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Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

1.30.2 *Impairment of Receivables*

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

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1.30.3 Property, Plant and Equipment

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

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

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

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

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

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

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

1.30.4 Intangible Assets

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

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

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

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

1.30.5 Investment Property

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

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

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

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

1.30.6 Provisions and Contingent Liabilities

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

1.30.7 Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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

1.30.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money – ie the discount rate. The discount rate used during the financial year was 9.24% (2014 – 8.71%)
- The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter on 30 June 2015 for Karwyderskraal is stated at follows:
 - Cell 1 and Cell 2 - R 252.50
 - Cell 3 – R 288.31

1.30.9 Provision for Staff leave

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

1.30.10 Componentisation of Infrastructure assets

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

1.31. TAXES – VALUE ADDED TAX

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

1.32. CAPITAL COMMITMENTS

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

1.33. EVENTS AFTER REPORTING DATE

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

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2 LONG-TERM LIABILITIES

	2015 R	2014 R
Annuity Loans - At amortised cost	779 945	1 235 231
Capitalised Lease Liability - At amortised cost	699 952	1 026 524
	1 479 897	2 261 755
Current Portion transferred to Current Liabilities	813 772	782 765
Annuity Loans - At amortised cost	146 325	455 287
Capitalised Lease Liability - At amortised cost	667 448	327 478
Total Long-term Liabilities - At amortised cost using the effective interest rate method	666 124	1 478 990

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	216 873	553 655
Payable within two to five years	759 054	867 490
Payable after five years	-	108 436
	975 926	1 529 581
Less: Future finance obligations	195 982	294 350
Present value of annuity obligations	779 945	1 235 231

Annuity loans at amortised cost is calculated at 13.22% interest rate, with a maturity date of 30 June 2019. The loan is unsecured .

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	685 705	375 231
Payable within two to five years	32 889	716 499
	718 594	1 091 730
Less: Future finance obligations	18 642	65 206
Present value of lease obligations	699 952	1 026 524

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

The capitalised lease liability consists of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Assatech	Copiers	8.5% to10.16%	0%	3 Years	01 Sep 2013 - 31 Aug 2016
Amasondo	Vehicles	8.5% to10.16%	0%	3 Years	03 Apr 2013 - 03 Apr 2016

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

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

		2015 R	2014 R
3	EMPLOYEE BENEFITS		
	Post Retirement Benefits - Refer to Note 3.1	54 064 653	50 742 798
	Long Service Awards - Refer to Note 3.2	4 280 315	3 911 968
	Total Non-current Employee Benefit Liabilities	58 344 968	54 654 766
	 <u>Post Retirement Benefits</u>		
	Balance 1 July	53 453 022	50 173 979
	Current service cost	1 435 214	1 114 169
	Interest Cost	4 544 484	4 012 319
	Expenditure for the year	(2 339 100)	(2 323 733)
	Actuarial Loss / (Gain)	(182 075)	476 288
	Total post retirement benefits 30 June	56 911 545	53 453 022
	Less: Transfer of Current Portion - Note 6	(2 846 892)	(2 710 224)
	Balance 30 June	54 064 653	50 742 798
	 <u>Long Service Awards</u>		
	Balance 1 July	4 370 073	4 116 067
	Current service cost	282 189	418 217
	Interest Cost	327 560	283 760
	Expenditure for the year	(386 714)	(431 550)
	Actuarial Loss / (Gain)	211 455	(16 421)
	Total long service 30 June	4 804 563	4 370 073
	Less: Transfer of Current Portion - Note 6	(524 248)	(458 105)
	Balance 30 June	4 280 315	3 911 968
	 <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	57 823 095	54 290 046
	Contribution for the year	1 717 403	1 532 386
	Interest cost	4 872 044	4 296 079
	Expenditure for the year	(2 725 815)	(2 755 283)
	Actuarial Loss	29 381	459 867
	Total employee benefits 30 June	61 716 108	57 823 095
	Less: Transfer of Current Portion - Note 6	(3 371 140)	(3 168 329)
	Balance 30 June	58 344 968	54 654 766
3.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	115	115
	Continuation members (e.g. Retirees, widows, orphans)	82	84
	Total Members	197	199

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 EMPLOYEE BENEFITS (CONTINUE)

	2015	2014
	R	R
The liability in respect of past service has been estimated to be as follows:		
In-service members	20 687 379	18 182 623
Continuation members	36 224 166	35 270 399
Total Liability	56 911 545	53 453 022

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

	2013	2012	2011
	R	R	R
In-service members	14 448 503	13 165 926	10 271 948
Continuation members	35 725 476	35 000 845	32 199 354
Total Liability	50 173 979	48 166 771	42 471 302

Experience adjustments were calculated as follows:

	2015	2014	2013	2012	2011
	R	R	R	R	R
Liabilities: (Gain) / loss	132 000	349 000	491 000	(7 000)	2 966 000
Assets: Gain / (loss)			-	-	-

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

Bonitas;
 LA Health;
 Samwumed; and
 Keyhealth.

	2015	2014
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.52%	8.72%
Health Care Cost Inflation Rate	7.81%	7.99%
Net Effective Discount Rate	0.67%	0.67%

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

ii) Mortality rates

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

iii) Normal retirement age

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

	2015	2014
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	54 064 653	50 742 798
Net liability	54 064 653	50 742 798

The fund is wholly unfunded.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 EMPLOYEE BENEFITS (CONTINUE)

	2015 R	2014 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	53 453 022	50 173 979
Total expenses	3 640 598	2 802 755
Current service cost	1 435 214	1 114 169
Interest Cost	4 544 484	4 012 319
Benefits Paid	(2 339 100)	(2 323 733)
Actuarial losses / (gains)	(182 075)	476 288
Present value of fund obligation at the end of the year	56 911 545	53 453 022
Less: Transfer of Current Portion - Note 6	(2 846 892)	(2 710 224)
Balance 30 June	54 064 653	50 742 798

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		20.687	36.224	56.911	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	25.075	39.684	64.759	14%
Health care inflation	-1%	17.211	33.211	50.422	-11%
Discount rate	1%	17.259	33.253	50.512	-11%
Discount rate	-1%	25.089	39.696	64.785	14%
Post-retirement mortality	-1 year	21.423	37.830	59.253	4%
Average retirement age	-1 year	22.366	36.224	58.590	3%
Continuation of membership at retirement	-10%	18.762	36.224	54.986	-3%

The Future-service Cost for the ensuing year is estimated to be R 1 524 403, whereas the Interest Cost for the next year is estimated to be R 4 732 712.

Assumption	Change	Current-service Cost (Rm)	Interest Cost (Rm)	Total (Rm)	% change
Central Assumptions		1.524	4.733	6.257	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	1.871	5.402	7.273	16%
Health care inflation	-1%	1.254	4.180	5.433	-13%
Discount rate	1%	1.269	4.679	5.948	-5%
Discount rate	-1%	1.855	4.770	6.625	6%
Post-retirement mortality	-1 year	1.578	4.932	6.510	4%
Average retirement age	-1 year	1.651	4.876	6.527	4%
Continuation of membership at retirement	-10%	1.390	4.569	5.959	-5%

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 EMPLOYEE BENEFITS (CONTINUE)

3.2 Long Service Bonuses

2015 **2014**

The Long Service Bonus plans are defined benefit plans.

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

291 279

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.79%	7.90%
General Salary Inflation (long-term)	7.00%	7.09%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.73%	0.76%

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

2015
R **2014**
R

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

Present value of fund obligations	4 804 563	4 370 073
Net liability	4 804 563	4 370 073

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

	2013 R	2012 R	2011 R
Total Liability	4 116 067	3 886 091	3 417 827

Experience adjustments were calculated as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	272 504	60 179	(46 194)	9 744	254 596
Assets: Gain / (loss)	-	-	-	-	-

Reconciliation of present value of fund obligation:

	2015 R	2014 R
Present value of fund obligation at the beginning of the year	4 370 073	4 116 067
Total expenses	223 035	270 427
Current service cost	282 189	418 217
Interest Cost	327 560	283 760
Benefits Paid	(386 714)	(431 550)
Actuarial losses / (gains)	211 455	(16 421)
Present value of fund obligation at the end of the year	4 804 563	4 370 073
Less: Transfer of Current Portion - Note 6	(524 248)	(458 105)
Balance 30 June	4 280 315	3 911 968

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		4.805	
The effect of movements in the assumptions are as follows:			
General salary inflation	1%	5.107	6%
General salary inflation	-1%	4.530	-6%
Discount rate	1%	4.516	-6%
Discount rate	-1%	5.129	7%
Average retirement age	-2 yrs	3.927	-18%
Average retirement age	2 yrs	5.546	15%
Withdrawal rates	-50%	5.512	15%

The Future-service Cost for the ensuing year is estimated to be R 343 706, whereas the Interest Cost for the next year is estimated to be R 354 191.

Assumption	Change	Current-service Cost (Rm)	Interest Cost (Rm)	Total (Rm)	% change
Central Assumption		0.344	0.354	0.698	
The effect of movements in the assumptions are as follows:					
General Salary Inflation	1%	0.374	0.378	0.752	8%
General Salary Inflation	-1%	0.317	0.333	0.650	-7%
Discount rate	1%	0.319	0.374	0.693	-1%
Discount rate	-1%	0.373	0.331	0.703	1%
Average retirement age	-2 year	0.292	0.286	0.578	-17%
Average retirement age	+2 year	0.391	0.412	0.803	15%
Withdrawal Rates	-50%	0.457	0.409	0.866	24%

3.3 Retirement funds

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

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

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

	2015 R	2014 R
<u>CAPE JOINT PENSION FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The latest available actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 100.2% (30 June 2013 - 99.2%).		
Contributions paid recognised in the Statement of Financial Performance	795 639	848 554

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
3	EMPLOYEE BENEFITS (CONTINUE)		
	<u>CAPE RETIREMENT FUND</u>		
	The contribution rate payable is 9% by members and 18% by Council. The latest available actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 112.6% (30 June 2013 - 105.1%).		
	Contributions paid recognised in the Statement of Financial Performance	5 241 792	4 641 066
	<u>DEFINED CONTRIBUTION FUNDS</u>		
	Council also contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
	Contributions paid recognised in the Statement of Financial Performance		
	Municipal Councillors Pension Fund	82 847	69 629
	SAMWU National Provident Fund	1 246 105	1 208 491
		1 328 952	1 278 120
4	NON-CURRENT PROVISIONS		
	Provision for Rehabilitation of Landfill-sites	18 431 649	7 838 715
	<u>Landfill Sites</u>		
	Balance 1 July	7 838 715	7 210 784
	Additions	9 665 249	-
	Unwinding of discounted interest	927 686	627 931
	Balance 30 June	18 431 649	7 838 715
	The significant increase in estimate can mainly be attributed to changes in the rehabilitation requirements affecting different classes of landfill sites. The new requirements are more detailed in specific areas compared to the Minimum Requirements used in previous estimates up to 30 June 2014.		
	The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:		
	<u>Location</u>		
	Karwyderskraal	18 431 649	7 838 715
	2042	18 431 649	7 838 715
5	CONSUMER DEPOSITS		
	Electricity	11 820	11 820
	Total Consumer Deposits	11 820	11 820
	The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
	The decline in deposits can be attributed to the fact that a number of residents at Dennehof Resort did not renew their rental agreements.		

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

	2015 R	2014 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	2 846 892	2 710 224
Current Portion of Long-Service Provisions - Note 3	524 248	458 105
Staff Leave	3 796 449	3 430 708
Bonuses	1 572 118	1 406 502
Total Current Employee Benefits	8 739 707	8 005 540

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	3 430 708	2 987 959
Contribution to current portion	496 739	599 013
Expenditure incurred	(130 998)	(156 264)
Balance at end of year	3 796 449	3 430 708

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

Bonuses

Balance at beginning of year	1 406 502	1 292 796
Contribution to current portion	3 443 732	3 067 098
Expenditure incurred	(3 278 116)	(2 953 391)
Balance at end of year	1 572 118	1 406 502

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

7 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	725 501	741 789
Balance Previously Reported		632 211
Correction of error - Refer to Note 35.01		109 578
Payments received in advance	433 096	442 575
Retentions and Guarantees	1 039 740	1 039 740
Sundry Deposits	31 335	30 735
Suspense Accounts	149 113	124 753
Total Trade Payables	2 378 785	2 379 592

Payables are being recognised net of any discounts.

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

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

All payables are unsecured. The municipality did not default on any of their payables.

The municipality received a financial guarantee of R 1 039 740 (2014 - R 1 039 740) from the Department of Transport and Public Works for the rehabilitation of land.

Sundry deposits represents housing rent deposits.

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	4 250 961	8 264 401
Provincial Government Grants	4 250 961	8 264 401
Less: Unpaid Grants	-	50 701
Provincial Government Grants	-	50 701
Total Conditional Grants and Receipts	4 250 961	8 213 700
Balance Previously Reported		8 773 564
Correction of error - Refer to Note 35.02		(559 864)
		8 213 700

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

9 TAXES

9.1 VAT PAYABLE

VAT Payable	131 468	113 105
Total Vat payable	131 468	113 105

9.2 VAT RECEIVABLE

VAT Receivable	433 348	312 356
Total VAT receivable	433 348	312 356

9.3 NET VAT RECEIVABLE

	301 879	199 251
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VAT is receivable/payable on the cash basis.

OVERBERG DISTRICT MUNICIPALITY

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

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community Assets R	Lease Assets R	Other Assets R	Total R
Carrying value at 1 July 2014	10 567 716	13 602 930	1 323 314	1 001 104	13 988 329	40 483 393
Cost	12 163 959	24 569 377	1 521 912	1 337 117	22 576 319	62 168 684
Original Cost	12 163 959	24 569 377	1 521 912	1 337 117	22 576 319	62 168 684
Accumulated Depreciation	(1 596 243)	(10 966 447)	(198 598)	(336 013)	(8 587 990)	(21 685 291)
Original Cost	(1 596 243)	(10 966 447)	(198 598)	(336 013)	(8 587 990)	(21 685 291)
Acquisitions	-	-	-	-	1 646 184	1 646 184
Depreciation	(77 964)	(725 811)	(17 659)	(327 988)	(1 002 793)	(2 152 215)
Normal Depreciation	(77 964)	(725 811)	(17 659)	(327 988)	(1 002 793)	(2 152 215)
Carrying value of disposals	-	-	-	-	(281 263)	(281 263)
Cost	-	-	-	-	(575 803)	(575 803)
Accumulated Depreciation	-	-	-	-	294 540	294 540
Carrying value at 30 June 2015	10 489 753	12 877 118	1 305 656	673 115	14 350 457	39 696 099
Cost	12 163 959	24 569 377	1 521 912	1 337 117	23 646 700	63 239 065
Original Cost	12 163 959	24 569 377	1 521 912	1 337 117	23 646 700	63 239 065
Accumulated Depreciation	(1 674 207)	(11 692 258)	(216 256)	(664 001)	(9 296 243)	(23 542 966)
Original Cost	(1 674 207)	(11 692 258)	(216 256)	(664 001)	(9 296 243)	(23 542 966)

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

30 June 2014

Reconciliation of Carrying Value	Land and R	Infrastructure R	Community R	Lease Assets R	Other Assets R	Total R
Carrying value at 30 June 2013	12 480 061	14 215 237	1 325 792	784 204	13 408 305	42 213 598
Cost	13 999 213	24 398 399	1 507 112	821 872	21 653 043	62 379 639
Original Cost	12 312 853	24 398 399	1 507 112	821 872	21 359 503	60 399 738
Correction of error - Refer to Note 35.05	-	-	-	-	231 412	231 412
Change in Accounting Policy - Refer to Note 34	1 686 360	-	-	-	62 128	1 748 488
Accumulated Depreciation	(1 519 152)	(10 183 162)	(181 320)	(37 669)	(8 244 738)	(20 166 041)
Original Cost	(1 519 152)	(10 183 162)	(181 320)	(37 669)	(8 137 277)	(20 058 580)
Correction of error - Refer to Note 35.05	-	-	-	-	(107 461)	(107 461)
Acquisitions	-	170 978	14 800	515 244	1 279 634	1 980 657
Capital under Construction	-	-	-	-	653 954	653 954
Transfers from/(to) Investment Properties - Note 11	(111 000)	-	-	-	-	(111 000)
Cost	(111 000)	-	-	-	-	(111 000)
Impairments	-	-	-	-	-	-
Impairments	-	-	-	-	(1 068 124)	(1 068 124)
Correction of error - Refer to Disposals	-	-	-	-	1 068 124	1 068 124
Accumulated Depreciation	-	-	-	-	528 498	528 498
Correction of error - Refer to Disposals	-	-	-	-	(528 498)	(528 498)
Depreciation	(77 091)	(783 285)	(17 277)	(298 344)	(843 381)	(2 019 378)
Normal Depreciation	(77 091)	(793 728)	(135 271)	(298 344)	(687 677)	(1 992 111)
Correction of error - Refer to Note 35.05	-	10 443	117 994	-	(155 704)	(27 267)
Carrying value of disposals	(1 724 253)	-	-	-	(510 184)	(2 263 880)
Cost	(87 898)	-	-	-	-	(87 898)
Change in Accounting Policy - Refer to Note 34	(1 636 355)	-	-	-	-	(1 636 355)
Correction of error - Refer to Impairments	-	-	-	-	(1 068 124)	(1 068 124)
Correction of error - Refer to Impairments	-	-	-	-	528 498	528 498
Correction of Error - Refer to Note 35.05 (Cost)	-	-	-	-	57 812	57 812
Correction of Error - Refer to Note 35.05 (Depreciation)	-	-	-	-	(28 369)	(28 369)
Carrying value at 30 June 2014	10 567 716	13 602 930	1 323 314	1 001 104	13 988 329	40 483 393
Cost	12 163 959	24 569 377	1 521 912	1 337 117	22 576 319	62 168 684
Original Cost	12 163 959	24 569 377	1 521 912	1 337 117	22 576 319	62 168 684
Accumulated Depreciation	(1 596 243)	(10 966 447)	(198 598)	(336 013)	(8 587 990)	(21 685 291)
Original Cost	(1 596 243)	(10 966 447)	(198 598)	(336 013)	(8 587 990)	(21 685 291)

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
11	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	111 000	-
	Transfers from Property, Plant and equipment - Note 10	-	111 000
	Net Carrying amount at 30 June	111 000	111 000
	Cost	111 000	111 000

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

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

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

		2015	2014
12	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	274 895	342 978
	Cost	788 520	788 520
	Accumulated Amortisation	(513 624)	(445 542)
	Additions	98 715	-
	Amortisation	(59 453)	(68 083)
	Net Carrying amount at 30 June	314 158	274 895
	Cost	887 235	788 520
	Accumulated Amortisation	(573 077)	(513 624)

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

<u>Description</u>	<u>Remaining Amortisation</u> <u>Period</u>	<u>Carrying Value</u>	
		2015 R	2014 R
Computer software installed on Council's computers	5 Years	314 158	274 895

No intangible assets were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

		2015	2014
13	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July	1 591 152	1 644 223
	Cost	2 402 151	2 402 151
	Accumulated Depreciation	(709 003)	(652 176)
	Accumulated Impairments	(101 996)	(105 752)
	Depreciation	(137 321)	(56 827)
	Impairment	10 701	3 755
	Additions	9 665 249	-
	Net Carrying amount at 30 June	11 129 780	1 591 152
	Cost	12 067 400	2 402 151
	Accumulated Depreciation	(846 325)	(709 003)
	Accumulated Impairments	(91 295)	(101 996)

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

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
14	EMPLOYEE BENEFITS		
	Employee Benefits (Roads)	28 432 572	28 432 572
	Balance Previously Reported		-
	Correction of error - Refer to Note 35.04		28 432 572
	Total Employee Benefit Receivables	28 432 572	28 432 572
	<u>Employee Benefits (Roads)</u>		
	Balance 1 July	28 432 572	28 432 572
	Current service cost	526 079	991 411
	Interest Cost	2 327 503	2 212 526
	Actuarial Gain	(349 301)	(1 459 794)
	Claimed from Department of Roads	(2 504 281)	(1 744 143)
	Balance 30 June	28 432 572	28 432 572
	The Employee Benefits: Roads Receivable relates to the provision for post-retirement health benefits, long service awards and ex-gratia pension benefits made in respect of employees directly appointed for Roads Function performed on an agency basis on behalf of the Provincial Administration: Western Cape.		
	In terms of the agreement between the Western Cape Provincial Government and past experience, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post retirement benefits. The future claim for the provision for retirement benefits has therefore been raised as a long term debtor. The carrying amount of these assets approximates their fair value.		
	Refer to note 3 for further disclosures relating to this receivable.		
15	INVENTORY		
	Inventory Materials - At cost	929 573	1 039 175
	Printing & Stationary	20 251	17 262
	Fuel & Oil	705 837	873 329
	Spare Parts	90 496	28 468
	Grader Blades	92 366	99 883
	Cleaning Materials	4 671	9 905
	Other	15 952	10 328
	Total Inventory	929 573	1 039 175
	No inventory assets were pledged as security for liabilities.		
	Consumable stores materials written down due to losses (including obsolete items) as identified during the annual stores counts.	214 454	57 383
	Inventory recognised as an expense during the year.	8 255 356	9 001 455
16	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Service Receivables	387 209	301 798
	Electricity	53 603	44 984
	Water	11 739	17 729
	Refuse	9 270	9 619
	Housing rental	309 703	222 862
	Sewerage	2 895	6 604
	Other Receivables	541 117	387 591
	Accrued Interest	1 705	-
	Creditors paid in advance	539 412	387 591
	Total Receivables from Exchange Transactions	928 326	689 390
	Less: Allowance for Doubtful Debts	(205 377)	(187 958)
	Total Net Receivables from Exchange Transactions	722 950	501 432
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
16 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Ageing of Service Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	13 762	10 241
31 - 60 Days	7 736	5 869
61 - 90 Days	1 988	3 145
+ 90 Days	30 117	25 729
Total	53 603	44 984
<u>(Water): Ageing</u>		
Current (0 - 30 days)	3 514	3 575
31 - 60 Days	1 525	2 851
61 - 90 Days	1 092	1 806
+ 90 Days	5 608	9 497
Total	11 739	17 729
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	2 053	1 947
31 - 60 Days	1 579	1 388
61 - 90 Days	1 047	1 105
+ 90 Days	4 592	5 179
Total	9 270	9 619
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	789	737
31 - 60 Days	526	737
61 - 90 Days	526	491
+ 90 Days	1 053	4 640
Total	2 895	6 604
<u>(Housing rental): Ageing</u>		
Current (0 - 30 days)	29 850	29 100
31 - 60 Days	18 850	19 850
61 - 90 Days	18 450	21 500
+ 90 Days	242 553	152 412
Total	309 703	222 862
<u>(Total): Ageing</u>		
Current (0 - 30 days)	49 967	45 600
31 - 60 Days	30 216	30 695
61 - 90 Days	23 104	28 048
+ 90 Days	283 922	197 456
Total	387 209	301 798

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	2015	2014
	R	R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	187 958	344 085
Contribution to provision	74 806	61 095
Bad Debts Written Off	(57 388)	(217 221)
Balance at end of year	205 377	187 958

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	34 504	33 292
Water	4 948	6 728
Refuse	4 907	6 127
Housing rental	161 017	141 812
	205 377	187 958

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

17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables	1 749 120	2 238 604
Provincial health function	21 825	39 906
Electricity Deposits - Provincial clinics	-	3 874
Legal fees	42 260	81 416
Sundry Debtors	1 655 323	1 820 806
Balance Previously Reported		1 550 937
Correction of error - Refer to Note 35.03		269 869
Suspense Debtors	29 712	292 602
Total Receivables from Non-Exchange Transactions	1 749 120	2 238 604
Less: Allowance for Doubtful Debts	(272 101)	(628 163)
Total Net Receivables from Non-Exchange Transactions	1 477 019	1 610 441

Reconciliation of Provision for Bad Debts

Balance at beginning of year	628 163	874 987
Contribution to provision/(Reversal of provision)	(46 642)	269 232
Bad Debts Written Off	(309 420)	(516 056)
Balance at end of year	272 101	628 163

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Provincial health function	-	-
Electricity Deposits - Provincial clinics	-	-
Legal fees	17 370	-
Sundry Debtors	254 731	434 197
Suspense Debtors	-	193 966
	272 101	628 163

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
17	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)		
	Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
18	OPERATING LEASE ARRANGEMENTS		
	The municipality as lessor		
	Balance on 30 June	-	-
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	144 977	30 322
	1 to 5 Years	239 927	88 150
	More than 5 Years	236 842	257 895
		621 746	376 367

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging up to 2032

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
19	CASH AND CASH EQUIVALENTS		
	<u>Assets</u>		
	Call Investments and Other Deposits	11 810 186	7 693 030
	Bank Accounts	2 544 164	7 012 571
	Cash Floats	4 900	3 950
	Total Cash and Cash Equivalents - Assets	14 359 250	14 709 550
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality does not have an overdraft facility		
	The municipality has the following bank accounts:		
	<u>Current Accounts</u>		
	Cash book balance at beginning of year	7 012 571	12 483 278
	Cash book balance at end of year	2 544 164	7 012 571
	<i>ABSA - Account Number 178000062</i>		
	Bank statement balance at beginning of year	7 059 622	213 944
	Bank statement balance at end of year	2 737 893	7 059 622
	<i>FNB - Account Number 62270787412</i>		
	Bank statement balance at beginning of year	237 129	12 356 430
	Bank statement balance at end of year	-	237 129
	<u>Call Investments and Other Deposits</u>		
	Call investments and other deposits consist out of the following accounts:		
	ABSA Depositor Plus - Account Number 92 8755 1045	10 619 221	6 566 087
	ABSA Depositor Plus - Account Number 92 8755 0641	1 190 965	1 126 942
		11 810 186	7 693 030
20	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	50 397 000	46 637 000
	Equitable Share	50 397 000	46 637 000
	Conditional Grants	57 837 574	55 669 069
	Grants and donations	4 676 075	4 423 347
	Subsidies	53 161 500	51 245 722
	Total Government Grants and Subsidies	108 234 574	102 306 069

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

	2015 R	2014 R
<u>Disclosed as:</u>		
Revenue from non-exchange transactions	55 198 408	51 684 165
Balance Previously Reported		51 124 301
Correction of error - Refer to Note 35.07		559 864
Revenue from exchange transactions (Road Subsidy)	53 036 166	50 621 904
Total Government Grants and Subsidies	108 234 574	102 306 069

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

20.1 Equitable share

Grants received	50 397 000	46 637 000
Conditions met	(50 397 000)	(46 637 000)
Conditions still to be met	-	-

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

20.2 Health and Road Subsidy

Opening balance	5 553 355	8 153 997
Grants received	49 205 416	48 645 080
Conditions met	(53 161 500)	(51 245 722)
Conditions still to be met	1 597 271	5 553 355

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

20.3 Local Government Financial Management Grant (FMG)

Grants received	1 250 000	1 250 000
Conditions met	(1 250 000)	(1 250 000)
Conditions still to be met	-	-

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

20.4 Municipal Systems Improvement Grant

Opening balance	(50 701)	-
Grants received	934 000	890 000
Conditions met	(883 299)	(940 701)
Balance Previously Reported		(890 000)
Correction of error - Refer to Note 35.07		(50 701)
Grant to be recovered	-	(50 701)

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
		2015	2014
		R	R
20.5	Other Grants		
	Opening balance	2 711 046	2 791 306
	Grants received	2 880 098	2 152 387
	Conditions met	(2 542 776)	(2 232 646)
	Grants repaid to Provincial Treasury	(394 679)	-
	Conditions still to be met	2 653 689	2 711 046
		2 653 689	2 711 046
	Various grants were received from other spheres of government.		
20.6	Total Grants		
	Opening balance	8 213 700	10 945 303
	Grants received	104 666 514	99 574 466
	Conditions met	(108 234 574)	(102 306 069)
	Grants repaid to Provincial Treasury	(394 679)	-
	Conditions still to be met	4 250 961	8 213 700
		4 250 961	8 213 700
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	4 250 961	8 264 401
		4 250 961	8 264 401
21	SERVICE CHARGES		
	Refuse removal	23 210	27 798
	Water, Electricity and Sewerage	634 838	617 865
		658 048	645 663
	Total Service Charges	658 048	645 663
22	OTHER INCOME		
	Sundry Income	483 536	838 102
	Balance Previously Reported		568 233
	Correction of error - Refer to Note 35.07		269 869
	Waste Management Operational Cost Recovered	507 182	-
	Total Other Income	990 718	838 102
		990 718	838 102
	Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones), fees for items not included under service charges (camping, fire brigade and impounding fees) and the operating cost recovered for cell 3 at Karwyderskraal Tipsite.		
23	RENTAL OF FACILITIES AND EQUIPMENT		
	Resorts	11 352 227	10 612 619
	Equipment	36 637	39 770
	Other	109 551	65 735
	Total Rental of Facilities and Equipment	11 498 416	10 718 124
		11 498 416	10 718 124
24	AGENCY SERVICES		
	Roads	4 798 966	4 489 097
	Total Agency Services	4 798 966	4 489 097
		4 798 966	4 489 097

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
25 EMPLOYEE RELATED COSTS		
Salaries and Wages	45 183 207	40 290 345
Balance Previously Reported		44 989 563
Correction of error - Refer to Note 35.07		(4 699 218)
Bargaining Council Levy	24 591	22 162
Bonus	3 443 732	3 067 098
Contributions for UIF, pensions and medical aids	10 676 566	9 749 232
Group Life Insurance	961 191	871 226
Housing Subsidy	169 073	162 153
Leave Reserve Fund	496 739	599 013
Long service awards	282 189	418 217
Balance Previously Reported		701 977
Correction of error - Refer to Note 35.07		(283 760)
Overtime	1 885 415	1 364 977
Post Employment Health	1 435 214	1 114 169
Balance Previously Reported		5 126 488
Correction of error - Refer to Note 35.07		(4 012 319)
Skills development levy	556 664	491 762
Travel, motor car, telephone, assistance and other allowances	5 450 082	4 947 393
Balance Previously Reported		4 942 414
Correction of error - Refer to Note 35.07		4 979
Workmen's Compensation Contributions	419 971	416 759
Total Employee Related Costs	70 984 634	63 514 506

KEY MANAGEMENT PERSONNEL

The Municipal Manager and the Director Management Services/CFO are appointed on fixed term contracts.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr MP Du Plessis (1 July 2013 - 13 November 2013)

Annual Remuneration	-	324 639
Lump sum : Settlement	-	369 364
Housing Subsidy	-	849
Travelling , car and other allowances	-	7 285
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	87 150
Total	-	789 286

Remuneration of the Municipal Manager - Mr DP Beretti

Annual Remuneration	1 176 800	647 375
Back Pay	7 049	-
Travelling , car and other allowances	131 855	42 899
Contributions to UIF, Medical, Pension Funds and Bargaining Council	14 776	8 055
Total	1 330 480	698 329

Remuneration of the Manager Disaster Management - Mr R Geldenhuys (1 March 2015 - 30 June 2015)

Annual Remuneration	88 395	-
Acting allowance as Director Community Services	8 840	-
Travelling , car and other allowances	80 764	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	30 828	-
Total	208 826	-

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
25	EMPLOYEE RELATED COSTS (CONTINUED)		
	<i>Remuneration of the Manager Municipal Health - Mr WA Du Toit</i>		
	Annual Remuneration	-	331 092
	Acting allowance as Director Community Services and Municipal Manager	-	124 056
	Annual Bonus	-	27 591
	Travelling , car and other allowances	-	169 190
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	103 620
		-	755 550
	<i>Remuneration of the Director Management Services / CFO - Mr JCP Tesselaar</i>		
	Annual Remuneration	882 000	343 000
	Travelling , car and other allowances	119 386	34 920
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	11 659	4 492
	Total	1 013 044	382 412
26	REMUNERATION OF COUNCILLORS		
	Mayor	808 988	832 546
	Deputy Mayor	438 925	452 134
	Speaker	684 138	697 340
	Mayoral Committee Members	1 337 695	1 443 314
	Councillors	1 726 118	1 719 121
	Total Councillors' Remuneration	4 995 864	5 144 455
	<i>In-kind Benefits</i>		
	The Executive Mayor and all the committee members are full-time. The Mayoral Committee Members are provided with secretarial support and an office at the cost of the Council.		
	<i>Remuneration of the Mayor - Mr L De Bruyn</i>		
	Annual Remuneration	583 982	608 128
	Travelling , car and other allowances	117 691	121 766
	Cellphone and Data	24 468	23 388
	Contributions to Medical, Pension Funds	82 847	79 264
	Total	808 988	832 546
	<i>Remuneration of the Deputy Mayor - Mr J Du Toit Loubser</i>		
	Annual Remuneration	263 437	284 687
	Travelling , car and other allowances	138 488	126 979
	Cellphone and Data	-	5 787
	Contributions to Medical, Pension Funds	37 000	34 680
	Total	438 925	452 134
	<i>Remuneration of the Speaker - Mr D Du Toit</i>		
	Annual Remuneration	453 951	472 515
	Travelling , car and other allowances	205 719	200 837
	Cellphone and Data	24 468	23 988
	Total	684 138	697 340

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
26 REMUNERATION OF COUNCILLORS (CONTINUED)		
<i>Remuneration of the member of the EMC - Mr A Franken</i>		
Annual Remuneration	425 580	442 982
Travelling , car and other allowances	170 256	187 186
Cellphone and Data	24 468	23 388
Total	620 303	653 557
<i>Remuneration of the member of the EMC - Mr IM Sileku</i>		
Annual Remuneration	255 349	260 721
Travelling , car and other allowances	106 245	110 629
Cellphone and Data	-	5 787
Total	361 594	377 137
<i>Remuneration of the member of the EMC - Mr KJ Tiemie</i>		
Annual Remuneration	255 349	260 721
Travelling , car and other allowances	100 449	118 829
Cellphone and Data	-	5 787
Total	355 798	385 337
<i>Remuneration of the member of the EMC - Mr LD Oosthuizen</i>		
Annual Remuneration	-	25 903
Cellphone and Data	-	1 380
Total	-	27 283
<i>Remuneration of other Councilors</i>		
Annual Remuneration	1 109 765	1 128 672
Travelling , car and other allowances	431 197	414 951
Cellphone and Data	146 808	135 357
Contributions to Medical, Pension Funds	38 348	40 141
Total	1 726 118	1 719 121
27 DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 16	74 806	61 095
Receivables from non-exchange transactions - Note 17	(46 642)	269 232
Total Contribution to Debt Impairment	28 164	330 327
Disclosed as:		
Reversal of Debt Impairment	(46 642)	-
Debt Impairment	74 806	330 327
	28 164	330 327
28 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	2 152 215	2 019 378
Balance Previously Reported		1 992 111
Correction of error - Refer to Note 35.07		27 267
Landfill Site	137 321	56 827
Intangible Assets	59 453	68 083
Total Depreciation and Amortisation	2 348 990	2 144 288
29 IMPAIRMENTS/(IMPAIRMENTS RECOVERED)		
Landfill Site	(10 701)	(3 755)
Property, Plant and Equipment	-	-
Balance Previously Reported		539 626
Correction of error - Refer to Note 35.07		(539 626)
Total Impairments/(Impairments Recovered)	(10 701)	(3 755)

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30	REPAIRS AND MAINTENANCE	2015	2014
		R	R
	Vehicles	3 806 205	3 259 958
	Equipment	1 761 657	851 486
	Buildings	478 095	396 774
	Roads	12 316 033	13 248 415
	Balance Previously Reported		8 549 196
	Correction of error - Refer to Note 35.07		4 699 218
	Other	427 011	392 459
	Total Repairs and Maintenance	18 789 001	18 149 091
		18 789 001	18 149 091
31	FINANCE CHARGES		
	Long-term Liabilities	98 369	167 369
	Finance leases	51 501	65 927
	Landfill Site	927 686	627 931
	Post Employment Health	4 544 484	4 012 319
	Balance Previously Reported	-	-
	Correction of error - Refer to Note 35.07	-	4 012 319
	Long Service Awards	327 560	283 760
	Balance Previously Reported	-	-
	Correction of error - Refer to Note 35.07	-	283 760
	Total finance charges	5 949 599	5 157 305
		5 949 599	5 157 305
32	GRANTS AND SUBSIDIES		
	Grants made	5 000	-
	Total Grants and Subsidies	5 000	-
		5 000	-

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

33

GENERAL EXPENSES

	2015 R	2014 R
Audit Fees	2 355 862	2 187 235
Bank Charges	56 005	51 635
Blades	403 099	375 877
Burning Fuel	364 192	367 104
Cleaning materials	98 062	87 940
Editing and Translating	9 561	-
Equipment rental	14 652	28 355
Fuel Cost	8 509 042	8 930 942
Insurance	462 736	516 927
Legal Cost	211 979	581 199
Balance Previously Reported	-	574 249
Correction of error - Refer to Note 35.07	-	6 950
Marketing cost	24 230	-
Membership Fees	671 262	480 168
Balance Previously Reported	-	444 637
Correction of error - Refer to Note 35.07	-	35 531
Municipal services	4 451 662	4 117 442
Oil	157 765	182 060
Printing and stationery	534 134	329 811
Professional Fees	1 588 794	2 887 231
Safety clothes	380 235	411 513
Security services	4 208	5 046
Settlement Payment	50 000	-
Standby Chopper	531 467	475 451
Telephone	1 587 702	1 448 423
Training	302 983	461 361
Travel and subsistence	249 809	221 622
Tyres	1 393 880	1 291 669
Other	1 222 853	1 500 159
Balance Previously Reported	-	1 557 542
Correction of error - Refer to Note 35.07	-	(57 383)
Total General Expenses	25 636 174	26 939 169

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2014 R
34	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3	
	Assets held for Sale	
	Balance Previously Reported	112 133
	Reallocation of Assets on 30 June 2014 - Refer to Note 35.05	(112 133)
	Property, Plant and Equipment : Land and Buildings	(50 005)
	Property, Plant and Equipment : Other Assets	(62 128)
		-

The effect on Property Plant and Equipment can be illustrated as follows:

Effect on Property Plant and Equipment - 30 June 2013	1 748 488
Property, Plant and Equipment : Land and Buildings (Cost)	1 686 360
Property, Plant and Equipment : Other Assets (Cost)	62 128
Effect on Property Plant and Equipment during 2013/2014 (Disposals)	(1 636 355)
Property, Plant and Equipment : Land and Buildings (Cost)	(1 636 355)
	112 133

The change in accounting policy relates to the amendments included in GRAP 100 - "Discontinued Operations". The amendments require that assets held for sale shall not be reallocated to a separate line item in the statement of financial position. The transitional provision on initial adoption of GRAP 100 requires that:

- Changes to the way in which non-current assets held for sale are measured, shall be applied prospectively at the beginning of the period in which these amendments are adopted.
- 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 or the earliest period presented.

35 CORRECTION OF ERROR IN TERMS OF GRAP 3

Certain errors were detected which relates to prior years and were also restated retrospectively. The effects of these restatements are listed below.

35.01 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	2 270 014
Correction of SALGA Membership Fees not paid on 30 June 2014 - Refer to Note 35.07	35 531
Correction of Legal Cost not paid on 30 June 2014 - Refer to Note 35.07	6 950
Correction of Repairs and Maintenance Cost not paid on 30 June 2014 - Refer to Note 35.07	62 118
Correction of Transport Allowance not paid on 30 June 2014 - Refer to Note 35.07	4 979
Restated balance on 30 June 2014	2 379 592

35.02 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Balance previously reported	8 773 564
Correction of Creditor not paid on 30 June 2014 - Refer to Note 35.07	(50 701)
Recover shortfall on roads claim during 2013/2014 - Refer to note 35.07	(509 163)
Restated balance on 30 June 2014	8 213 700

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2014
R**

35 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

35.03 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Balance previously reported	1 340 572
Correction of Refund to Council due to Overpayment to Cape Joint Pension Fund - Refer to Note 35.07	269 869
Restated balance on 30 June 2014	1 610 441

35.04 EMPLOYEE BENEFIT (RECEIVABLE)

Balance previously reported	-
Recognise Long Service Awards and Post Retirement Benefits to be recovered from Provincial Roads Department up to 30 June 2013 - Refer to Note 35.06	28 432 572
Restated balance on 30 June 2014	28 432 572

35.05 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported	40 245 133
Reallocation of Assets Held for Sale - Change in Accounting Policy in terms of Grap 3 - Refer to Note 34	112 133
Correction of Depreciation - Assets Recognised for the first time - Refer to Note 35.07	(27 267)
Correction of Assets - Recognised for the first time - Refer to Note 35.06	231 412
Correction of Assets - Incorrectly Impair in 2013/2014 - Refer to Note 35.07	57 812
Correction of Depreciation - Assets incorrectly Impair in 2013/2014 - Refer to Note 35.07	(28 369)
Correction of Depreciation - Incorrectly Calculated - Refer to Note 35.06	4 132
Correction of Depreciation - Assets Recognised for the first time - Refer to note 35.06	(111 593)
Restated balance on 30 June 2014	40 483 393

35.06 ACCUMULATED DEFICIT

Balance previously reported	(23 691 881)
Correction of Assets - Recognised for the first time - Refer to Note 35.05	231 412
Recognise Long Service Awards and Post Retirement Benefits to be recovered from Provincial Roads Department up to 30 June 2013 - Refer to Note 35.04	28 432 572
Correction of Depreciation - Assets first time recognised on 30 June 2012 - Refer to Note 35.05	(111 593)
Correction of Depreciation - Incorrectly Calculated - Refer to Note 35.05	4 132
Corrections up to 30 June 2013	28 556 523
Corrections during 2013/2014 - Refer to note 35.07	722 331
Restated balance on 30 June 2014	5 586 973

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

35.07 STATEMENT OF FINANCIAL PERFORMANCE

	2014 R
Balance previously reported	(2 475 279)
Correction - Government Grants and Subsidies	
Correction of Government Grants and Subsidies - Refer to Note 35.02	50 701
Recover shortfall on roads claim during 2013/2014 - Refer to note 35.02	509 163
Correction - Other Income	
Correction of Refund to Council due to Overpayment to Cape Joint Pension Fund - Refer to Note 35.03	269 869
Correction - Employee Related Costs	
Correction of Transport Allowance - Refer to Note 35.01	(4 979)
Correction of Interest Cost Post Employment Health to Finance Charges	4 012 319
Correction of Interest Cost Long Service Awards to Finance Charges	283 760
Correction of Salaries and Wages to Repairs and Maintenance	4 699 218
Correction - Depreciation and Amortisation	
Correction of Depreciation on Assets Recognised for the first time - Refer to Note 35.05	(27 267)
Correction - Repairs and Maintenance	
Correction of Repairs and Maintenance - Refer to Note 35.01	(62 118)
Correction of Repairs and Maintenance from Employee Related Costs	(4 699 218)
Correction - Stock Adjustments	
Correction of allocation from General Expenses	(57 383)
Correction - Loss on Disposal of Property, Plant and Equipment	
Correction of allocation from Impairments	(510 184)
Correction - Impairments	
Correction of allocation to Loss on Disposal of Property, Plant and Equipment	510 184
Correction of Assets incorrectly Impair - Refer to Note 35.05	29 443
Correction - Finance Charges	
Correction of Interest Cost Post Employment Health from Employee Related Costs	(4 012 319)
Correction of Interest Cost Long Service Awards from Employee Related Costs	(283 760)
Correction - General Expenses	
Correction of allocation to Stock Adjustments	57 383
Correction of Legal Cost not paid on 30 June 2014 - Refer to Note 35.01	(6 950)
Correction of SALGA Membership Fees - Refer to Note 35.01	(35 531)
Restated balance on 30 June 2014	<u><u>(1 752 948)</u></u>

35.08 FINANCIAL INSTRUMENTS

The municipality incorrectly disclosed the following provision for rehabilitation as part of the financial instruments disclosure. The provision does not meet the definition of a financial instrument.

Provision for Rehabilitation of Landfill-sites	<u>7 838 715</u>
Retentions and Guarantees incorrectly excluded from disclosure	<u>1 039 740</u>

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
36	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
	Surplus/(Deficit) for the year	(1 750 480)	(1 752 948)
	Adjustments for:		
	Depreciation	2 289 537	2 076 205
	Amortisation of Intangible Assets	59 453	68 083
	Loss on disposal of property, plant and equipment	281 263	510 184
	Gain on disposal of property, plant and equipment	-	(407 482)
	Debt Impairment	74 806	330 327
	Reversal of debt impairment	(46 642)	-
	Bad debts written off	(366 807)	(733 278)
	Contribution to bonuses	165 616	113 706
	Contribution to staff leave	365 741	442 749
	Contribution from/to employee benefits	6 589 447	5 828 465
	Unwinding of Interest on Provision for Landfill Sites	927 686	627 931
	Non-current Employee benefits - expenditure incurred	(2 725 815)	(2 755 283)
	Actuarial Losses	211 455	476 288
	Actuarial Gains	(182 075)	(16 421)
	Stock Adjustments	214 454	57 383
	Net Impairment written off	(10 701)	(3 755)
	Grants Received	104 666 514	99 574 466
	Grants Expenditure	(108 234 574)	(102 306 069)
	Grants repaid to Provincial Treasury	(394 679)	-
	Operating Surplus before changes in working capital	2 134 198	2 130 550
	Changes in working capital	42 260	1 106 307
	Increase/(Decrease) in Payables from Exchange Transactions	(807)	1 152 375
	Increase in Taxes	(102 628)	(64 587)
	Increase in Inventory	(104 853)	(171 943)
	(Increase)/Decrease in Receivables from Exchange and Non-Exchange	250 547	190 462
	Cash generated by operations	2 176 458	3 236 857
37	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 19	11 810 186	7 693 030
	Cash Floats - Note 19	4 900	3 950
	Bank - Note 19	2 544 164	7 012 571
	Total cash and cash equivalents	14 359 250	14 709 550
38	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 37	14 359 250	14 709 550
	Less:	14 359 250	14 709 550
	Unspent Committed Conditional Grants - Note 8	4 250 961	8 264 401
	Resources available for working capital requirements	10 108 289	6 445 149

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 2	1 479 897	2 261 755
Used to finance property, plant and equipment - at cost	(1 479 897)	(2 261 755)
	<hr/>	<hr/>
Cash set aside for the repayment of long-term liabilities	-	-
	<hr/>	<hr/>
Cash invested for repayment of long-term liabilities	-	-
	<hr/> <hr/>	<hr/> <hr/>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

40 BUDGET COMPARISONS

In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 7 to 12.

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer debtors in budget statements consist only out of Receivables from Exchange Transactions.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, Receivables from Non-Exchange Transactions and Taxes are all incorporated under Other Receivables.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions as well as Unspent Conditional Government Grants and Receipts.

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income and Third Party Payments.

Depreciation/Amortisation and Impairments are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - General Expenses, Repairs and Maintenance and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
41	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
41.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	-	139 820
	Unauthorised expenditure current year - capital	108 740	-
	Unauthorised expenditure current year - operating	-	-
	Written off by council	-	(139 820)
		108 740	-
	Unauthorised expenditure awaiting authorisation	108 740	-

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
<u>Unauthorised expenditure current year - operating</u>				
Municipal Manager	10 756 874	11 372 998	(616 124)	-
Management Services	24 412 739	25 039 592	(626 853)	-
Community & Technical Services	94 859 308	99 757 965	(4 898 657)	-
	130 028 921	136 170 555	(6 141 634)	-
	130 028 921	136 170 555	(6 141 634)	-

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
<u>Unauthorised expenditure current year - capital</u>				
Municipal Manager	56 114	59 000	(2 886)	-
Management Services	335 275	287 000	48 275	48 275
Community & Technical Services	1 353 511	1 293 046	60 465	60 465
	1 744 899	1 639 046	105 853	108 740
	1 744 899	1 639 046	105 853	108 740

41.2 Fruitless and wasteful expenditure

	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	291	-
	Fruitless and wasteful expenditure current year	-	291
	Written off by council	(291)	-
		-	291
	Fruitless and wasteful expenditure awaiting further action	-	291

Incident	Disciplinary steps/criminal proceedings
<i>Interest charged by SARS on the late payment of October 2013 VAT return .</i>	<i>None</i>

	-	291	-	291
	-	291	-	291
	-	291	-	291

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
41	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
41.3	<u>Irregular expenditure</u>		
	Reconciliation of irregular expenditure:		
	Opening balance	35 649 761	2 988 016
	Irregular expenditure identified in the current year	24 394 266	36 179 918
	Written off by council	(35 649 761)	(2 936 396)
	Written off by council	(24 239 397)	(581 777)
	Irregular expenditure awaiting further action	154 869	35 649 761

Incident	Disciplinary steps/criminal proceedings		
<i>The municipal accounts of two suppliers were not inspected before the tenders were awarded.</i>	None	-	74 509
<i>The declaration of interest documents of four winning bidders were not submitted.</i>	None	-	107 523
<i>The municipal accounts of one supplier were not inspected and the declaration of interest not submitted.</i>	None	-	37 620
<i>Irregular expenditure identified during investigating the full population of awards (declarations not submitted and municipal accounts not obtained).</i>	None	24 226 956	35 329 158
<i>A director of one supplier is in the service of the state.</i>	None	12 441	49 331
<i>Three quotations not obtained.</i>	None	-	322 555
<i>Business with people in service of the state.</i>	None	-	253 718
<i>Payment in advance.</i>	None	-	5 504
<i>Shortage of diesel due to inaccurate accounting for mobile dieselcars issues.</i>	None	154 869	-
		24 394 266	36 179 918

The municipality did not treat the accounting for cellular phones and tablets (leased contracts) correctly for the period ending 30 June 2015 as per GRAP standards 13 and 17.

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	35 531	-
Council subscriptions	671 262	480 168
Amount paid - current year	(706 793)	(444 637)
Balance unpaid (included in creditors)	-	35 531

42.2 Audit fees - [MFMA 125 (1)(c)]

Current year audit fee	2 355 862	2 187 235
External Audit - Auditor-General	2 355 862	2 187 235
Amount paid - current year	(2 355 862)	(2 187 235)
Balance unpaid (included in creditors)	-	-

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
42	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
42.3	<u>VAT - [MFMA 125 (1)(c)]</u>		
	Opening balance	(147 384)	(137 776)
	Amounts received - current year	550 642	515 682
	Amounts claimed - current year	(638 494)	(525 290)
	Closing balance - Receivable	(235 236)	(147 384)
	Vat in suspense due to cash basis of accounting		
	Input VAT	(66 643)	(51 868)
	Receivable	(301 879)	(199 251)
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
42.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Current year payroll deductions and Council Contributions	9 419 080	8 241 434
	Amount paid - current year	(9 419 080)	(8 241 434)
	Balance unpaid (included in creditors)	-	-
42.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Current year payroll deductions and Council Contributions	18 511 696	16 978 678
	Amount paid - current year	(18 511 696)	(16 978 678)
	Balance unpaid (included in creditors)	-	-
42.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2014 and 30 June 2015:		
	<i>None</i>		
42.7	<u>Quotations awarded - Supply Chain Management</u>		
	Deviations from the Supply Chain Management Regulations were identified on the following		
	Deviations per type		
	- 3 Quotes not obtained	710 584	1 360 624
		710 584	1 360 624
	Deviations per financial category		
	- Between R 0 and R 2 000	10 570	3 227
	- Between R 2 000 and R 10 000	215 926	408 626
	- Between R 10 000 and R 30 000	344 664	441 300
	- Between R 30 000 and R 200 000	139 424	507 470
	- Above R 200 000	-	-
		710 584	1 360 624

43 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

	2015	2014
	R	R
1% (2014 - 1%) Increase in interest rates	(55 572)	46 051
0% (2014 - 0%) Decrease in interest rates	-	-

Due to the fact that the South African economy is in an upward interest rate cycle, there are no expectation for a decrease in interest rates on 30 June 2015.

(d) Credit Risk

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

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

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

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

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

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

The risk pertaining to receivables from National, Provincial and Local Government are considered to be very low and there are no expectations of counter party default.

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

	2015	2014
	R	R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	722 950	501 432
Receivables from non-exchange transactions	1 477 019	1 610 441
Cash and Cash Equivalents	14 359 250	14 709 550
	16 559 219	16 821 423

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities	902 577	791 943	-	-
Capital repayments	813 772	666 125	-	-
Interest	88 805	125 819	-	-
Provisions Landfill Sites	-	-	-	200 883 017
Capital repayments	-	-	-	18 431 649
Interest	-	-	-	182 451 368
Payables from exchange transactions	1 945 689	-	-	-
Unspent conditional government grants and receipts	4 250 961	-	-	-
	7 099 227	791 943	-	200 883 017

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	928 886	1 583 989	108 436	-
Capital repayments	782 765	1 375 485	103 505	-
Interest	146 121	208 504	4 931	-
Provisions Landfill Sites	-	-	-	87 536 022
Capital repayments	-	-	-	7 838 715
Interest	-	-	-	79 697 307
Payables from exchange transactions	1 937 017	-	-	-
Unspent conditional government grants and receipts	8 264 401	-	-	-
	11 130 304	1 583 989	108 436	87 536 022

44 FINANCIAL INSTRUMENTS

Financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

44.1 Financial Assets

Classification

Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	183 537	113 840
Receivables from non-exchange transactions	Financial instruments at amortised cost	1 477 019	1 610 441

Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	11 810 186	7 693 030
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Bank Balances and Cash

Bank Balances	Financial instruments at amortised cost	2 544 164	7 012 571
Cash Floats and Advances	Financial instruments at amortised cost	4 900	3 950

16 019 806	16 433 831
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SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	16 019 806	16 433 831
At amortised cost	16 019 806	16 433 831

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
44	FINANCIAL INSTRUMENTS (CONTINUED)		
44.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	633 620	779 945
	Capitalised Lease Liability	32 505	699 045
	Payables from exchange transactions		
	Trade Creditors	725 501	741 789
	Retentions and Guarantees	1 039 740	1 039 740
	Sundry Deposits	31 335	30 735
	Other	149 113	124 753
	Current Portion of Long-term Liabilities		
	Annuity Loans	146 325	455 287
	Capitalised Lease Liability	667 448	327 478
		3 425 586	4 198 772
		3 425 586	4 198 772
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	3 425 586	4 198 772
45	EVENTS AFTER THE REPORTING DATE		
	The municipality has no events after reporting date during the financial year ended 2014/2015.		
46	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
47	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
48	CONTINGENT LIABILITY		
	During the previous financial year the former Municipal Manager lodged a claim against the municipality for the payment of accrued leave. A full and final settlement between the former Municipal Manager and the Council were concluded during June 2015. An amount of R 50 000 was paid.	-	70 918
	On 22 October 2014 a settlement agreement between the municipality and IMATU that the target date for implementation of job descriptions and review of organisational structures would be 1 April 2015. In the event of delays the final date for implementation would be 1 May 2015. At year end the abovementioned was not yet finalised.		

**OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

49 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

All charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

49.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

49.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

49.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

50 GOING CONCERN ASSUMPTION

The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality have been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.

**APPENDIX A
OVERBERG DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2014	Received during the period	Redeemed or written off during the period	Balance at 30 JUNE 2015
ANNUITY LOANS							
INCA	9.30%		31/12/2014	321 701	-	321 701	-
INCA	9.45%		31/12/2019	913 531	-	133 586	779 945
Total Annuity Loans				1 235 231	-	455 287	779 945
LEASE LIABILITY							
Vehicles and Equipment				1 026 524	-	326 572	699 952
Total Lease Liabilities				1 026 524	-	326 572	699 952
TOTAL EXTERNAL LOANS				2 261 755	-	781 858	1 479 897

APPENDIX B
OVERBERG DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL VOTES CLASSIFICATION

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
4 603 146	(9 062 039)	(4 458 893)	Council Expenditure	4 800 951	(6 385 992)	(1 585 040)
-	(2 119 043)	(2 119 043)	Executive Services	-	(2 457 292)	(2 457 292)
-	-	-	Donations	-	(5 000)	(5 000)
-	(1 066 394)	(1 066 394)	Management Support	-	(1 119 571)	(1 119 571)
-	(874 297)	(874 297)	Record Management	-	(881 028)	(881 028)
-	(2 885 278)	(2 885 278)	Administration	-	(3 043 058)	(3 043 058)
-	(834 891)	(834 891)	Audit	-	(789 020)	(789 020)
-	(1 226 845)	(1 226 845)	Human Resources	-	(1 106 465)	(1 106 465)
-	(1 916 581)	(1 916 581)	Supply Chain Management	-	(2 044 536)	(2 044 536)
-	(3 663 274)	(3 663 274)	Finance Inc Exp & It	-	(3 729 592)	(3 729 592)
-	(486 675)	(486 675)	Performance Management	-	(493 889)	(493 889)
16 302	(696 103)	(679 802)	Buildings	17 409	(749 251)	(731 842)
2 147 878	(5 746 279)	(3 598 401)	Financial Services	2 261 842	(6 500 873)	(4 239 031)
-	(967 519)	(967 519)	Planning Services	-	(1 125 164)	(1 125 164)
48 945 113	(2 238 283)	46 706 830	Grants Ex Nat Government	52 635 327	(2 176 137)	50 459 190
865 234	(561 849)	303 385	Grants Ex Prov Government	1 187 748	(1 163 183)	24 565
-	-	-	Tourism	25 000	(24 230)	770
1 250 000	(1 250 000)	-	Fin Man Grant	1 250 000	(1 250 000)	-
123 084	(11 957 072)	(11 833 987)	Fire Brigade	131 049	(17 007 634)	(16 876 585)
-	(357 246)	(357 246)	Disaster Management	-	(368 925)	(368 925)
44 053	(10 107 688)	(10 063 636)	Municipal Health	82 209	(9 738 118)	(9 655 909)
1 142	-	1 142	Velapi Hostel	-	-	-
-	(1 193 023)	(1 193 023)	Environmental Management	-	(1 409 157)	(1 409 157)
-	(29 779)	(29 779)	Engineering Services	-	(34 419)	(34 419)
11 255	(1 474 732)	(1 463 476)	Karwyderskraal	565 383	(1 855 921)	(1 290 538)
643 121	(1 709 306)	(1 066 185)	Dennehof	577 259	(1 574 754)	(997 495)
2 308 081	(1 760 673)	547 409	Die Dam	2 539 414	(2 139 574)	399 840
8 489 371	(7 057 793)	1 431 578	Jilenkraalsmond	9 084 637	(7 780 569)	1 304 069
41 933	-	41 933	Outspans & Public Places	44 642	-	44 642
114 655	(114 655)	-	Comprehensive Health	125 333	(125 333)	-
51 191 261	(51 191 261)	-	Roads - Main & Divisional	52 950 237	(52 950 237)	-
120 795 630	(122 548 578)	(1 752 948)	Total	128 278 441	(130 028 921)	(1 750 480)

APPENDIX C
OVERBERG DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
54 413 493	(15 882 499)	38 530 994	Executive & Council	58 624 026	(14 096 194)	44 527 832
16 302	(6 169 199)	(6 152 897)	Corporate Services	42 409	(6 297 920)	(6 255 511)
3 397 878	(12 576 134)	(9 178 256)	Financial Services	3 511 842	(13 525 001)	(10 013 159)
-	(997 298)	(997 298)	Planning & Development	-	(1 159 583)	(1 159 583)
114 655	(114 655)	-	Health	125 333	(125 333)	-
123 084	(12 314 318)	(12 191 234)	Public Safety	131 049	(17 376 558)	(17 245 509)
11 482 507	(10 527 771)	954 735	Sport & Recreation	12 245 952	(11 494 897)	751 055
45 195	(11 300 711)	(11 255 517)	Environmental Protection	82 209	(11 147 275)	(11 065 066)
11 255	(1 474 732)	(1 463 476)	Waste Management	565 383	(1 855 921)	(1 290 538)
51 191 261	(51 191 261)	-	Road Transport	52 950 237	(52 950 237)	-
120 795 630	(122 548 578)	(1 752 948)	Total	128 278 441	(130 028 921)	(1 750 480)

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

Grant Description	Balance 30 JUNE 2014	Correction of error	Balance 1 JULY 2014	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Repayment of Grants	Balance 30 JUNE 2015
	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
<u>National Government Grants</u>								
Equitable Share	-	-	-	50 397 000	50 397 000	-	-	-
Local Government Financial Management Grant	-	-	-	1 250 000	1 250 000	-	-	-
Municipal Systems Improvement Grant	-	(50 701)	(50 701)	934 000	883 299	-	-	-
Total National Government Grants	-	(50 701)	(50 701)	52 581 000	52 530 299	-	-	-
<u>Provincial Government Grants</u>								
Coastal Management Programme	783 675	-	783 675	-	268 420	-	-	515 255
SETA Training Fund	447 068	-	447 068	145 498	236 838	-	-	355 727
Human Rights Programme	53 062	-	53 062	-	-	-	53 062	-
Tourism Projects	91 617	-	91 617	-	-	-	91 617	-
Karwyderskraal	250 000	-	250 000	-	-	-	250 000	-
EPWP Grant	-	-	-	1 056 000	1 056 000	-	-	-
Road Subsidy	6 062 518	(509 163)	5 553 355	49 080 083	53 036 166	-	-	1 597 271
Health Subsidy	-	-	-	125 333	125 333	-	-	-
WC Financial Management Support Grant	-	-	-	910 000	85 469	-	-	824 531
Greenest Municipality Competition	-	-	-	30 000	-	24 565	-	5 435
CDW Operational Support Grant	-	-	-	65 600	-	-	-	65 600
Municipal Performance Management Grant	-	-	-	50 000	-	-	-	50 000
Municipal Capacity Building Grant	-	-	-	500 000	79 845	-	-	420 155
Municipal Disaster Recovery Grant	-	-	-	80 000	-	62 190	-	17 810
Implementation of Municipal Compliance Model	-	-	-	43 000	-	-	-	43 000
Municipal Finance Improvement Programme	694 022	-	694 022	-	694 022	-	-	-
Office Upgrading and Maintenance	57 392	-	57 392	-	-	-	-	57 392
Risk Management	334 211	-	334 211	-	35 427	-	-	298 784
Total Provincial Government Grants	8 773 564	(509 163)	8 264 401	52 085 514	55 617 521	86 755	394 679	4 250 961
Total	8 773 564	(559 864)	8 213 700	104 666 514	108 147 819	86 755	394 679	4 250 961

APPENDIX E (1) - Unaudited
OVERBERG DISTRICT MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2014/15							2013/14
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
Governance and administration	60 854	2 934	63 788	62 178	(1 610)	97.5%	102.2%	57 828
Executive and council	5 723	(414)	5 308	4 801	(507)	90.4%	83.9%	4 603
Budget and treasury office	55 114	3 348	58 462	57 335	(1 127)	98.1%	104.0%	53 208
Corporate services	18	-	18	42	25	241.0%	241.0%	16
Community and public safety	12 124	-	12 124	12 502	379	103.1%	103.1%	11 720
Sport and recreation	11 913	-	11 913	12 246	333	102.8%	102.8%	11 483
Public safety	86	-	86	131	46	153.3%	153.3%	123
Health	125	-	125	125	0	100.4%	100.4%	115
Economic and environmental services	40 943	16 072	57 015	53 032	(3 982)	93.0%	129.5%	51 236
Road transport	40 921	16 072	56 993	52 950	(4 043)	92.9%	129.4%	51 191
Environmental protection	22	-	22	82	60	373.7%	373.7%	45
Trading services	-	503	503	565	62	112.4%	0.0%	11
Waste management	-	503	503	565	62	112.4%	0.0%	11
Total Revenue - Standard	113 921	19 509	133 430	128 278	(5 151)	96.1%	112.6%	120 796
Expenditure - Standard								
Governance and administration	32 878	2 142	35 020	33 919	(1 101)	96.9%	103.2%	34 628
Executive and council	15 257	1 862	17 119	14 096	(3 023)	82.3%	92.4%	15 882
Budget and treasury office	10 727	161	10 888	13 525	2 637	124.2%	126.1%	12 576
Corporate services	6 895	119	7 013	6 298	(715)	89.8%	91.3%	6 169
Community and public safety	28 840	244	29 084	28 997	(87)	99.7%	100.5%	22 957
Sport and recreation	10 693	174	10 867	11 495	627	105.8%	107.5%	10 528
Public safety	18 022	70	18 092	17 377	(715)	96.0%	96.4%	12 314
Health	125	-	125	125	0	100.4%	100.4%	115
Economic and environmental services	54 999	16 270	71 269	65 257	(6 012)	91.6%	118.7%	63 489
Planning and development	1 254	51	1 305	1 160	(146)	88.8%	92.5%	997
Road transport	40 921	16 072	56 993	52 950	(4 043)	92.9%	129.4%	51 191
Environmental protection	12 824	147	12 971	11 147	(1 824)	85.9%	86.9%	11 301
Trading services	248	549	797	1 856	1 059	232.8%	747.3%	1 475
Waste management	248	549	797	1 856	1 059	232.8%	747.3%	1 475
Total Expenditure - Standard	116 966	19 205	136 171	130 029	(6 142)	95.5%	111.2%	122 549
Surplus/(Deficit) for the year	(3 045)	304	(2 741)	(1 750)	990	63.9%	57.5%	(1 753)

**APPENDIX E (2) - Unaudited
OVERBERG DISTRICT MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2014/15							2013/14
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Municipal Manager	5 723	(414)	5 308	4 801	(507)	90.4%	83.9%	4 603
Management Services	55 132	3 348	58 480	57 377	(1 102)	98.1%	104.1%	53 225
Community and Technical Services	53 067	16 575	69 642	66 100	(3 541)	94.9%	124.6%	62 968
Total Revenue by Vote	113 921	19 509	133 430	128 278	(5 151)	96.1%	112.6%	120 796
Expenditure by Vote to be appropriated								
Municipal Manager	12 042	(669)	11 373	10 757	(616)	94.6%	89.3%	13 082
Management Services	22 055	2 860	24 915	24 287	(627)	97.5%	110.1%	22 513
Community and Technical Services	82 870	17 013	99 883	94 985	(4 898)	95.1%	114.6%	86 953
Total Expenditure by Vote	116 966	19 205	136 171	130 029	(6 142)	95.5%	111.2%	122 549
Surplus/(Deficit) for the year	(3 045)	304	(2 741)	(1 750)	990	63.9%	57.5%	(1 753)

**APPENDIX E (3) - Unaudited
OVERBERG DISTRICT MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE**

Description	2014/15							2013/14
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Service charges	648	–	648	658	10	101.5%	101.5%	646
Rental of facilities and equipment	11 162	–	11 162	11 498	336	103.0%	103.0%	10 718
Interest earned - external investments	500	500	1 000	1 678	678	167.8%	335.5%	1 290
Interest earned - outstanding debtors	4	–	4	4	0	103.5%	103.5%	5
Licences and permits	49	–	49	116	67	237.6%	237.6%	76
Agency services	4 873	(262)	4 611	4 799	188	104.1%	98.5%	4 489
Transfers recognised - operational	95 423	10 627	106 050	108 235	2 185	102.1%	113.4%	102 306
Other revenue	412	546	958	1 290	332	134.6%	313.0%	858
Gains on disposal of PPE	850	(153)	697	–	(697)	–	–	407
Total Revenue (excluding capital transfers and contributions)	113 921	11 259	125 180	128 278	3 099	1111.8%	112.6%	120 796
Expenditure By Type								
Employee related costs	63 417	(36)	63 381	70 985	7 603	112.0%	111.9%	63 515
Remuneration of councillors	5 036	42	5 078	4 996	(82)	98.4%	99.2%	5 144
Debt impairment	–	–	–	75	75	0.0%	0.0%	330
Depreciation & asset impairment	1 997	(45)	1 952	2 349	397	120.4%	117.6%	2 144
Finance charges	141	5	145	5 950	5 804	4092.4%	4233.4%	5 157
Contracted services	–	503	503	538	35	106.9%	0.0%	126
Transfers and grants	–	150	150	5	(145)	3.3%	0.0%	–
Other expenditure	46 376	10 335	56 711	44 851	(11 860)	79.1%	96.7%	45 622
Loss on disposal of PPE	–	–	–	281	281	0.0%	0.0%	510
Total Expenditure	116 966	10 955	127 921	130 029	2 108	1167.7%	111.2%	122 549
Surplus/(Deficit) for the year	(3 045)	304	(2 741)	(1 750)	990	63.9%	57.5%	(1 753)

APPENDIX E (4) - Unaudited
OVERBERG DISTRICT MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2014/15							2013/14
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Single-year expenditure								
Municipal Manager	20	39	59	56	(3)	95.1%	280.6%	21
Management Services	150	137	287	335	48	116.8%	223.5%	825
Community and Technical Services	1 287	6	1 293	1 354	60	104.7%	105.2%	1 789
Capital single-year expenditure	1 457	182	1 639	1 745	106	106%	120%	2 635
Total Capital Expenditure - Vote	1 457	182	1 639	1 745	106	106%	120%	2 635
Capital Expenditure - Standard								
Governance and administration	170	176	346	391	45	113.1%	230.2%	846
Executive and council	20	39	59	56	(3)	95.1%	280.6%	21
Budget and treasury office	115	81	196	199	3	101.7%	173.2%	226
Corporate services	35	56	91	136	45	149.5%	388.7%	599
Community and public safety	1 256	1	1 257	1 295	38	103.0%	103.1%	1 309
Sport and recreation	60	1	61	84	23	138.2%	140.5%	542
Public safety	1 196	-	1 196	1 211	15	101.2%	101.2%	767
Economic and environmental services	31	5	36	58	22	162.0%	188.1%	480
Road transport	-	-	-	-	-	-	-	31
Environmental protection	31	5	36	58	22	162.0%	188.1%	448
Total Capital Expenditure - Standard	1 457	182	1 639	1 745	106	106%	120%	2 635
Funded by:								
Borrowing	-	-	-	-	-	-	-	515
Internally generated funds	1 457	182	1 639	1 745	106	106.5%	119.8%	2 119
Total Capital Funding	1 457	182	1 639	1 745	106	106%	120%	2 635

**APPENDIX E (5) - Unaudited
OVERBERG DISTRICT MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CASH FLOWS**

Description	2014/15							2013/14
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	17 144	985	18 129	17 485	(644)	96.4%	102.0%	16 163
Government - operating	94 963	10 977	105 940	104 667	(1 273)	98.8%	110.2%	99 574
Interest	504	496	1 000	1 717	717	171.7%	340.6%	1 295
Payments								
Suppliers and employees	(111 429)	(9 876)	(121 304)	(121 537)	(233)	100.2%	109.1%	(113 563)
Finance charges	(141)	(5)	(145)	(150)	(4)	103.1%	106.6%	(233)
Transfers and Grants	-	(150)	(150)	(5)	145	3.3%	0.0%	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	1 042	2 427	3 469	2 176	(1 292)	62.7%	208.9%	3 237
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts					(2 585)	-	-	
Proceeds on disposal of PPE	850	(153)	697	-				2 132
Payments					-	-	-	
Capital assets	(767)	(872)	(1 639)	(1 745)	(106)	106.5%	227.5%	(2 119)
NET CASH FROM/(USED) INVESTING ACTIVITIES	83	(1 025)	(942)	(1 745)	(803)	185.3%	-2102.3%	12
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	(6)
Payments								
Repayment of borrowing	(786)	(45)	(831)	(782)	49	94.1%	99.5%	(1 021)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(786)	(45)	(831)	(782)	49	94.1%	99.5%	(1 027)
NET INCREASE/ (DECREASE) IN CASH HELD	339	1 358	1 697	(350)	(2 047)	-20.6%	-103.3%	2 222
Cash/cash equivalents at the year begin:	3 270	(412)	2 858	14 710	11 851	514.6%	449.8%	12 487
Cash/cash equivalents at the year end:	3 609	946	4 555	14 359	9 853	315.2%	397.9%	14 710