

HESSEQUA MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

2015/2016

HESSEQUA LOCAL MUNICIPALITY**INDEX****PAGE**

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HESSEQUA MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR
DEPUTY MAYOR
SPEAKER

Councillor E Nel
Councillor JJ Merkeur
Councillor Dr J Prins

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson
Member
Member
Member
Member

Councillor E Nel
Councillor JJ Merkeur
Councillor CAE Prins
Councillor LJ Fourie
Councillor FC Carelse

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

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

Councillor FC Carelse
Councillor LJ Fourie
Councillor CAE Prins
Councillor LJ Fourie
Councillor JJ Merkeur

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

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

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member
Member
Member

Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Mnr GD Lewis
Councillor E Nel
Councillor EJ Prins

AUDITORS:

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

BANKERS:

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

REGISTERED OFFICE:

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

GENERAL INFORMATION - (continued)

MUNICIPAL MANAGER:

Mr. J. Jacobs

DIRECTOR: FINANCIAL SERVICES:

Ms. H.J. Viljoen

COUNCIL MEMBERS

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

POSITION

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

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2016

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to - 93, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003, and which I have signed on behalf of the Municipality.

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act.

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



J. JACOBS
Municipal Manager

31 August 2016

Date

HESSEQUA LOCAL MUNICIPALITY

Statement from the Chief Financial Officer

1. Introduction

It is my pleasure to give a brief summary of the financial results of our Council for the financial year ended 30 June 2016.

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

2. Key financial indicators

Ratio Description

Current ratio

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

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

Revenue Management

Actual income vs Budgeted income

Level of government grants to own income

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

Expenditure management

Actual expenditure vs Budgeted expenditure

Personnel costs to total expenditure

Interest paid as percentage of total expenditure

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

Creditors to cash and investments

Asset management

Acquisition of PPE - Actual vs budgeted

	2015/16	2014/15
	1.79	1.80
	100.69%	95.36%
	25.23%	26.16%
	94.26%	92.98%
	33.55%	34.61%
	3.95%	3.15%
	21.33%	28.21%

	2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %
Land				
<u>Land & Buildings</u>	977 200	1 029 829	-52 629	-5.11
	977 200	1 029 829	-52 629	-5.11
Infrastructure				
<u>Sewerage</u>	18 603 087	23 515 360	-4 912 273	-20.89
<u>Water</u>	5 059 878	9 058 882	-3 999 004	-44.14
<u>Electricity</u>	32 254 332	33 905 493	-1 651 161	-4.87
<u>Solid Waste</u>	162 675	298 131	-135 456	-45.44
<u>Roads and Stormwater</u>	10 357 807	15 002 092	-4 644 285	-30.96
	66 437 779	81 779 958	-15 342 179	-18.76

Statement from the Chief Financial Officer -(continued)

Community Assets				
Public Conveniences	424 072	1 145 507	-721 435	-62.98
Sportfields	419 149	419 169	-20	0.00
Cemeteries	556 797	880 000	-323 203	-36.73
Other	78 112	100 000	-21 888	-21.89
	1 478 130	2 544 676	-1 066 546	-41.91
Other Assets				
Plant & Equipment	3 550 690	3 666 947	-116 257	-3.17
Motor Vehicles	4 288 103	4 252 500	35 603	0.84
Other	2 017 935	2 264 257	-246 322	-10.88
	9 856 728	10 183 704	-326 976	-20.50
Total	78 749 837	95 538 167	-16 788 330	-17.57

Budget Spent 82.42%

Consumer debtors collection period

(Gross exchange debtors/service charges x 365)

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

Collection rate - (year levies less receipts)

Debt management

Total liabilities/Total assets

The ratio increased by 3.20% which indicates an increase in the level of solvency.

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

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

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

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

Trade creditors payment period

This indicates an increase of 2 days relative to the prior year in creditors' payments.

	2015/16	2014/15
	75.87 days	74.90 days
	97.27%	97.62%
	38.54%	35.35%
	38.42%	31.22%
	4.20%	3.70%
	68.37 days	66.42 days

3. Operating Results

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

	2015/16		2014/15	Growth
	Actual	Budget	Actual	
Revenue				
Agency services	1 778 356	1 673 115	1 583 921	12.28%
Fines	44 051 887	42 277 437	37 741 273	16.72%
Gains on disposal of PPE	-	500 000	741 332	-100.00%
Donated PPE	73 300	-	381 000	-80.76%
Interest Earned - External investments	12 637 014	4 597 089	6 091 293	107.46%
Interest Earned - Outstanding debtors	1 034 590	1 147 546	1 390 519	-25.60%
Licenses and permits	1 245 120	762 561	600 707	107.28%
Property rates	65 936 567	66 022 885	60 793 273	8.46%
Rental of facilities and equipment	11 093 561	10 531 591	10 962 142	1.20%
Services Charges	173 413 199	169 007 861	154 507 685	12.24%
Transfers Recognised	79 848 423	93 231 548	73 077 921	9.26%
Gain on revaluation of Investment Property	711 600	-	9 896 600	100.00%
Other revenue	5 240 001	4 586 275	4 899 494	6.95%
	397 063 618	394 337 908	362 667 158	9.48%

Statement from the Chief Financial Officer -(continued)

	2015/2016		2014/2015	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	85 599 383	87 513 945	75 013 861	14.11%
Contracted services	4 504 464	9 611 022	6 298 152	-28.48%
Debt impairment	38 268 449	33 256 721	29 419 138	30.08%
Depreciation and impairment	25 481 069	20 840 400	19 922 542	27.90%
Employee related cost	116 413 761	127 640 574	108 249 825	7.54%
Remuneration of councillors	6 046 658	6 360 321	5 791 455	4.41%
Finance charges	13 694 690	8 796 613	9 851 156	39.02%
Loss on disposal of assets	218 494	-	-	#DIV/0!
Repairs and maintenance	15 685 797	17 969 760	11 908 295	31.72%
Other expenditure	41 124 069	56 195 985	46 296 795	-11.17%
	347 036 832	368 185 341	312 751 215	10.96%
Net operating Surplus	50 026 785	26 152 567	49 915 943	

3.1 Operating revenue

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

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

Details of the main categories of income are as follows:

Service Charges	43.67%
Property rates	16.61%
Grants and subsidies	20.11%
Other	19.61%
	<u>100.00%</u>

3.2 Operating expenditure

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

Bulk purchases	24.67%
Employee related cost/Council Remuneration	35.29%
Depreciation and impairment	7.34%
Repairs and maintenance	4.52%
Finance cost	3.95%
Other	24.24%
	<u>100.00%</u>

4. Debtors

Total outstanding net debtors increased by R1 480 015 to a balance of R36 764 951 at 30 June 2016. Income from traffic fines increased to R44 051 887 and outstanding traffic receivables increased to R46 109 376 at 30 June 2016. A provision for impairment of traffic fines of R35 519 744 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt increased to R121 860 219 in the financial year ended 30 June 2016. Cash and cash equivalents increased by R70 085 543 to close the year at R207 million.

6. Expression of appreciation

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

H.J. VILJOEN
CHIEF FINANCIAL OFFICER
31 August 2016

HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 R	2015 Restated R
ASSETS			
Current Assets		249 265 020	176 409 316
Inventory	2	2 850 212	2 850 835
Trade receivables from exchange transactions	3	18 759 906	16 750 565
Trade receivables from non-exchange transactions	4	18 005 045	18 534 371
VAT Receivable	5	2 582 638	1 351 217
Bank, Cash and Cash Equivalents	6	206 785 097	136 699 553
Operating Lease Assets	7	278 796	220 695
Current Portion of Long-term Receivables	12	3 326	2 080
Non-Current Assets		694 930 215	643 888 990
Property, Plant and Equipment	8	634 873 236	584 495 461
Intangible Assets	9	342 000	363 545
Investment Property	10	51 377 600	50 690 000
Heritage Assets	11	8 321 875	8 321 875
Long-term Receivables	12	15 505	18 110
Total Assets		944 195 235	820 298 306
LIABILITIES			
Current Liabilities		139 612 936	97 775 199
Consumer Deposits	13	4 413 645	3 741 830
Provisions	14	6 453 873	6 124 345
Creditors	15	44 114 057	38 562 580
Unspent Conditional Grants and Receipts	16	69 966 986	37 734 862
Operating Lease Liabilities	17	98 476	52 742
Current Portion of Long-term Liabilities	18	14 565 900	11 558 839
Non-Current Liabilities		224 269 568	192 237 162
Long-term Liabilities	18	107 294 319	78 840 740
Retirement Benefit Liabilities	19	42 982 001	42 945 000
Non-current Provisions	20	72 177 093	68 679 302
Trust Fund	48	1 816 155	1 772 121
Total Liabilities		363 882 505	290 012 361
Total Assets and Liabilities		580 312 731	530 285 944
NET ASSETS		580 312 731	530 285 944
Statutory Funds	21	245 694	245 694
Accumulated Surplus	22	580 067 037	530 040 250
Total Net Assets		580 312 731	530 285 944

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2016

Revenue	Note	2016 R Actual	2015 R Restated	2015 R Restatement of expenditure/ revenue	2015 R Previously reported
Revenue from non-exchange transactions					
Property Rates	23	65 936 567	60 793 273	-	60 793 273
Fines		44 051 887	37 741 273	1 059 639	36 681 634
Licences and permits		1 245 120	600 707	392 370	208 337
Income from Agency Services		1 778 356	1 583 921	(76 293)	1 660 214
Donated Property, Plant and Equipment		73 300	381 000	-	381 000
Government Grants and Subsidies	25 + 26	79 848 423	73 077 921	-	73 077 921
Gain on revaluation of Investment Property		711 600	9 896 600	-	9 896 600
Revenue from exchange transactions					
Service Charges	24	173 413 199	154 507 685	(6 709 587)	161 217 271
Rental of facilities and equipment		11 093 561	10 962 142	6 938 167	4 023 975
Interest earned - external investments		12 637 014	6 091 293	39 762	6 051 531
Interest earned - outstanding receivables		1 034 590	1 390 519	-	1 390 519
Other income	27	5 240 001	4 899 493	(782 457)	5 681 950
Gains on disposal of property, plant and equipment		-	741 332	-	741 332
Total Revenue		397 063 618	362 667 158	861 600	361 805 558
Expenditure					
Employee related costs	28	116 413 761	108 249 825	384 232	107 865 593
Remuneration of Councillors	29	6 046 658	5 791 455	-	5 791 455
Bad debts	30	38 268 449	29 419 138	685 316	28 733 822
Collection costs		1 892 307	2 501 109	-	2 501 109
Depreciation and amortisation	31	25 481 069	19 922 542	-	19 922 542
Impairment		-	-	-	-
Repairs and maintenance		15 685 797	11 908 295	71 498	11 836 798
Interest paid	32	13 694 690	9 851 156	-	9 851 156
Bulk purchases	33	85 599 383	75 013 861	1 067 397	73 946 463
Loss on disposal of property, plant and equipment		218 494	-	-	-
Contracted services		4 504 464	6 298 152	-	6 298 152
General expenses	34	39 231 761	43 795 685	(1 523 125)	45 318 810
Total Expenditure		347 036 831	312 751 215	685 318	312 065 898
Surplus/(Deficit) For The Year		50 026 787	49 915 943	176 282	49 739 661

Refer to notes 46 and 47 for details regarding restatements.

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2016

Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 JULY 2014	131 441	-	478 293 378	478 424 819
Correction of prior year error			1 945 182	1 945 182
Restated balance at 1 JULY 2014	131 441	-	480 238 560	480 370 001
Surplus for the year			49 915 943	49 915 943
Transfer to from Housing Reserve	114 253		-114 253	-
Restated balance at 30 JUNE 2015	245 695	-	530 040 250	530 285 944
Surplus for the year			50 026 787	50 026 787
Balance at 30 JUNE 2016	245 694	-	580 067 037	580 312 731

HESSEQUA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

Cash Flow from Operating Activities	Note	2016	2015		
		R	R	R	R
		Actual	Restated	Restatement of expenditure/revenue	Previously reported
Receipts					
Property rates		65 375 475	61 217 732	-	61 217 732
Fines		10 438 007	12 053 317	1 059 639	10 993 678
Government grants and subsidies		112 080 547	108 740 203	-	108 740 203
Service Charges		165 664 038	148 250 819	(6 709 587)	154 960 406
Income from agency services		1 778 356	1 583 921	(76 293)	1 660 214
Rental of facilities and equipment		11 093 561	10 962 142	6 938 167	4 023 975
Licences and permits		1 245 120	600 707	392 370	208 337
Other receipts		5 810 152	2 844 806	(782 457)	3 627 263
Payments					
Employee related cost		(115 492 231)	(107 799 746)	(384 232)	(107 415 513)
Remuneration of councillors		(6 046 658)	(5 791 455)	-	(5 791 455)
Suppliers paid		(96 440 024)	(85 526 180)	(1 138 892)	(84 387 288)
Other payments		(39 555 605)	(47 664 875)	1 523 124	(49 187 998)
Cash generated from operations	36	115 950 739	99 471 392	821 838	99 511 154
Interest received		13 671 604	7 481 812	39 762	7 442 050
Interest paid	32	(13 694 690)	(9 851 156)		(9 851 156)
Net Cash from Operating Activities		115 927 653	97 102 048	861 599	97 102 049
Cash flows from Investing Activities					
Purchase of property, plant and equipment	8	(78 676 538)	(28 810 127)		(28 810 127)
Purchase of intangible assets		-	(57 480)		(57 480)
Sale of property, plant and equipment		656 579	1 382 287		1 382 287
Sale of Investment Property		-	1 000 000		1 000 000
Increase in non-current receivables		1 359	2 080		2 080
Net Cash flows from Investing Activities		(78 018 600)	(26 483 240)		(26 483 240)
Cash flows from Financing Activities					
New loans raised/(repaid)		31 460 640	13 139 666		13 139 666
(Decrease)/increase in consumer deposits		671 815	280 514		280 514
Increase in Trust Funds		44 034	77 997		77 997
Net Cash from Financing Activities		32 176 489	13 498 177		13 498 177
Net Increase in Cash and Cash Equivalents		70 085 543	84 116 985		84 116 985
Cash and cash equivalents at the beginning of the year		136 699 553	52 582 568		52 582 568
Cash and cash equivalents at the end of the year	35	206 785 097	136 699 553		136 699 553

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2016

Statement of Financial Performance

Figures in Rand

Revenue	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						Note 55
Property Rates	66 022 885	-	66 022 885	65 936 567	(86 318)	
Fines	42 277 437	-	42 277 437	44 051 887	1 774 450	Rev 1
Licences and permits	762 561	-	762 561	1 245 120	482 559	
Income from agency services	1 673 115	-	1 673 115	1 778 356	105 241	
Donated Property, Plant & Equipment	-	-	-	73 300	73 300	
Government grants and subsidies	93 231 548	-	93 231 548	79 848 423	(13 383 125)	Rev 2
Gain on revaluation of Investment Property	-	-	-	711 600	711 600	Rev 6
Revenue from exchange transactions		-				
Service Charges	169 007 861	-	169 007 861	173 413 199	4 405 338	Rev 3
Rental of facilities and equipment	10 531 591	-	10 531 591	11 093 561	561 970	
Interest earned - external investments	4 597 089	-	4 597 089	12 637 014	8 039 925	Rev 4
Interest earned - outstanding receivables	1 147 546	-	1 147 546	1 034 590	(112 956)	
Other income	4 586 275	-	4 586 275	5 240 001	653 726	Rev 7
Gains on disposal of property, plant and equipment	500 000	-	500 000	-	(500 000)	Rev 5
Total Revenue	394 337 908	-	394 337 908	397 063 618	2 725 710	
Expenditure						
Employee related costs	127 636 283	4 291	127 640 574	116 413 761	(11 226 813)	Exp 1
Remuneration of Councillors	6 360 321	-	6 360 321	6 046 658	(313 663)	
Bad debts	33 256 721	-	33 256 721	38 268 449	5 011 728	Exp 2
Collection costs	2 471 189	-	2 471 189	1 892 307	(578 882)	
Depreciation and amortisation	20 840 400	-	20 840 400	25 481 069	4 640 669	Exp 3
Repairs and maintenance	13 593 672	4 376 088	17 969 760	15 685 797	(2 283 963)	Exp 4
Interest paid	8 783 321	13 292	8 796 613	13 694 690	4 898 077	Exp 5
Bulk purchases	87 513 945	-	87 513 945	85 599 383	(1 914 562)	
Loss on disposal of property, plant and equipment	-	-	-	218 494		
Contracted services	9 611 022	-	9 611 022	4 504 464	(5 106 558)	Exp 6
General expenses	60 635 364	(6 910 568)	53 724 796	39 231 761	(14 493 035)	Exp 7
Total Expenditure	370 702 238	(2 516 897)	368 185 341	347 036 832	(21 367 004)	
Surplus/(Deficit) For The Year	23 635 670	2 516 897	26 152 567	50 026 785	24 092 714	

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2016

Statement of Financial Position	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
ASSETS						Note 55
Current Assets	115 956 000	56 668 000	172 624 000	249 265 020	76 641 020	
Inventory	750 000	156 000	906 000	2 850 212	1 944 212	Fp1
Trade receivables from exchange transactions	44 728 737	-12 109 000	32 619 737	18 759 906	-13 859 831	Fp2
Trade receivables from non-exchange transactions	921 204	1 351 000	2 272 204	18 005 045	15 732 841	Fp2
VAT Receivable	2 659 263	-	2 659 263	2 582 638	-76 625	
Bank, Cash and Cash Equivalents	66 616 000	67 270 000	133 886 000	206 785 097	72 899 097	Fp3
Operating Lease Assets	278 796	-	278 796	278 796	0	
Current Portion of Long-term Receivables	2 000	-	2 000	3 326	1 326	
Non-Current Assets	774 668 000	1 113 000	775 781 000	694 930 215	-80 850 785	
Property, Plant and Equipment	725 478 000	-9 052 000	716 426 000	634 873 236	-81 552 764	Fp10
Intangible assets	327 000	-	327 000	342 000	15 000	
Investment Property	40 525 000	10 165 000	50 690 000	51 377 600	687 600	
Heritage Assets	8 322 000	-	8 322 000	8 321 875	-125	
Long-term Receivables	16 000	-	16 000	15 505	-495	
Total Assets	890 624 000	57 781 000	948 405 000	944 195 235	-4 209 765	
LIABILITIES						
Current Liabilities	49 669 000	72 533 000	122 202 000	139 612 936	17 410 936	
Consumer Deposits	3 461 000	281 000	3 742 000	4 413 645	671 645	
Provisions	6 352 000	-228 000	6 124 000	6 453 873	329 873	
Creditors	27 390 524	3 321 014	30 711 538	44 114 057	13 402 519	Fp4
Unspent Conditional Grants and Receipts	-	69 966 986	69 966 986	69 966 986	0	
Operating Lease Liabilities	98 476	-	98 476	98 476	0	
Current Portion of Long-term Liabilities	12 367 000	-808 000	11 559 000	14 565 900	3 006 900	Fp5
Non-Current Liabilities	194 053 000	64 714 000	258 767 000	224 269 568	-34 497 432	
Long-term Liabilities	123 622 000	21 659 000	145 281 000	107 294 319	-37 986 681	Fp6
Retirement Benefit Liabilities	0	43 055 000	43 055 000	42 982 001	-72 999	
Non-current Provisions	68 614 845	-	68 614 845	72 177 093	3 562 248	Fp7
Trust Fund	1 816 155	-	1 816 155	1 816 155	0	
Total Liabilities	243 722 000	137 247 000	380 969 000	363 882 505	-17 086 495	
Total Assets and Liabilities	646 902 000	-79 466 000	567 436 000	580 312 731	12 876 731	
NET ASSETS	646 902 000	-79 466 000	567 435 883	580 312 731	12 876 731	
Statutory Funds	21 658 000	114 000	21 772 000	245 694	-21 526 423	Fp8
Accumulated Surplus	625 244 000	-79 580 000	545 663 883	580 067 037	34 403 154	Fp9
Total Net Assets	646 902 000	-79 466 000	567 436 000	580 312 731	12 876 731	

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2016

Cash Flow from Operating Activities	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						Note 55
Receipts						
Property rates	66 032 000	(370 000)	65 662 000	65 375 475	(286 525)	
Service charges	187 180 000	(6 600 000)	180 580 000	165 664 038	(14 915 962)	Cf1
Other revenue	23 516 000	6 600 000	30 116 000	30 365 196	249 196	
Government grants and subsidies	113 094 000	(19 863 000)	93 231 000	112 080 547	18 849 547	
Payments						
Suppliers and employees	(315 033 000)	-	(315 033 000)	(257 534 518)	57 498 482	Cf2
Transfers and grants	(260 000)	-	(260 000)	-	260 000	
Cash generated from operations	74 529 000	(20 233 000)	54 296 000	115 950 739	61 654 739	
Interest received	3 751 000	370 000	4 121 000	13 671 604	9 550 604	Cf3
Interest paid	(10 184 000)	-	(10 184 000)	(13 694 690)	(3 510 690)	Cf4
Net Cash from Operating Activities	68 096 000	(19 863 000)	48 233 000	115 927 653	67 694 653	
Cash flows from Investing Activities						
Purchase of property, plant and equipment	(154 733 000)	61 623 000	(93 110 000)	(78 676 538)	14 433 462	Cf5
Sale of property, plant and equipment	4 000 000	(3 500 000)	500 000	656 579	156 579	Cf6
(Increase)/decrease in non-current receivables	-	-	-	1 359	1 359	
Net Cash flows from Investing Activities	(150 733 000)	58 123 000	(92 610 000)	(78 018 600)	14 591 401	
Cash flows from Financing Activities						
New loans raised/(repaid)	41 563 000	-	41 563 000	31 460 640	(10 102 360)	Cf7
(Decrease)/increase in consumer deposits	-	-	-	671 815	671 815	
Increase in Trust Funds	-	-	-	44 034	44 034	
Net Cash from Financing Activities	41 563 000	-	41 563 000	32 176 489	(9 386 511)	
Net Increase / (decrease) in Cash and Cash Equivalents	(41 074 000)	38 260 000	(2 814 000)	70 085 544	72 899 542	
Cash and cash equivalents at the beginning of the year	99 772 000	36 928 000	136 700 000	136 699 553	(447)	
Cash and cash equivalents at the end of the year	58 698 000	75 188 000	133 886 000	206 785 097	72 899 097	Cf8

HESSEQUA LOCAL MUNICIPALITY

APPROPRIATION STATEMENT AT 30 JUNE 2016

Statement of Financial Performance

Figures in Rand

Revenue	Original budget	Adj. Budget - Conversion to SCOA	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Adj. Budget - for comparables	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	Actual outcome as % of final budget	Actual outcome as % of original budget
Revenue from non-exchange transactions											
Property Rates	66 877 682	72 244 735	(854 797)	66 022 885	66 022 885	-	-	66 022 885	65 936 567	(0.13)	(1.41)
Fines	42 234 050	42 277 437	43 387	42 277 437	42 277 437	-	-	42 277 437	44 051 887	4.20	4.30
Licences and permits	381 922	762 561	380 639	762 561	762 561	-	-	762 561	1 245 120	63.28	226.01
Income from agency services	1 744 245	1 673 115	(71 130)	1 673 115	1 673 115	-	-	1 673 115	1 778 356	6.29	1.96
Donated Property, Plant & Equipment	-	-	-	-	-	-	-	-	73 300	100.00	100.00
Government grants and subsidies	148 987 115	93 231 548	(55 755 567)	93 231 548	93 231 548	-	-	93 231 548	79 848 423	(14.35)	(46.41)
Gain on revaluation of Investment Property	-	-	-	-	-	-	-	-	711 600	-	-
Revenue from exchange transactions											
Service Charges	190 999 655	189 111 380	(21 991 794)	169 007 861	169 007 861	-	-	169 007 861	173 413 199	2.61	(9.21)
Rental of facilities and equipment	4 145 954	1 819 780	6 385 637	10 531 591	10 531 591	-	-	10 531 591	11 093 561	5.34	167.58
Interest earned - external investments	3 050 000	4 597 089	1 547 089	4 597 089	4 597 089	-	-	4 597 089	12 637 014	174.89	314.33
Interest earned - outstanding receivables	1 147 546	1 147 546	-	1 147 546	1 147 546	-	-	1 147 546	1 034 590	(9.84)	(9.84)
Other income	5 163 365	13 715 753	(577 090)	4 586 275	4 586 275	-	-	4 586 275	5 240 001	14.25	1.48
Gains on disposal of property, plant and equipment	4 000 000	500 000	(3 500 000)	500 000	500 000	-	-	500 000	-	(100.00)	(100.00)
Total Revenue	468 731 534	421 080 944	(74 393 626)	394 337 908	394 337 908	-	-	394 337 908	397 063 618	0.69	(15.29)
Expenditure											
Employee related costs	127 841 614	127 636 283	(205 331)	127 636 283	127 636 283	56 116	(51 825)	127 640 574	116 413 761	(8.80)	(8.94)
Remuneration of Councillors	6 360 321	6 360 321	-	6 360 321	6 360 321	-	-	6 360 321	6 046 658	(4.93)	(4.93)
Bad debts	33 256 721	33 256 721	-	33 256 721	33 256 721	-	-	33 256 721	38 268 449	15.07	15.07
Collection costs	-	-	2 471 189	2 471 189	2 471 189	-	-	2 471 189	1 892 307	(23.43)	-
Depreciation and amortisation	20 840 400	20 840 400	-	20 840 400	20 840 400	-	-	20 840 400	25 481 069	22.27	22.27
Repairs and maintenance	-	-	9 061 932	9 061 932	13 593 672	4 376 088	-	17 969 760	15 685 797	(12.71)	-
Interest paid	10 183 321	8 783 321	(1 400 000)	8 783 321	8 783 321	13 292	-	8 796 613	13 694 690	55.68	34.48
Bulk purchases	86 229 280	81 042 608	1 284 665	87 513 945	87 513 945	-	-	87 513 945	85 599 383	(2.19)	(0.73)
Other materials - inventory	-	23 823 777	-	-	-	-	-	-	-	-	-
Transfers & Grants	-	699 500	-	-	-	-	-	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	-	-	218 494	-	-
Contracted services	9 056 272	46 616 057	554 750	9 611 022	9 611 022	-	-	9 611 022	4 504 464	(53.13)	(50.26)
General expenses	91 127 119	48 386 286	(25 960 015)	65 167 104	60 635 364	(4 445 496)	(2 465 072)	53 724 796	39 231 761	(26.98)	(56.95)
Total Expenditure	384 895 048	397 445 274	(14 192 810)	370 702 238	370 702 238	-	(2 516 897)	368 185 341	347 036 831	(5.74)	(9.84)
Surplus/(Deficit) For The Year	83 836 486	23 635 670	(60 200 816)	23 635 670	23 635 670	-	2 516 897	26 152 567	50 026 787	91.29	(100.00)

HESSEQUA LOCAL MUNICIPALITY

APPROPRIATION STATEMENT AT 30 JUNE 2016

Capital Budget

Figures in Rand

GFS classification	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	Actual outcome as % of final budget	Actual outcome as % of original budget	Reference
Budget and Treasury Office	115 575	20 230	135 805	-	124 944	260 749	218 841	-16.1	89.3	<u>Note 55</u> Cap1
Community and Social Services	1 240 965	309 538	1 550 503	-	-	1 550 503	1 146 042	-26.1	-7.6	
Corporate Services	2 793 980	(360 603)	2 433 377	-	-	2 433 377	1 563 336	-35.8	-44.0	
Electricity	24 358 000	7 296 900	31 654 900	-	2 303 493	33 958 393	32 292 768	-4.9	32.6	
Environmental Protection	22 300	24 135	46 435	-	-	46 435	37 743	-18.7	69.3	
Executive and Council	46 650	(12 620)	34 030	-	-	34 030	34 026	0.0	-27.1	
Planning and Development	28 550	(5 490)	23 060	-	-	23 060	12 148	-47.3	-57.5	
Other	15 600	(3 350)	12 250	-	-	12 250	20 902	70.6	34.0	
Public Safety	858 000	(72 648)	785 352	-	-	785 352	836 615	6.5	-2.5	
Road Transport	75 938 553	(56 987 471)	18 951 082	-	-	18 951 082	14 368 864	-24.2	-81.1	Cap2
Sport and Recreation	1 873 097	(252 403)	1 620 694	-	51 869	1 672 563	1 541 121	-7.9	-17.7	
Waste Management	2 680 000	420 000	3 100 000	-	(51 869)	3 048 131	2 906 704	-4.6	8.5	
Waste Water Management	29 330 069	(5 796 709)	23 533 360	-	-	23 533 360	18 616 425	-20.9	-36.5	Cap3
Water	15 431 434	(6 202 552)	9 228 882	-	-	9 228 882	5 154 300	-44.2	-66.6	Cap4
Total	154 732 773	-61 623 043	93 109 730	-	2 428 437	95 538 167	78 749 835	-17.6	-49.1	

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2016**

1. BASIS OF PRESENTATION

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

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

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

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

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

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

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

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

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

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

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

1. 2. 1 Revenue Recognition

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

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

1. 2. 2 Financial assets and liabilities

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

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

1. 2. 3 Impairment of Financial Assets

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

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

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

1. 2. 4 Fair Value Estimations

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

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

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

1. 2. 5 Useful lives of Property, Plant and Equipment

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

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

The municipality has opted to early adopt the changes to GRAP 17: Property, Plant and Equipment as evident from Exposure Draft 126. Therefore, the useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there has been any indicators that require such change to be made.

1. 2. 6 Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (continued)

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

1. 2. 7 Defined Benefit Plan Liabilities

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

1. 2. 8 Provisions and contingent liabilities

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

1. 2. 9 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 2. 10 Budget information

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

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

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

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences above 10% are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

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

1. 4 GOING CONCERN ASSUMPTION

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

1. 5 OFFSETTING

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

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

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

GRAP 18	Segment Reporting - issued March 2005 - effective date unknown
GRAP 20	Related Party Disclosures (Revised)
GRAP 32	Service Concession Arrangement Grantor - issued December 2009
GRAP 108	Statutory Receivables - issued December 2009
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

- GRAP 20 Related Party Disclosures (Revised)

GRAP 18 - Segment Reporting

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

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

GRAP 32 – Service Concession arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.

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

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. ACCUMULATED SURPLUS

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

2. 1 Housing development fund/Housing operating account

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

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

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

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

2. 2 Trust Funds

The following trust funds exist in the municipality:

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

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

2. 2. 2 *Elsje Koorts Tuberculosis Fund*

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

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

These funds are invested in a ring fenced investment account.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year.

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

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

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

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

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

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

3. 2 Subsequent Cost and Subsequent Measurement

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

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

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

3. 3 Depreciation

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

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

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

3. 4 Work in Progress

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

3. 5 Finance Leases

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

3. 6 Land

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

3. 7 Infrastructure Assets

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

3. 8 Housing Development Fund Assets

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

3. 9 Derecognition of property, plant and equipment

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

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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4. Heritage Assets

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

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

4. 1 Initial Recognition

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

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

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

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

4. 2 Subsequent Measurement

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

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

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

4. 3 Derecognition of Heritage assets

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

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

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

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

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

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

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

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

5. 2 Subsequent Measurement, Amortisation and Impairment

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

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

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

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

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016**

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

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

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

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

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

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

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

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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6. INVESTMENT PROPERTY (continued)

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

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

6. 2 Subsequent Measurement - Fair Value Model

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

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

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

6. 3 Derecognition

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

7. IMPAIRMENT OF ASSETS

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

7. 1. Impairment of Cash generating assets

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

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

7. 2. Impairment of Non-Cash generating assets

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

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

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

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

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

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

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

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

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

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

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

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

8. FINANCIAL INSTRUMENTS

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

Initial recognition

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

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

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

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

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

The effective interest rate method

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

8. FINANCIAL INSTRUMENTS (continued)

Amortised cost

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

8. 1 Financial Assets - Classification

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

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

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

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

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

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

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

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

8. 2 Financial Liabilities - Classification

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

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

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

8. FINANCIAL INSTRUMENTS (continued)

8. 2 Financial Liabilities - Classification (continued)

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

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

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

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

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial Assets measured at Amortised Cost

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

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

Financial Assets measured at Fair Value

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

8. 3. 2 Financial Liabilities:

Financial liabilities

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

Financial Liabilities held at amortised cost

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

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

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

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

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

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

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

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

Impairment of Financial Assets measured at cost

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

8. 5 Derecognition of Financial Assets

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

FINANCIAL INSTRUMENTS (continued)

8. 6 Derecognition of Financial Liabilities

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

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

9. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 51.8 to the annual financial statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

10. INVENTORIES

10. 1 Initial Recognition

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

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

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

10. 2 Subsequent Measurement

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

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

Water inventory

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

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

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

Unsold properties

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

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

11. REVENUE RECOGNITION

11. 1 General

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. Revenue is shown net of value-added tax, returns, rebates and discounts.

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

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

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

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

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

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

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

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

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

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

11. 2. 3 Finance income

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

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

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016**

11. REVENUE RECOGNITION (continued)

11. 2. 4 *Tariff Charges*

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

11. 2. 5 *Income from Agency Services*

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

11. 2. 6 *Sale of Goods (including Houses)*

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

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

11. 2 Revenue from Exchange Transactions (continued)

11. 2. 7 *Rentals*

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

11. 3 Revenue from Non-exchange Transactions

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

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

11. 3. 1 *Rates and Taxes*

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016**

11. REVENUE RECOGNITION (continued)

11. 3. 2 Fines

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

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

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

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

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

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

11. 3. 3 Public contributions

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

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

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

11. 3. 4 Other Donations and Contributions

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

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

12. CONDITIONAL GRANTS AND RECEIPTS

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

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

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

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

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

13. PROVISIONS

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

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

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

13. PROVISIONS (Continued)

Provision for Restructuring cost

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

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

Environmental rehabilitation provisions

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

14. EMPLOYEE BENEFIT LIABILITY

14. 1 Short-term Employee Benefits

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

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

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

14. 2 Post employment benefits

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

14. 2. 1 Defined Contribution Plans

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

14. EMPLOYEE BENEFITS (continued)

14. 3 Defined Benefit Plans

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

14. 3. 1 Post-retirement Health Care Benefits:

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

14. 3. 2 Long-service Allowance

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

14. 3. 3 Provincially-administered Defined Benefit Plans

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

14. 3. 4 Defined benefit pension plans

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

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

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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15. LEASES

Lease Classification

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

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

15. 1 The Municipality as Lessee

Finance leases

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

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

Operating leases

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

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

15. 2 The Municipality as Lessor

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

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

15. 3 Determining whether an arrangement contains a lease

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

16. BORROWING COSTS

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

17. GRANTS-IN-AID

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

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

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

18. VALUE ADDED TAX

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

19. UNAUTHORISED EXPENDITURE

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

20. IRREGULAR EXPENDITURE

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

21. FRUITLESS AND WASTEFUL EXPENDITURE

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

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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23. RELATED PARTIES

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

24. EVENTS AFTER THE REPORTING DATE

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

25. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

25.1 Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

25.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016

26. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

26.1 Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at is measured at:

Fair value

The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

26.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 30 JUNE 2016**

27. FOREIGN CURRENCIES

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

28. COMPARATIVE INFORMATION

28. 1 Current Year Comparatives

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

28. 2 Prior year comparatives

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

28. 3 Budget information

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

The approved budget covers the period from 1 July 2015 to 30 June 2016.

29. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

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

30. CAPITAL COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Capital commitments are disclosed for:

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

31. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

HESSEQUA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

1. GENERAL INFORMATION

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

2. INVENTORY

Restated

2.1 Stores, water and paving

Stilbaai Store - at cost	596 493	584 687
Store Heidelberg - Electrical - at cost	93 930	112 876
Public Works - Heidelberg - at cost	17 264	12 681
Riversdal Main Store	97 655	97 655
Riversdal Electrical Store	1 847 527	1 847 527
Waterworks - Heidelberg - at cost	13 681	22 247
Water Inventory - at cost	176 288	165 613
	<hr/>	<hr/>
	2 842 838	2 843 285

2.2 Other

Stilbaai Books	921	834
Refuse Bins	887	740
Hessequa Book: Riversdal Tourism	136	-
Albertinia Municipal Office	2 715	1 358
Slangrivier - Office	679	679
Stilbaai - Office	136	272
Gouritsmond Tourism	-	-
Stilbaai Tourism	-	136
Witsand - Office	950	950
Heidelberg - Office	-	1 358
Mayoral Office	950	1 223

Total **2 850 212** **2 850 835**

Water Inventory

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

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

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

The cost of Inventories recognised as an expense during the period was R886 318 (2015: R667 676).

An error was corrected in the prior year due to items of inventory which were discovered at the end of the current year in The Riversdal Main Stores and Electricity Stores that were not previously accounted for. These items were already in stock at the end of the prior year. Refer to note 47.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

3. Trade receivables from exchange transactions	30 JUNE 2015			30 JUNE 2016		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	12 736 381	6 007 237	6 729 144	14 932 686	7 161 549	7 771 138
Water	6 460 112	3 046 974	3 413 138	7 325 709	3 513 328	3 812 381
Sewerage	5 121 970	2 415 826	2 706 144	5 639 744	2 704 758	2 934 986
Waste Management	2 685 274	1 266 535	1 418 739	3 066 549	1 470 682	1 595 867
Other	4 700 380	2 216 979	2 483 401	5 083 546	2 438 011	2 645 534
	31 704 117	14 953 552	16 750 565	36 048 234	17 288 328	18 759 906

Ageing of consumer debtors

Electricity, Water, Waste Management & Sewerage

Current (0 - 30 days)	15 878 903	13 777 014
Past due		
31 - 60 days	2 132 544	1 862 015
60 days +	902 633	859 714
90 days +	12 050 609	10 504 994
Total	30 964 689	27 003 737

Other

Current (0 - 30 days)	545 611	371 142
Past due		
31 - 60 days	222 556	378 454
60 days +	267 458	329 562
90 days +	4 047 920	3 621 222
Total	5 083 545	4 700 380

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

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

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

Summary of Debtors by Customer Classification

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

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2016				
Current:				
0 - 30 days	12 187 697	3 422 419	558 071	256 326
Past Due:				
31 - 60 Days	1 649 405	633 214	43 737	28 743
61 - 90 Days	958 596	176 785	21 236	13 475
+ 90 Days	14 229 448	1 111 287	587 674	170 119
Sub-total	29 025 146	5 343 705	1 210 718	468 663
Less: Provision for Impairment	(14 403 905)	(2 651 846)	-	(232 577)
Total Debtors by Customer Classification	14 621 241	2 691 859	1 210 718	236 086

3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of Debtors by Customer Classification

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

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

Balance at beginning of year	58 121 368	31 874 029
Impairment Losses recognised	38 268 449	29 419 138
Impairment - Vat movement	262 343	398 987
Amounts written off as uncollectable	(39 370 359)	(3 570 787)
Balance at end of year	57 281 801	58 121 368

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

Consumer -and other debtors	21 762 057	19 238 808
Traffic Fines	35 519 744	38 882 560
	57 281 801	58 121 368

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

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

- The highest 64 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management,
- High risk accounts were provided for at 100% - Debtors with indigent status,
- Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,
- All remaining debtors provided for at a percentage of non-payment for outstanding debt.

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

At 30 June 2016 consumer debtors of R2,335,392 (2015: R2,602,410) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	2 335 392	2 240 469
61 - 90 Days	-	361 941
91 Days +	-	-
Total	2 335 392	2 602 410

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

4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Restated

Assessment rates debtors	10 561 404	10 000 312
Insurance claims	-	-
Government subsidies	-	680 339
Prepaid Expenses	1 775 810	1 652 480
Employees PAYE & Salary control	55 341	9 766
Traffic Fines	45 247 776	48 884 286
Other	358 186	475 004
	57 998 517	61 702 187
Less: Provision for Impairment	(39 993 472)	(43 167 816)
Total Trade Receivables from non-exchange transactions	18 005 045	18 534 371

Traffic fines are accounted for according to the specifications of IGRAP 1 as revised. Refer to note 47.2 for a correction of prior year error.

Analysis of traffic fines receivable

Traffic Fines receivable at beginning of the year	48 884 286	23 196 330
Movement of fines during the year	(3 636 510)	25 687 956
Fines outstanding at the end of the year before provision for impairment	45 247 776	48 884 286
Less: Provision for Impairment of traffic fines	(35 519 744)	(38 882 560)
Fines outstanding at the end of the year	9 728 032	10 001 726

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

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. Interest is charged at prime plus 1% on all overdue assessment rates.

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

Ageing of trade receivables from non-exchange transactions**Rates Ageing**

Current (0 - 30days)	4 035 249	3 679 170
Past due		
31 - 60 days	1 396 491	940 788
60 days +	290 547	281 100
90 days +	4 839 117	5 099 254
Total	10 561 404	10 000 312

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2016				
Current:				
0 - 30 days	3 811 696	218 720	288	4 546
Past Due:				
31 - 60 Days	1 010 027	313 421	39 516	33 527
61 - 90 Days	271 000	18 505	186	856
+ 90 Days	4 095 100	330 325	399 932	13 760
Sub-total	9 187 823	880 971	439 922	52 689
Less: Provision for Impairment	(4 061 047)	(389 392)	-	(23 289)
Total Debtors by Customer Classification	5 126 776	491 579	439 922	29 400

As at 30 JUNE 2015

Current:				
0 - 30 days	3 475 577	199 546	95	3 953
Past Due:				
31 - 60 Days	841 409	95 036	1 284	3 059
61 - 90 Days	258 095	22 140	-	864
+ 90 Days	4 161 599	258 617	638 055	40 983
Sub-total	8 736 680	575 339	639 434	48 859
Less: Provision for Impairment	(3 999 509)	(263 381)	-	(22 367)
Total Debtors by Customer Classification	4 737 171	311 958	639 434	26 492

At 30 June 2016 receivables from non-exchange transactions of R2,052,427 (2015: R2,035,886) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	1 396 491	940 788
61 - 90 Days	290 547	281 100
91 Days +	365 389	813 998
Total	2 052 427	2 035 886

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

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

5. VAT

VAT payable	(1 626 378)	(1 310 381)
VAT receivable	4 209 016	2 661 598
Net VAT receivable / (payable)	2 582 638	1 351 217

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The VAT amount on outstanding debtors amounts to R3 530 575 (2015: R3,130,238) at year end.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	2016	2015
	R	R
6. CASH AND CASH EQUIVALENTS		
Current Investments	203 506 149	132 722 778
Cash and Cash Equivalents	47 230	37 730
Bank	3 231 717	3 939 045
Total Bank, Cash and Cash Equivalents	206 785 097	136 699 553

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

6.1 Current Investment Deposits

Call Deposits	<u>203 506 149</u>	<u>132 722 778</u>
---------------	--------------------	--------------------

Summary of Investments

ABSA	-	10 199 452
FNB	10 553 337	16 298 827
Investec	90 767 695	15 265 717
Standard Bank	10 318 909	42 298 528
Nedbank	91 866 208	48 660 253
	<u>203 506 149</u>	<u>132 722 778</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.5% to 8.48% (2015: 5,60% to 6%) per annum.

Allocations of investments

- Repayment of Long-term Liabilities as set out in Note 18	14 565 900	11 558 839
- Attributable to Unspent Conditional Grants as set out in Note 16	69 966 986	37 734 863
- Attributable to Housing Reserve as set out in Note 21	245 694	245 694
- Attributable to Trust Funds - see note 48	1 816 155	1 772 121
- Provision made for 25% of provision for rehabilitation of land-fill sites	16 136 273	-
- Available for Operational Account	100 775 141	81 411 261
	<u>203 506 149</u>	<u>132 722 778</u>

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

Primary Bank Account

First National Bank - Riversdale Branch Code 200313

Account Number 53571024174

Cheque Account

Cash book balance at beginning of year	3 923 263	3 523 029
Cash book balance at end of year	<u>3 209 069</u>	<u>3 923 263</u>

Bank statement balance at beginning of year	4 173 280	3 525 831
Bank statement balance at end of year	<u>3 357 204</u>	<u>4 173 280</u>

Current Account

First National Bank - Riversdale Branch Code 200313

Account Number 62225917543

Cheque Account

Cash book balance at beginning of year	15 782	981 267
Cash book balance at end of year	<u>22 648</u>	<u>15 782</u>

Bank statement balance at beginning of year	15 782	981 267
Bank statement balance at end of year	<u>22 648</u>	<u>15 782</u>

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

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

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

7. OPERATING LEASE ASSETS

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

Balance at beginning of year	220 695	262 275
Operating Lease expenses recorded	(1 141 502)	(927 557)
Operating Lease payments effected	1 199 604	885 976
Total Operating Lease Assets	278 796	220 695

7.1 Leasing arrangements

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

7.2 Amounts receivable under Operating Leases

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

Up to 1 year	1 108 085	899 743
2 to 5 years	3 601 866	2 269 534
More than 5 years	1 277 377	1 249 992
Total Operating Lease Arrangements	5 987 328	4 419 269

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R58 102 (2015: Decrease of R41 581). No restrictions have been imposed on the municipality in terms of the lease agreements.

8. PROPERTY, PLANT AND EQUIPMENT**30 JUNE 2016****Reconciliation of Carrying Value**

Description	Land	Buildings	Infrastructure	Community	Other	Total
Carrying values at 1 JULY 2015	168 370 343	31 500 997	295 273 692	15 272 474	74 077 955	584 495 461
Cost	186 546 460	53 938 901	372 035 270	23 794 713	108 229 978	744 545 322
- Completed Assets	186 546 460	51 729 240	341 148 817	23 007 045	108 187 805	710 619 368
- Under Construction	-	2 209 660	30 886 453	787 668	42 173	33 925 954
Accumulated Depreciation:	18 176 117	22 437 903	76 761 579	8 522 239	34 152 023	160 049 861
- Cost	18 176 117	22 437 903	76 761 579	8 522 239	34 152 023	160 049 861
Transfer to cost of completed assets due to projects completed	-	1 904 660	27 921 547	29 700	42 173	29 898 081
Transfer from cost under construction due to projects completed	-	(1 904 660)	(27 921 547)	(29 700)	(42 173)	(29 898 081)
Disposals	(774 286)	(27 325)	(13 663)	-	(498 730)	(1 314 004)
Depreciation on disposals	4 298	23 901	-	-	434 733	462 932
IGRAP 2 adjustment	-	-	-	-	(2 061 466)	(2 061 466)
Total acquisitions	-	1 039 917	67 422 117	665 055	9 622 749	78 749 838
Acquisitions	-	415 702	39 194 278	3 917	9 622 749	49 236 646
Capital under Construction - Additions	-	624 214	28 227 839	661 138	-	29 513 191
Depreciation:	-	3 367 570	10 380 735	1 166 589	10 544 630	25 459 524
- Based on cost	-	3 367 570	10 380 735	1 166 589	10 544 630	25 459 524
Impairment:	-	-	-	-	-	-
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2016	167 600 355	29 169 919	352 301 410	14 770 940	71 030 612	634 873 236
Cost	185 772 174	54 951 492	439 443 724	24 459 768	115 292 532	819 919 690
- Completed Assets	185 772 174	54 022 278	408 250 979	23 040 662	115 292 532	786 378 625
- Under Construction	-	929 214	31 192 745	1 419 106	-	33 541 065
Accumulated Depreciation and impairment:	18 171 819	25 781 573	87 142 314	9 688 829	44 261 920	185 046 454
- Cost	18 171 819	25 781 573	87 142 314	9 688 829	44 261 920	185 046 454

8. PROPERTY, PLANT AND EQUIPMENT (continued)

30 JUNE 2015

Restated

Reconciliation of Carrying Value

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

8.1 Property, Plant and Equipment Under Construction

R

R

The municipality has incurred expenditure on capital projects which were not completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

- Buildings	929 214	2 209 660
- Infrastructure	31 192 745	30 886 453
- Community	1 419 106	787 668
- Other assets	-	42 173
	33 541 065	33 925 954

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	78 749 838	29 191 127
- Less: Donated Assets	(73 300)	(381 000)
	78 676 538	28 810 127

8.2 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

8.3 Net carrying amount of assets subject to finance lease - Refer note 18

Other assets - Office machines	-	105 441
	-	105 441

The Municipality did not have any assets subject to finance leases at the end of the current year.

9. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	342 000	363 545
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The movement in Intangible Assets is reconciled as follows:

Carrying value at 1 JULY 2015	363 545	325 557
Cost	457 480	400 000
Accumulated Amortisation	(93 935)	(74 443)
Acquisitions during the Year:	-	57 480
Amortisation during the Year:	(21 545)	(19 492)
Carrying value at 30 JUNE 2016	342 000	363 545
Cost	457 480	457 480
Accumulated Amortisation	(115 480)	(93 935)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (See note 31)

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

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, are the following:
 - Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.
 No restrictions apply to any of the Intangible Assets of the municipality.

10. INVESTMENT PROPERTY

At fair value	51 377 600	50 690 000
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 JULY 2015	50 690 000	41 301 608
Fair value as previously reported	50 690 000	41 301 608
Disposals	(24 000)	(508 209)
Fair value adjustments due to revaluation	711 600	9 896 600
Carrying values at 30 JUNE 2016	51 377 600	50 690 000
Fair value	51 377 600	50 690 000
Accumulated impairment loss	-	-

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

Rental Revenue earned from Investment Property	294 380	244 982
Direct Operating expenses arising from investment property that generated rental revenue - Repairs and maintenance	(57 338)	(36 062)

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

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

10.1 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2015: R0)

10.2 Investment Property carried at Fair Value:

The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were performed by DDP valuers.

11. HERITAGE ASSETS

30 JUNE 2016

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
Carrying value at 1 JULY 2015	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
Impairment losses	-	-	-
Disposals	-	-	-
CARRYING VALUE AT 30 JUNE 2016	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
	-	-	-

30 JUNE 2015

Reconciliation of Carrying Value

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

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

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

11.1 Impairment of Heritage Assets

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

12. LONG-TERM RECEIVABLES

Sport clubs/Pre-primary school	18 831	20 190
Other	-	-
	18 831	20 190
Less: Current portion transferred to current receivables	(3 326)	(2 080)
Car Loans	-	-
Sport clubs/Pre-primary school	(3 326)	(2 080)
Housing - Stilbaai	-	-
Total	15 505	18 110

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

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

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

Sport clubs and other

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

Pikkewouter Pre-primary school - Stilbaai

Heidelberg Gholflklub

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R

13. CONSUMER DEPOSITS

Electricity and Water	4 413 645	3 741 830
Balance 30 JUNE 2016	4 413 645	3 741 830

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

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

14. PROVISIONS

Performance Bonus	763 940	777 511
Staff bonuses	3 275 933	3 167 834
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19.1 below)	1 818 000	1 794 000
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 19.2 below)	2 000	2 000
Current portion of Provision for long-service Awards (See note 20 below)	594 000	383 000
Total Provisions	6 453 873	6 124 345

Performance bonuses

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

Staff bonuses

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

The movement in current provisions are reconciled as follows:-

	Staff bonuses	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus
Balance at 1 JULY 2015	3 167 834	1 794 000	383 000	2 000	777 511
Transfer from non-current	-	-	-	-	-
Contribution to provisions	3 275 933	1 795 267	490 983	-	763 940
Expenditure incurred	(3 167 834)	(1 771 267)	(279 983)	-	(777 511)
Balance at 30 JUNE 2016	3 275 933	1 818 000	594 000	2 000	763 940
Balance at 1 JULY 2014	2 907 910	1 917 000	326 000	2 000	728 069
Transfer from non-current	-	-	-	-	-
Contribution to provisions	3 167 834	1 794 000	383 000	-	777 511
Expenditure incurred	(2 907 910)	(1 917 000)	(326 000)	-	(728 069)
Balance at 30 JUNE 2015	3 167 834	1 794 000	383 000	2 000	777 511

15. CREDITORS

Trade Creditors	27 163 931	24 933 040
Payments received in advance	567 003	667 528
Retentions	3 776 224	2 180 761
Staff Leave	5 636 941	5 379 761
Other Creditors	6 969 958	5 401 490
Total	44 114 057	38 562 580

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

Retentions refer to construction contracts.

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

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**16.1 Conditional Grants from other spheres of Government - Appendix F**

	68 613 851	37 222 266
National Government Grants	67 130 593	35 349 810
Provincial Government Grants	1 109 870	1 499 068
District Municipality Grants	373 388	373 388

16.2 Other Conditional Receipts - Appendix F

	1 353 135	512 597
Tourism	101 819	101 819
Skills Development	308 074	47 079
National Lottery Fund	303 227	-
ASLA Devco - Water meters Slangrivier	273 400	273 400
National Heritage Council	(0)	23 684
Africana Centre	6 615	6 615
Public Participation Strategy	60 000	-
Arbor Day Award	300 000	60 000

Total conditional grants and receipts

69 966 986	37 734 863
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See note 25 for reconciliation of grants.

17. OPERATING LEASE LIABILITY

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

Balance at beginning of year	52 742	13 102
Operating Lease expenses recorded	(745 784)	(546 640)
Operating Lease payments effected	791 517	586 280
Total Operating Lease Liabilities	98 476	52 742

17.1 Leasing Arrangements**The Municipality as Lessee:**

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

17.2 Amounts payable under Operating Leases

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

Buildings:	931 980	517 149
Up to 1 year	569 906	300 443
2 to 5 years	362 074	216 706
More than 5 years	-	-
Computer software:	1 374 828	1 591 817
Up to 1 year	234 348	216 989
2 to 5 years	1 140 480	1 056 000
More than 5 years	-	318 828
Total Operating Lease Arrangements	2 306 808	2 108 966

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

Minimum lease payments	791 517	540 554
Total Operating Lease Expenses	791 517	540 554

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016		2016	2015
		R	R
18. LONG-TERM LIABILITIES			
Annuity Loans		121 860 219	90 256 294
Finance Lease Liabilities		-	143 284
		121 860 219	90 399 578
Less: Current portion transferred to current liabilities		14 565 900	11 558 839
Annuity Loans		14 565 900	11 415 555
Finance Lease Liabilities		-	143 284
Total long-term liabilities (Neither past due nor impaired)		107 294 319	78 840 740

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 8.90% to 11.56% per annum. Annuity loans are not secured. Finance lease liabilities are secured by the items of assets leased.

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

Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 6 for more detail.

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

Obligations under finance lease liabilities:

The Municipality as lessee

The Municipality did not have any finance lease liabilities at the end of the year.

19. RETIREMENT BENEFIT LIABILITIES		
Post-retirement Health Care Benefits Liability	42 850 000	42 809 000
Ex-gratia Pension Benefit Liability	132 000	136 000
Total	42 982 001	42 945 000

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	44 603 000	45 098 427
Contributions to Provision	5 684 000	5 179 000
Expenditure incurred	(1 771 267)	(1 667 054)
Actuarial gains	(3 847 733)	(4 007 373)
Balance at end of Year	44 668 000	44 603 000
Transfer to Current Provisions	(1 818 000)	(1 794 000)
Total Post-retirement Health Care Benefits Liability	42 850 000	42 809 000

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

	2016	2015	2014	2013	2012
	R	R	R	R	R
Members	44 668 000	44 603 000	45 098 427	41 817 598	35 158 832
Total Liability	44 668 000	44 603 000	45 098 427	41 817 598	35 158 832
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	(3 847 733)	(4 007 373)	-	3 953 040	-

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

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2016 by Niel Fourie, Fellow of the Actuarial Society of South Africa and employee of ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

In-service Members (Employees)	150	150
Continued Members (Retirees, widowers and orphans)	51	55
Total members	201	205

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

In-service Members	22 746 000	21 491 000
Continued Members	21 922 000	23 112 000
Total liability	44 668 000	44 603 000

19. RETIREMENT BENEFIT LIABILITIES (continued)

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost and interest cost for the year ending 30 June 2016 is estimated to be R1,607,000 and R4,077,000 respectively, whereas the cost for the ensuing year is estimated to be R1,842,000 and R4,440,000 respectively.

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

Discount Rate	9.72%	9.32%
Consumer Price inflation	7.97%	7.52%
Health Care Cost Inflation Rate (1% above Consumer price inflation)	8.97%	8.52%
Net Effective Discount Rate	0.69%	0.74%

ii) Mortality rates

Pre-retirement SA 85 - 90 mortality table

SA 85 - 90 mortality table

Post-retirement PA (90 - 1) ultimate mortality table

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The average retirement age for in-service members has been assumed at age 63, which then implicitly allows for expected rates of early and ill-health retirement. The normal retirement age for all active employees has been assumed to be 65 years.

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

Balance at the beginning of the year	44 603 000	45 098 427
Current service costs	1 607 000	1 591 000
Interest cost	4 077 000	3 588 000
Benefits paid	(1 771 267)	(1 667 054)
Actuarial gains	(3 847 733)	(4 007 373)
Present Value of Fund Obligation at the end of the Year	44 668 000	44 603 000

Actuarial losses / (gains) unrecognised

-

-

Total Recognised Benefit Liability

44 668 000

44 603 000

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

Present value of fund obligations	44 668 000	44 603 000
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	44 668 000	44 603 000

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

Current service cost	1 607 000	1 591 000
Interest cost	4 077 000	3 588 000
Actuarial gains	(3 847 733)	(4 007 373)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 836 267	1 171 627

Sensitivity analysis

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

Increase:

Effect on the aggregate of the current service cost and the interest cost	7 432 000	6 719 000
Effect on the defined benefit obligation	51 654 000	51 466 001

Decrease:

Effect on the aggregate of the current service cost and the interest cost	5 361 000	4 856 000
Effect on the defined benefit obligation	38 979 000	38 997 001

ii) The effect of a 20% movement in the assumed mortality rates is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	5 732 000	5 202 000
Effect on the defined benefit obligation	40 891 000	40 992 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	6 976 000	6 293 000
Effect on the defined benefit obligation	49 461 000	49 171 000

The municipality expects to make a contribution of R6 282 000 to the provision during the next year.

Refer to Note 43 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.

19. RETIREMENT BENEFIT LIABILITIES (continued)
19.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year	138 000	226 570
Contributions to Provision	11 000	(15 326)
Expenditure incurred	(6 000)	(14 326)
Decrease due to Re-measurement	(9 000)	(58 918)
Balance at end of Year	134 000	138 000
Transfer to Current Provisions	(2 000)	(2 000)
Total Ex-Gratia Pensioners Benefits Liability	132 000	136 000

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

	2016 R	2015 R	2014 R	2013 R	2012 R
Members	134 000	138 000	226 570	213 570	129 385
Total Liability	134 000	138 000	226 570	213 570	129 385

Experience adjustments were calculated as follows:

	2016	2015	2014	2013	2012
Liabilities: (Gain)/Loss	(9 000)	(58 918)	-	73 922	-

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2016, 56 (2015: 64) pensioners were eligible for payments in terms of this plan. The municipality operates an unfunded defined benefit plan for these qualifying employees.

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

The interest-cost for the next year is estimated to be R11 000. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

i) Rate of interest

Discount Rate (Yield curve based)	8.77%	8.45%
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The discount rate was determined with reference to high quality corporate bond yields at the reporting date. Where there is no deep market in Government Bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, current market rates of the appropriate term to discount shorter term payments was used, and estimated the discount rate for longer maturities, by extrapolating current market rates along the yield curve.

ii) Mortality rates

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

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

Balance at the beginning of the year	138 000	226 570
Interest cost	11 000	(15 326)
Benefits paid	(6 000)	(14 326)
Actuarial losses / (gains)	(9 000)	(58 918)
Present Value of Fund Obligation at the end of the Year	134 000	138 000
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	134 000	138 000

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

Present value of fund obligations	134 000	138 000
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	134 000	138 000

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

Interest cost	11 000	(15 326)
Actuarial gains	(9 000)	(58 918)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	2 000	(74 244)

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

Increase:

Effect on the interest cost	11 000	12 000
Effect on the defined benefit obligation	136 000	146 000

Decrease:

Effect on the interest cost	11 000	10 000
Effect on the defined benefit obligation	140 000	130 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016		2016	2015		
		R	R		
20. NON-CURRENT PROVISIONS					
Provision for Long Service Awards		7 632 000	7 077 000		
Land-fill Sites		64 545 093	61 602 302		
Total non-current provisions		72 177 093	68 679 302		
The movement in Non-current Provisions are reconciled as follows:					
		30 JUNE 2016	30 JUNE 2016		
		Land-fill sites	Long Service Awards		
Balance at beginning of year		61 602 302	7 460 000		
Increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate		(2 061 466)	1 343 000		
Expenditure incurred		-	(279 983)		
Increase due to re-measurement		5 004 257	(297 017)		
Transfer to current provisions		64 545 093	8 226 000		
Balance at end of year		64 545 093	7 632 000		
Long Service Awards					
The liability in respect of the current and previous four years has been estimated as follows:					
	2016	2015	2014	2013	2012
	R	R	R	R	R
Members	8 226 000	7 460 000	6 735 286	6 004 800	3 522 373
Total Liability	8 226 000	7 460 000	6 735 286	6 004 800	3 522 373
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	2016	2015	2014	2013	2012
	(297 017)	84 714	145 000	476 000	-
Long service awards					
The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. The municipality operates an unfunded defined plan for these qualifying employees.					
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Niel Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.					
At year end, 508 (2015: 514) employees were eligible for Long-services Awards.					
The Current-service Cost and interest cost for the year ending 30 June 2016 is estimated to be R653,000 and R690,000 respectively, whereas the cost for the ensuing year is estimated to be R698,000 and R835 000 respectively.					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate		9.02%	8.49%		
General salary inflation (1% above current CPI)		8.26%	7.81%		
Net Effective Discount Rate		0.7%	0.63%		
The discount rate was determined with reference to high quality corporate bond yields at the reporting date. Where there is no deep market in Government Bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, current market rates of the appropriate term to discount shorter term payments was used, and estimated the discount rate for longer maturities, by extrapolating current market rates along the yield curve.					
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year		7 460 000	6 735 286		
Current service costs		653 000	604 000		
Interest cost		690 000	543 000		
Benefits paid		(279 983)	(507 000)		
Actuarial losses / (gains)		(297 017)	84 714		
Present Value of Fund Obligation at the end of the Year		8 226 000	7 460 000		
Actuarial losses / (gains) unrecognised		-	-		
Total Recognised Benefit Liability		8 226 000	7 460 000		
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations		8 226 000	7 460 000		
Actuarial gains / (losses) not recognised		-	-		
Total Benefit Liability		8 226 000	7 460 000		
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost		653 000	604 000		
Interest cost		690 000	543 000		
Actuarial (gains) / losses		(297 017)	84 714		
Total Post-retirement Benefit included in Employee Related Costs (Note 28)		1 045 983	1 231 714		
Sensitivity Analysis:					
The effect of a 1% movement in the assumed general salary inflation rate is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost		1 678 000	1 475 000		
Effect on the defined benefit obligation		8 928 000	8 121 000		
Decrease:					
Effect on the aggregate of the current service cost and the interest cost		1 405 000	1 225 000		
Effect on the defined benefit obligation		7 601 000	6 872 000		
The municipality expects to make a contribution of R1 533 000 to the provision during the next year.					

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	2016	2015
	R	R

20. NON-CURRENT PROVISIONS - (continued)

Provision for Land-fill Sites

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

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

Management referred to the following when making assumptions regarding provisions:

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

21. STATUTORY FUNDS

Housing Reserve		
Balance 1 July	245 694	131 441
Rental Income	-	146 229
	245 694	277 670
Less: Expenses	-	(31 976)
Total at 30 June	245 694	245 694

The Housing reserve is represented by the following:

Investment (included in investments note 6)	245 694	245 694
Total Housing Reserve Assets	245 694	245 694

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

22. ACCUMULATED SURPLUS

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

		Restated
Opening balance as restated	530 040 250	480 238 560
Surplus for the year as restated	50 026 787	49 915 943
Transfer to Housing Reserve	-	(114 253)
Total Accumulated Surplus	580 067 037	530 040 250

23. PROPERTY RATES

Actual

Residential, Commercial & State	72 130 371	65 615 910
Less: Income Forgone	(6 193 804)	(4 822 637)
Total Assessment Rates	65 936 567	60 793 273

Valuations

	R000's	R000's
Residential, Commercial & State	9 769 316	9 970 962
Agriculture	3 922 702	3 592 214
Municipal	320 815	321 756
Churches	117 310	118 201
Total Property Valuations	14 130 143	14 003 134

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

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

A uniform general residential rate of 0.006151 c/R (2014/2015: 0.005669 c/R) is applied to property valuations to determine assessment rates.

The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2014.

The rates tariffs for the 2015/2016 financial year was as follows:

	2015/16	2014/15
Residential	.006151c/R	.005669c/R
Vacant Land	.010719c/R	.009879c/R
Agriculture	.001537c/R	.001417c/R
State	.013563c/R	.012500c/R
Business	.006296c/R	.005803c/R

A rebate of R50 000 on the value of the property (2014/2015: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to private owned developments.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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24. SERVICE CHARGES

		Restated
Sale of electricity	117 577 503	103 798 949
Sale of water	28 017 906	26 296 921
Connection Fees - Geysler load control	210 770	-
Refuse removal fees	11 611 688	10 154 538
Sewerage and sanitation charges	15 995 332	14 257 277
Total Service Charges	173 413 199	154 507 685

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

Certain items included in Service Charges have been restated due to mSCOA implementation. Refer to note 46.

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

Operating

		35 032 048	40 278 269
National:			
Equitable Share	25.1	31 529 000	29 993 000
Financial Management Grant	25.2	1 450 000	1 450 000
MIG Projects	25.10	666 600	649 850
Expanded Public Works Programme	25.4	192 030	346 296
Energy Efficiency Demand Side Management	25.12	-	884 603
Integrated National Electricity Program	25.11	374 018	-
Municipal Systems Improvement Grant	25.15	820 400	934 000
Disaster Recovery Grant	25.19	-	6 020 520

Provincial:

		17 146 687	17 901 396
Human Settlement Development	25.5	9 657 112	11 249 796
Library: Extending Staffing Levels	25.7	1 539 734	1 219 137
Riversdal Thusong Centre	25.3	5 000	-
Libraries Municipal Replacement Funding	25.14	4 388 854	4 116 453
National Emergency Housing Programme	25.21	-	50 204
Tuin op die Brak	25.22	-	300 000
Greenest Municipality	25.17	195 377	-
Subsidy - Proclaimed Roads	25.13	95 000	-
Municipal Capacity Building Grant	25.16	648 810	101 600
Performance Management Systems	25.17	-	-
Financial Management Support Grant	25.18	616 800	864 206

Capital Projects

		26 904 419	13 648 442
National:			
Financial Management Grant	25.2	-	-
Accelerated Community Infrastr. Programme	25.8	3 199 093	200 000
Integrated National Electricity Program	25.11	2 625 983	-
MIG Allocations	25.10	15 723 810	9 292 022
Integrated National Electricity Program	25.11	-	-
Municipal Systems Improvement Grant	25.15	109 600	-
Disaster Recovery Grant	25.19	4 233 202	335 874
Energy Efficiency Demand Side Management	25.12	-	3 036 603
Expanded Public Works Programme	25.4	1 012 731	783 943

Provincial:

		551 623	153 697
Library: Conditional Grant	25.7	-	100 980
Libraries Municipal Replacement Funding	25.14	551 623	39 042
Housing Consumer Education	25.23	-	13 675
Public Transport Infrastructure	25.13	-	-

Total Government Grants & Subsidy - Operational		52 178 735	58 179 665
Total Government Grants & Subsidy - Capital		27 456 042	13 802 139

Government - Operating Grants		52 178 735	58 179 665
Government - Capital Grants		27 456 042	13 802 139
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		79 634 777	71 981 804
Other grants note 26		213 646	1 096 117
		79 848 423	73 077 921

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)

25.1 Equitable Share

Current Year Receipts	31 529 000	29 993 000
Conditions met - transferred to revenue	(31 529 000)	(29 993 000)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

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

Level of Income:

- R0.00 - R3 000

- R3 001 - R3 500

Subsidy

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

25.2 Financial Management Grant

Balance unspent at beginning of year	-	-
Current Year Receipts	1 450 000	1 450 000
Conditions met - transferred to revenue: Operating Expenses	(1 450 000)	(1 450 000)
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

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

25.3 Riversdale Thusong Centre

Balance unspent at beginning of year	-	-
Current Year Receipts	100 000	-
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	(5 000)	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	95 000	-

This grant is been utilised for social an economic development.

25.4 Extended Public Works Programme

Balance unspent at beginning of year	204 761	-
Current Year Receipts	1 000 000	1 335 000
Conditions met - transferred to revenue: Operating Expenses	(192 030)	(346 296)
Conditions met - transferred to revenue: Capital Expenses	(1 012 731)	(783 943)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	204 761

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

25.5 Human Settlement Development

Balance unspent at beginning of year	-	-
Current Year Receipts	9 657 112	11 249 796
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	(9 657 112)	(11 249 796)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

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

25.6 Spatial Development Framework

Balance unspent at beginning of year	2 807	2 807
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	2 807	2 807

This grant is earmarked for environmental projects

25.7 Library Conditional Grant

Balance unspent at beginning of year	34 883	-
Current Year Receipts	1 651 000	1 355 000
Conditions met - transferred to revenue: Capital Expenses	-	(100 980)
Conditions met - transferred to revenue: Operating Expenses	(1 539 734)	(1 219 137)
Conditions still to be met - transferred to liabilities (refer note16.1)	146 149	34 883

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	2016 R	2015 R
25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
25.8 Accelerated Community Infrastr. Programme		
Balance unspent at beginning of year	-	-
Current Year Receipts	3 458 000	200 000
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(3 427 093)	(200 000)
Conditions still to be met - transferred to liabilities (refer note16.1)	30 907	-
This grant is utilised for Local Economic Development projects		
25.9 Housing Consumer Education - George Municipality		
Balance unspent at beginning of year	21 068	21 068
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	21 068	21 068
This grant is earmarked for consumer awareness projects		
25.10 MIG Infrastructure allocations		
Balance unspent at beginning of year	6 517 128	-
Current Year Receipts	13 332 000	16 459 000
Conditions met - transferred to Revenue: Capital Expenses	(15 723 811)	(9 292 022)
Conditions met - transferred to revenue: Operating Expenses	(666 600)	(649 850)
Conditions still to be met - transferred to liabilities (refer note16.1)	3 458 717	6 517 128
This grant was used to construct roads, labour intensive side-walks, sewerage and water infrastructure as part of the upgrade of informal settlement areas.		
25.11 Integrated National Electricity Program		
Balance unspent at beginning of year	-	-
Current Year Receipts	3 000 000.00	-
Conditions met - transferred to Revenue: Capital Expenses	(2 625 982.05)	-
Conditions met - transferred to Revenue: Operating Expenses	(374 017.95)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-
The INEP grant was used for electrification of housing schemes		
25.12 Energy Efficiency Demand Side Mgmt		
Balance unspent at beginning of year	78 794	-
Current Year Receipts	-	4 000 000
Grant forfeited - Not income	(78 794)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(3 036 603)
Conditions met - transferred to revenue: Operating Expenses	-	(884 603)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	78 794
Unspent EEDSM Grant on 30 June 2016 of R78 794 was subtracted from Equitabale Share during 2015/16.		
25.13 Proclaimed Roads		
Balance unspent at beginning of year	-	-
Current Year Receipts	95 000	-
Conditions met - transferred to Revenue: Operating Expenses	(95 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-
This grant was used for Provincial road projects.		
25.14 Libraries Municipal Replacement Funding		
Balance unspent at beginning of year	330 505	-
Current Year Receipts	4 756 000	4 486 000
Conditions met - transferred to Revenue: Operating Expenses	(4 388 854)	(4 116 453)
Conditions met - transferred to Revenue: Capital Expenses	(551 623)	(39 042)
Conditions still to be met - transferred to liabilities (refer note16.1)	146 028	330 505
This grant is utilised to fund the expenses of the library service		
25.15 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current Year Receipts	930 000	934 000
Conditions met - transferred to revenue: Operating Expenses	(820 400)	(934 000)
Conditions met - transferred to revenue: Capital Expenses	(109 600)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-
The MSIG was used for building in-house capacity and development of master plans		
25.16 Municipal Capacity Building Grant		
Balance unspent at beginning of year	398 400	-
Current Year Receipts	267 000	500 000
Conditions met - transferred to revenue: Operating Expenses	(648 810)	(101 600)
Conditions still to be met - transferred to liabilities (refer note16.1)	16 590	398 400
This grant was used for project preparation		

25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)**25.17 Subsidy - Greenest Municipality**

Balance unspent at beginning of year	70 000	-
Current Year Receipts	130 000	-
Conditions met - transferred to revenue: Operating Expenses	(195 377)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	4 623	-

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

25.18 Financial Management Support Grant

Balance unspent at beginning of year	633 162	307 568
Current Year Receipts	353 000	1 189 800
Conditions met - transferred to revenue: Operating Expenses	(616 800)	(864 206)
Conditions still to be met - transferred to liabilities (refer note16.1)	369 362	633 162

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

25.19 Disaster Recovery Grant

Balance unspent at beginning of year	28 549 126	-
Current Year Receipts	39 325 044	34 905 520
Conditions met - transferred to revenue: Operating Expenses	-	(6 020 520)
Conditions met - transferred to revenue: Capital Expenses	(4 233 202)	(335 874)
Conditions still to be met - transferred to liabilities (refer note16.1)	63 640 968	28 549 126

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

25.20 Greenest Municipality Competition

Balance unspent at beginning of year	70 000	-
Current Year Receipts	130 000	70 000
Conditions met - transferred to revenue: Operating Expenses	(195 377)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	4 623	70 000

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

25.21 National Emergency Housing Programme

Balance unspent at beginning of year	-	-
Current Year Receipts	-	50 204
Conditions met - transferred to revenue: Operating Expenses	-	(50 204)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

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

25.22 Tuin op die Brak

Balance unspent at beginning of year	-	-
Current Year Receipts	-	300 000
Conditions met - transferred to revenue: Operating Expenses	-	(300 000)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

For development purposes

25.23 Housing Consumer Education

Balance unspent at beginning of year	20 586	34 261
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-	(13 675)
Conditions still to be met - transferred to liabilities (refer note16.1)	20 586	20 586

This grant is earmarked for consumer awareness projects

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

		2016	2015
		R	R
Operating		213 646	588 867
Seta	26.1	179 962	568 867
Arbor Day Award		-	-
Business Connexion - Tourism	26.5	10 000	-
National Heritage Council	26.6	23 684	-
National Lottery Fund	26.3	-	20 000
Capital		224 023	507 250
Asla Devco - Water Meters Slangrivier	26.4	-	-
National Lottery Fund	26.3	224 023	507 250
Total Operating Grants		213 646	588 867
Total Capital Grants		224 023	507 250

26.1 Seta

Balance unspent at beginning of year		47 079	353 063
Current Year Receipts		440 957	262 883
Conditions met - transferred to revenue: Operating Expenses		(179 962)	(568 867)
Conditions still to be met - transferred to liabilities (refer note16.2)		308 074	47 079

This grant is utilised for various staff skills development programmes

26.2 Africana Centre

Balance unspent at beginning of year		6 615	6 615
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		6 615	6 615

This was utilised for maintenance and general expenditure

26.3 National Lottery Fund

Balance unspent at beginning of year		-	527 250
Current Year Receipts		527 250	-
Conditions met - transferred to revenue: Operating Expenses		-	(20 000)
Conditions met - transferred to revenue: Capital Expenses		(224 023)	(507 250)
Conditions still to be met - transferred to liabilities (refer note16.2)		303 227	-

This grant is earmarked for projects in previously disadvantaged areas

26.4 Asla Devco - Water Meters Slangrivier

Balance unspent at beginning of year		273 400	273 400
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		273 400	273 400

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

26.5 Business Engineering

Balance unspent at beginning of year		-	-
Current Year Receipts		10 000	-
Conditions met - transferred to revenue: Capital Expenses		(10 000)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		-	-

This grant is earmarked for projects in previously disadvantaged areas

26.6 National Heritage Council

Balance unspent at beginning of year		23 684	-
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(23 684)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		-	-

This grant was used for heritage projects

27. OTHER INCOME**Restated**

Included in other income is the following:

Capital Contribution: Water and electricity	750 695	488 494
Capital Contribution: Sewerage	216 522	331 545
Building plans	1 117 293	722 270
Commission	81 191	-
Other Income	2 719 139	3 051 450
Roadworthy Certificates	355 161	305 733
Total	5 240 001	4 899 493

Certain items included in Other Income have been restated due to mSCOA implementation. Refer to note 46.

28. EMPLOYEE RELATED COSTS**Restated**

Salaries and wages	83 291 453	78 380 114
Contributions for UIF, pensions and medical aids	18 382 744	17 192 082
Travel, motor car, accomodation, subsistence and other allowance	7 441 179	7 143 689
Housing benefits and allowance	1 069 229	306 879
Overtime payments	3 350 905	2 901 191
Contribution to provision for post-retirement medical aid benefits	1 836 267	1 171 627
Contribution to long-service provision	1 045 983	1 228 487
Contribution to provision for post-retirement ex-gratia	(4 000)	(74 244)
Total Employee Related Costs	116 413 761	108 249 825

Salaries and wages have been restated due to mSCOA implementation. Refer to note 46.

Remuneration of the Municipal Manager

Annual Remuneration	1 043 295	960 842
Performance Bonus	168 644	157 921
Travel Allowance	36 000	48 000
Telephone allowance	16 088	16 894
Contributions to UIF, Medical and Pension Fund	209 629	195 760
Total	1 473 657	1 379 417

Remuneration of the Manager Community Services

Annual Remuneration	593 023	549 715
Long service Bonus	-	62 394
Performance Bonus	62 145	80 016
Travel Allowance	80 000	80 000
Telephone allowance	7 200	7 200
Contributions to UIF, Medical and Pension Fund	157 994	147 096
Total	900 361	926 421

Remuneration of the Manager Streets & Storm water

Annual Remuneration	417 403	748 470
Performance Bonus	99 859	119 012
Travel Allowance	4 000	-
Telephone allowance	4 200	8 400
Other Allowance	-	15 762
Leave	29 091	-
Contributions to UIF, Medical and Pension Fund	84 421	159 333
Total	638 973	1 050 977

Remuneration of the Manager Planning Services

Annual Remuneration	758 410	710 934
Performance Bonus	127 093	119 012
Travel Allowance	60 000	60 000
Telephone allowance	7 200	7 200
Contributions to UIF, Medical and Pension Fund	152 940	136 870
Total	1 105 643	1 034 016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	2016	2015
	R	R
28. EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Manager Financial Services		
Annual Remuneration	643 474	604 191
Performance Bonus	127 093	119 012
Travel Allowance	201 322	183 926
Telephone allowance	7 200	7 200
Contributions to UIF, Medical and Pension Fund	126 554	119 687
Total	1 105 643	1 034 016
Remuneration of the Manager Corporate Services		
Annual Remuneration	735 275	689 133
Performance bonus	118 834	111 278
Telephone allowance	7 200	7 200
Contributions to UIF, Medical and Pension Fund	172 858	159 681
Total	1 034 168	967 292
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:		
Post-employment Benefits:-		
Municipal Manager	501 731	434 992
Chief Financial Officer	334 964	287 568
Manager: Corporate Services	335 633	75 662
Manager: Planning	156 310	96 958
Manager: Social	178 146	146 644
Manager: Technical and Engineering Services	-	47 092
Total	1 506 784	1 088 916
Other Long-term Benefits:-		
Chief Financial Officer	42 329	37 068
Manager: Corporate Services	70 825	61 207
Manager: Planning	70 673	84 503
Manager: Social	151 419	66 161
Manager: Technical and Engineering Services	-	69 748
Total	335 245	318 687
Staff Leave Benefits:-		
Municipal Manager	95 890	78 583
Chief Financial Officer	44 559	52 230
Manager: Corporate Services	9 906	6 684
Manager: Planning	37 771	65 657
Manager: Social	75 238	74 646
Manager: Technical and Engineering Services	-	24 557
Total	263 363	302 358
29. REMUNERATION OF COUNCILLORS		
Executive Mayor	782 480	742 963
Deputy Executive Mayor	630 878	599 264
Speaker	630 878	599 264
Mayoral Committee Members	1 736 663	1 690 020
Councillors	2 265 758	2 159 944
	6 046 658	5 791 455
Ward committee's - see other expenses	-	-
Total Councillors' Remuneration	6 046 658	5 791 455
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.		
Councillors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	2016	2015
	R	R
30. PROVISION FOR IMPAIRMENT OF DEBTORS		Restated
Contribution to bad debt provision - ex I & E	38 268 449	29 419 138
Contribution from bad debt provision	(39 370 359)	(3 570 787)
Bad debts written off	39 370 359	3 570 787
Total	38 268 449	29 419 138

The contribution consist of the following:

Rates and service debtors	4 380 875	5 858 144
Traffic fines	33 887 574	23 560 994
Total	38 268 449	29 419 138

The provision for impairment of traffic fines have been restated in the prior year. Refer to note 47.3.

31. DEPRECIATION AND AMORTISATION		
PPE (Note 8)	25 459 524	19 903 050
Intangible assets (Note 9)	21 545	19 492
Total	25 481 069	19 922 542

32. INTEREST PAID		
Long-term liabilities	8 680 383	8 586 737
Other	5 014 307	1 264 419
Total	13 694 690	9 851 156

33. BULK PURCHASES		Restated
Electricity	80 485 459	69 688 785
Water	5 113 925	5 325 075
Total	85 599 383	75 013 861

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

Bulk purchases were restated due to mSCOA implementation. Refer to note 46.

34. GENERAL EXPENSES		Restated
Audit Fees - External	2 749 800	2 456 472
Contracted Services - Consultants and Professional Services	3 845 886	3 624 029
Contracted Services - Clean-up	394 255	589 260
Contracted Services - Electrical	328 085	730 079
Contracted Services - Other	10 141 508	262 986
Chemicals	1 756 372	1 589 145
Insurance	485 125	467 210
Material & Supplies	1 960 657	1 023 518
Other	4 546 387	5 772 107
Housing projects	-	11 249 796
SALGA membership	1 173 572	1 165 194
Skills Development	929 800	866 823
Software license	1 526 195	1 311 013
Postage & Telephone	2 194 003	2 133 801
Printing & Stationery	806 059	669 837
Software assistance	1 472 289	1 476 017
Transfers & Grants	514 532	536 202
Travelling & Subsistence	944 879	1 065 303
Vehicle Costs	2 772 930	6 086 993
Workmens Compensation	689 426	719 898
Total	39 231 761	43 795 685

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

Certain items included in general expenses have been restated due to mSCOA implementation. Refer to note 46.

35. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank and Cash on Hand	47 230	37 730
Bank, cash and cash equivalents	206 737 867	136 661 823
Total	206 785 097	136 699 553

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016	2016	2015
	R	R
36. CASH GENERATED BY OPERATIONS		
		Restated
Surplus for the year	50 026 787	49 915 943
<i>Adjustments for:</i>		
Depreciation and amortisation	25 481 069	19 922 542
Gain on disposal of assets	-	(741 332)
Loss on disposal of property, plant and equipment and transfers	218 494	-
Gain on revaluation of investment property	(711 600)	(9 896 600)
Donated property, plant and equipment	(73 300)	(381 000)
Contribution to provision for impairment of debtors	38 268 449	29 419 138
Increase/(decrease) in Retirement Benefit Liabilities	37 001	(460 997)
Increase in Non-current Provisions	5 559 257	1 752 313
Increase/(decrease) in operating lease liabilities	45 734	39 640
(Increase)/decrease in operating lease assets	(58 102)	41 581
Investment & Debtors Interest	(13 671 604)	(7 481 812)
Interest paid	13 694 690	9 851 156
Operating surplus before working capital changes:	118 816 875	91 980 572
(Increase)/Decrease in inventories	623	(95 335)
(Increase)/Decrease in debtors	(7 025 178)	(6 691 087)
(Increase)/Decrease in other debtors	(32 985 631)	(27 784 224)
Increase/(Decrease) in provisions	329 528	243 362
Increase/(Decrease) in conditional grants and receipts	32 232 124	35 662 282
Increase/(Decrease) in creditors	5 551 477	5 515 085
(Increase)/Decrease in VAT	(969 078)	640 738
Cash generated by operations	115 950 739	99 471 392

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

37.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	1 173 572	1 165 194
Amount paid - current year	(1 173 572)	(1 165 194)
Balance at 30 JUNE 2016	-	-

37.2 PAYE and UIF

Opening Balance	-	-
Current year payroll deductions	13 683 988	12 066 463
Amount paid - current year	(13 683 988)	(12 066 463)
Balance at 30 JUNE 2016	-	-

37.3 Pension and Medical Aid deductions

Opening Balance	-	-
Current year payroll deductions	26 847 598	27 408 407
Amount paid - current year	(26 847 598)	(27 408 407)
Balance at 30 JUNE 2016	-	-

37.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	2 749 800	2 456 472
Amount paid - current year	(2 749 800)	(2 456 472)
Balance at 30 JUNE 2016	-	-

37.5 VAT

VAT input receivables and VAT output receivables are shown in Note 5. These returns have been submitted by the due date throughout the year.

37.6 Councilor's arrear Consumer Accounts

No Councilor had arrear accounts outstanding for more than 90 days as at 30 JUNE 2016.

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

No known matters existed at reporting date.

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

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

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

	30 JUNE 2016	30 JUNE 2016
	Number of Cases	R
<R2 000	525	383 246
Sole supplier	4	4 942
Emergency	213	130 939
Exceptional Circumstances	308	247 365
Impractical	-	-
R2 000 - R30 0000	287	2 523 942
Sole supplier	11	153 982
Emergency	58	457 406
Exceptional Circumstances	218	1 912 553
Impractical	-	-
R30 000 - R200 000	60	4 021 806
Sole supplier	4	270 510
Emergency	5	315 283
Exceptional Circumstances	51	3 436 012
Impractical	-	-
> R200 000	7	5 767 137
Sole supplier	1	829 478
Emergency	-	-
Exceptional Circumstances	6	4 937 660
Impractical	-	-
Total	879	12 696 130

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

Department	Service	Provider	Reason for deviation	Amount
Information Technology	Provision of Venus Financial Management System.	Business Connexions	Migration of the Venus Financial Management System to the prescribed mSCOA format. Business Connexions is the current contracted service provider for the financial solutions in use, and is therefore the sole provider.	449 999
Electrical Services	Purchasing of a second hand bulldozer	Bubesi Equipment	A second hand Bulldozer was required which could only be sourced from suppliers who had second hand bulldozers available. Inspections were conducted to find one which is suitable. Deviation was approved by the Municipal Manager.	1 653 000
Electrical Services	Purchasing of a Grader	Babcock Equipment	A second hand Grader was required, however during the search for such a grader, the supplier offered a new grader at a reduced price with a one year guarantee.	1 710 000
Electrical Services	Geyser Load Control System	Powertech IST	Payment of annual fees for the Geyser Load Control System.	241 242
Streets, Stormwater and Parks	Installation of new chlorine reticulation and filtration system at Takkieskloof Resort.	Sunshine Pools	No bids were received when the tender process was followed. Upon direct sourcing a quotation could only be obtained from Sunshine Pools.	398 619
Streets, Stormwater and Parks	Upgrading of the Stilbaai, Melkhoutfontein and Jongensfontein Sewage pump station.	HSM Amanzi Pump & Sewerage Engineers	HSM Amanzi was appointed for the upgrade of the sewage pumpstations in Stilbaai, Melkhoutfontein and Jongensfontein because they are the sole suppliers of the robot submersible pumps already in use.	829 478
Office of the Municipal Manager	Provision of Performance Management, Enterprise Resource Management, Compliance Assist and Audit management Systems.	Ignite Advisory Services	Contract with Ignite Advisory Services was renewed for the provision of the Performance Management, Enterprise Management, Compliance assist- and Audit Assist systems. The appointment was approved by the Municipal Manager.	156 415
Corporate Services	Legal services	SA Holmeyer & Son	Provide legal service in the legal matter of Hessequa Municipality vs Enstha Henra CC & Q Civils.	143 040
Financial Services	Procurement of meter reading devices.	Consolidated African Technologies (Pty) Ltd	Additional meter reading devices were procured from the service provider as they are the sole provider of the specific devices and software.	124 944
Financial Services	Provision of a Prepaid Electricity Metering solution.	Itron Metering Solutions Africa (Pty) Ltd	The contract with Itron Metering Solutions Africa was renewed as National Treasury MFMA circular 80 (dd 08 March 2016) required that municipalities not enter into new contracts with financial or related system service providers until the mSCOA process is finalised and the transversal tender process of National Treasury is concluded.	484 800

40. RELATED PARTY TRANSACTIONS

40.1 Services rendered to Related Parties

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

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

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

40. RELATED PARTY TRANSACTIONS - (continued)**40.2 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

40.3 Interest of Related Parties

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

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

40.5 Purchases from Related Parties

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

Service Provider	Related Person	Capacity	Municipal Capacity	2016 R	2015 R
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman	56 816	39 140
Henna's Catering	E du Preez	Owner	Cashier/Clerk	59 630	87 480
Jl Daries	H Daries	Owner	Care Taker	510	51 830
Heidelberg Motors	K Gunter	Owner	Library Assistant	696 001	1 281 160
CCR-General Dealers	CJ Riddles	Owner	Handyman	44 050	124 193
CP Precision Management / C Paulsen	E Snyers	Owner		120 950	221 328
Total				977 957	1 805 132

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

41. COMMITMENTS FOR EXPENDITURE**Capital Commitments**

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

84 884 508 20 187 314

Community

646 094 244 157

Total Capital Commitments

85 530 602 20 431 470

This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

85 530 602 20 431 470

85 530 602 20 431 470

(including vat)

42. AFTER BALANCE SHEET EVENTS

No events having financial implications requiring disclosure occurred subsequent to 30 JUNE 2016.

43. RETIREMENT BENEFIT INFORMATION

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

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

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

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

43.1 DEFINED BENEFIT SCHEMES**Cape Joint Pension Fund**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the fund had a surplus of R21,9 (30 June 2014: surplus of R23,3) million, with a funding level of 153,1% (30 June 2014: 101,7%). The balance of the Solvency Reserve was R59,8 (30 June 2014: R59,9) million. The contribution rate paid by the members (9,00%) and the municipalities (26,77%) is less than the recommended contribution rate of 32,11%. The shortfall of 5,34% of pensionable salaries amounts to about R262 000 a year.

43.2 DEFINED CONTRIBUTION SCHEMES**Cape Joint Pension Fund**

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

The valuation performed as at 30 June 2015 revealed that the fund had a surplus of R0 (30 June 2014: surplus of R0) with a funding level of 100% (30 June 2014: 100%). The fund was in a sound financial condition at the valuation date and the assets of the fund were sufficient to cover members' shares and the reserve accounts at the date of the valuation.

The actuary concluded that :

- The Pensioner Account has a surplus of R28,015 million and a funding level of 101.4%. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.
- The balance of the DB Section for DB active members has a surplus of R21.9 million and a funding level of 153.1%.
- The DC Section has a funding level of 100.0% and no surplus.
- There is a future service contribution rate shortfall of 5.34% of salary in respect of 32 remaining DB active members after the transfer of DB active members to the DC Section.
- The Trustees granted a pension increase of 3% effective 1 January 2016 and a bonus of 75% of monthly pension payable in December 2015. Pro-rata pension increases and bonus apply for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2015, the nature of the assets is suitable for the Fund and the Fund's investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

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

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R17,172,854 (30 June 2013: R13,607,813) million, with funding levels of 99.9% and 112.6% (30 June 2013: 100.2% and 105.1%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9%) and the municipalities (8%) is sufficient to fund the benefits accruing from the fund in the future.

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

Municipal Councilors' Pension Fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 551,9 (30 June 2012: R1 183,5) million, with a funding level of 101.8% (30 June 2012: 99.5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

At 30 June 2015 the fund showed an excess of R27,7 (2012: deficit R6,4) million before allowing for reserves and was certified to be in a sound financial condition by the actuaries, Moruba Consultants and Actuaries.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

SALA Pension Fund:

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

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R12,658.2 (30 June 2013: R10,439.2) million, with funding levels of 100,0% (30 June 2013: 100,0%). The contribution rate paid by the members (7.92%) and Council (19.8%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund For Municipal Workers

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

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

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

South African Municipal Workers Union National Provident Fund

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

The statutory valuation performed as at 30 June 2014 revealed that the fund had a surplus of R689,1 (30 June 2011: surplus of R413,6) million, with a funding level of 111,7% (30 June 2011: 111,1%). Members contribute at a rate of not less than 7,5% and Council not less than 18,0% of pensionable salaries. The Fund was in a very sound financial condition at date of the valuation and the Fund's assets were sufficient to cover the members' Fund Credits, the Risk Benefits Reserve and the Data Reserve, and to provide for an investment smoothing reserve of 5,5% of members' Fund Credits as at 30 June 2014.

An amount of R13,308 million (2015: R12,622 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

44. GUARANTEES

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

45. IN-KIND DONATIONS AND ASSISTANCE

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

46. RECLASSIFICATIONS IN STATEMENT OF FINANCIAL PERFORMANCE DUE TO mSCOA IMPLEMENTATION

The Municipality implemented the Municipal Standard Chart Of Accounts (mSCOA) during the current year as promulgated by the Minister of Finance in terms of which the chart of accounts is being standardised across all Municipalities and Entities in the country. A number of reclassifications were necessary due to the implementation. Details of the reclassifications are set out below:

REVENUE**Revenue from non-exchange transactions**

	Note	Balance at 30 June 2015 as previously reported	Reclassification	Balance at 30 June 2016 as restated
		R	R	R
Property Rates	23	60 793 273	-	60 793 273
Rates		65 615 910	-	65 615 910
Less: Income Forgone		(4 822 637)	-	(4 822 637)
Fines		36 681 634	198 039	36 879 673
Licenses and permits		208 337	392 370	600 707
Income from Agency Services		1 660 214	(76 293)	1 583 921
Donated Property, Plant and Equipment		381 000	-	381 000
Government Grants and Subsidies		73 077 921	-	73 077 921
Gain on revaluation of Investment Property		9 896 600	-	9 896 600
Revenue from exchange transactions				
Service Charges	24	161 217 271	(6 709 587)	154 507 685
Sale of Electricity		103 556 659	242 290	103 798 949
Sale of Water		26 264 933	31 988	26 296 921
Connection fees - Geyser load control		142 438	(142 438)	-
Admission fees Swimming pools		59 984	(59 984)	-
Camping fees		6 799 327	(6 799 327)	-
Refuse removal fees		10 136 653	17 885	10 154 538
Sewerage and Sanitation fees		14 257 277	-	14 257 277
Rental of facilities and equipment		4 023 975	6 938 167	10 962 142
Interest earned - external investment		6 051 531	39 762	6 091 293
Interest earned - outstanding receivables		1 390 519	-	1 390 519
Other income	27	5 681 949	(782 458)	4 899 491
Capital Contribution: Water and electricity		488 494	-	488 494
Capital Contribution: Sewerage		331 545	-	331 545
Building Plans		722 270	-	722 270
Other income		3 788 134	(736 685)	3 051 449
Roadworthy certificates		305 733	-	305 733
Services Electricians		45 773	(45 773)	-
Gains on disposal of Property, Plant and Equipment		741 332	-	741 332
Total Revenue		361 805 557	0	361 805 557

46. RECLASSIFICATIONS IN STATEMENT OF FINANCIAL PERFORMANCE DUE TO mSCOA IMPLEMENTATION (Continued)

	Note			
EXPENDITURE				
Employee related cost	28	107 865 593	384 232	108 249 825
Salaries and wages		77 995 882	384 232	78 380 114
Contributions for UIF, pensions and medical aids		17 192 082	-	17 192 082
Travel, motor car, accommodation, subsistence and other allowance		7 143 689	-	7 143 689
Housing benefits and allowance		306 879	-	306 879
Overtime payments		2 901 191	-	2 901 191
Contribution to provision for post-retirement medical aid benefits		1 171 627	-	1 171 627
Contribution to long-service provision		1 228 487	-	1 228 487
Contribution to ex-gratia provision		(74 244)	-	(74 244)
Remuneration of Councillors	29	5 791 455	-	5 791 455
Bad Debts	30	28 733 822	-	28 733 822
Rates and service debtors		5 858 144	-	5 858 144
Traffic fines		22 875 677	-	22 875 677
Collection Cost		2 501 108	-	2 501 108
Depreciation and Amortisation	31	19 922 542	-	19 922 542
Repairs and maintenance		11 836 798	71 497	11 908 295
Interest paid	32	9 851 155	-	9 851 155
Long-term liabilities		8 586 737	-	8 586 737
Interest - Other		1 264 419	-	1 264 419
Bulk Purchases	33	73 946 464	1 067 397	75 013 861
Electricity		68 621 388	1 067 397	69 688 785
Water		5 325 075	-	5 325 075
Contracted services		6 298 152	-	6 298 152
General Expenses	34	45 318 810	(1 523 126)	43 795 684
Audit Fees - External		2 456 472	-	2 456 472
Contracted Services - Consultants and Professional Services		-	3 624 029	3 624 029
Contracted Services - Clean-up		-	589 260	589 260
Contracted Services - Electrical		-	730 079	730 079
Contracted Services - Other		-	262 986	262 986
Chemicals		1 589 145	-	1 589 145
Insurance		467 210	-	467 210
Material & Supplies		655 661	367 856	1 023 518
Other		15 678 426	(9 906 319)	5 772 107
Housing projects		11 249 796	-	11 249 796
Clean-up projects		589 260	(589 260)	-
Environmental education		409 214	(409 214)	-
SALGA membership		-	1 165 194	1 165 194
Skills Development		-	866 823	866 823
Software license		-	1 311 013	1 311 013
Tourism		156 587	(156 587)	-
Development Costs		113 993	(113 993)	-
Levy: Dept. of Water Affairs		375 026	(375 026)	-
Operational Leases: Land and Buildings		400 585	(400 585)	-
Postage & Telephone		2 133 801	-	2 133 801
Printing & Stationery		641 613	28 224	669 837
Software assistance		1 043 421	432 596	1 476 017
Transfers & Grants		-	536 202	536 202
Travelling & Subsistence		1 071 674	(6 371)	1 065 303
Valuation fees		199 933	(199 933)	-
Vehicle Costs		6 086 993	-	6 086 993
Workmens Compensation		-	719 898	719 898
Total Expenditure		312 065 897	0	312 065 898

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 **2016** **2015**

R **R**

47. CORRECTION OF ERRORS

Corrections were made during the previous financial years. Details of the corrections are described below:

47.1 Inventory

The prior year amount for inventory has been restated to correctly disclose the value at year end. Items of inventory were discovered at the end of the year in The Riversdal Main Stores and Electricity Stores that were not previously accounted for. These items were already in stock at the end of the prior year. No information regarding the date when these items were purchased, were available and therefore the correction was made in the opening balance of the prior year. No discounting was done as limited information is available.

Balance published as at 30 June 2015	905 651
Correction of stores items on hand during prior periods not previously accounted for	1 945 182
Restated balance as at 30 June 2015 - see note 2	2 850 833

47.2 Traffic fines

The prior year amount for traffic fines has been restated to correctly disclose the revenue due to fines issued at the end of June 2015 which were not included in income for that year due to the relevant information not being available from the service provider at that time.

STATEMENT OF FINANCIAL PERFORMANCE:

Balance published as at 30 June 2015	36 879 673
Correction of prior year error	861 600
Restated balance as at 30 June 2015	37 741 273

STATEMENT OF FINANCIAL POSITION:

Trade receivables from non-exchange transactions - Traffic fines

	Balance at 30 June 2015	Correction of error	Restated balance at 30 June 2015
	R	R	R
Assessment rates debtors	10 000 312	-	10 000 312
Government Subsidies	680 339	-	680 339
Prepaid Expenses	1 652 480	-	1 652 480
Employees PAYE & Salary control	9 766	-	9 766
Traffic Fines	48 022 686	861 600	48 884 286
Other	475 004	-	475 004
	60 840 587	861 600	61 702 187
Less: Provision for Impairment	-42 482 500	-685 316	(43 167 816)
	18 358 087	176 284	18 534 371

Accumulated Surplus

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

Details of the appropriations are as follows:

Balance as published as at 30 June 2014	478 293 378
Correction of inventory	1 945 182
Restated balance as at 30 June 2014 - Refer to note 22	480 238 560

47. Correction of errors (Continued)

Appropriations to the 2014/2015 profit and loss

Surplus for the year as previously stated:	49 739 661
Increase in traffic fines	861 600
Increase in contribution to bad debts	(685 316)
Restated balance as at 30 June 2015	49 915 945

48. TRUST FUNDS

Nature Development - Stilbaai	1 602 655	1 572 588
Elsje Koorts Tuberculosis Fund	213 501	199 533
Total Trust Funds	1 816 155	1 772 121

49. FINANCIAL INSTRUMENTS**49.1 Classification of Financial Instruments****FINANCIAL ASSETS**

Financial Assets		Classification		
In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:				
Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	15 505	18 110
Consumer Debtors				
Rates	Note 4	Amortised cost	10 561 404	10 000 312
Electricity	Note 3	Amortised cost	14 932 686	12 736 381
Water	Note 3	Amortised cost	7 325 709	6 460 112
Sewerage	Note 3	Amortised cost	5 639 744	5 121 970
Waste Management	Note 3	Amortised cost	3 066 549	2 685 274
Other	Note 3	Amortised cost	5 083 546	4 700 380
Less: Provision for Impairment	Note 3	Amortised cost	(21 762 057)	(19 238 808)
Other Debtors				
Government subsidies	Note 4	Amortised cost	-	680 339
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	3 326	2 080
Cash and Cash Equivalents				
Call Deposits	Note 6	Amortised cost	203 506 149	132 722 778
Bank balances and Cash Floats	Note 6	Amortised cost	3 278 947	3 976 775

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables:				
Long-term Receivables	Note 12	Sport clubs/Pre-primary School	15 505	18 110
Consumer Debtors	Note 3	Rates	10 561 404	10 000 312
Consumer Debtors	Note 3	Electricity	14 932 686	12 736 381
Consumer Debtors	Note 3	Water	7 325 709	6 460 112
Consumer Debtors	Note 3	Sewerage	5 639 744	5 121 970
Consumer Debtors	Note 3	Waste Management	3 066 549	2 685 274
Consumer Debtors	Note 3	Other	5 083 546	4 700 380
Consumer Debtors		Less: Provision for Impairment	(21 762 057)	(19 238 808)
Other Debtors	Note 4	Insurance claims	-	-
Other Debtors	Note 4	Government subsidies	-	680 339
Current Portion of Long-term Receivables	Note 12	Sport clubs/Pre-primary School	3 326	2 080
Bank, Cash and Cash Equivalents	Note 6	Bank Balances, Cash Floats and Advances	206 785 097	136 699 553
			231 651 508	159 865 703
TOTAL FINANCIAL ASSETS			231 651 508	159 865 703

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016				2016	2015
				R	R
49. FINANCIAL INSTRUMENTS - (continued)					
FINANCIAL LIABILITIES					
Financial Liabilities		Classification			
Long-term Liabilities					
Annuity Loans	Note 18	Amortised cost		107 294 319	78 840 740
Consumer Deposits					
Electricity and Water	Note 13	Amortised cost		4 413 645	3 741 830
Creditors					
Trade Creditors	Note 15	Amortised cost		27 163 931	24 933 040
Retentions	Note 15	Amortised cost		3 776 224	2 180 761
Other Creditors	Note 15	Amortised cost		6 969 958	5 401 490
Current Portion of Long-term Liabilities					
Annuity Loans	Note 18	Amortised cost		14 565 900	11 558 839
SUMMARY OF FINANCIAL LIABILITIES					
Long-term Liabilities	Note 18	Annuity Loans		107 294 319	78 840 740
Consumer Deposits	Note 13	Electricity and Water		4 413 645	3 741 830
Creditors	Note 15	Trade Creditors		27 163 931	24 933 040
Creditors	Note 15	Retentions		3 776 224	2 180 761
Creditors	Note 15	Other Creditors		6 969 958	5 401 490
Current Portion of Long-term Liabilities	Note 18	Annuity Loans		14 565 900	11 558 839
TOTAL FINANCIAL LIABILITIES				164 183 976	126 656 699

49.2 Fair Value of Financial Instruments

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

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

	30 JUNE 2016		30 JUNE 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Long-term Receivables	15 505	15 505	18 110	18 110
Call Deposits	203 506 149	203 506 149	132 722 778	132 722 778
Consumer Debtors	24 847 581	24 847 581	22 465 621	22 465 621
Other Debtors	-	-	680 339	680 339
Bank Balances and Cash	3 278 947	3 278 947	3 976 775	3 976 775
Current Portion of Long-term Receivables	3 326	3 326	2 080	2 080
Total Financial Assets	231 651 508	231 651 508	159 865 703	159 865 703
FINANCIAL LIABILITIES				
Loans and receivables:				
<u>Unsecured Bank Facilities:</u>				
- Annuity Loans	121 860 219	121 860 219	90 399 578	90 399 578
Trade and Other Payables:	42 323 757	42 323 757	36 257 120	36 257 120
Consumer Deposits	4 413 645	4 413 645	3 741 830	3 741 830
Creditors	37 910 113	37 910 113	32 515 290	32 515 290
Unspent Conditional Grants	-	-	-	-
Cash and Cash equivalents				
Bank Overdraft	-	-	-	-
Total Financial Liabilities	164 183 976	164 183 976	126 656 699	126 656 699

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

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

49.3 Capital Risk Management

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

49.4 Significant Accounting Policies

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

49.5 Financial Risk Management Objectives

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

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

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

49.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

49.7 Interest Rate Risk Management

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

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

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

49.8 Liquidity Risk Management

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

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

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

Description	Average effective interest rate	Within 1 year	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R
30 JUNE 2016					
Development Bank	9.33% - 11.56%	13 293 791	43 690 276	17 016 971	74 001 038
Nedbank	9.01%	3 769 142	15 076 567	3 769 142	22 614 850
First National Bank	11.40%	2 520 900	7 562 699	-	10 083 598
Standard Bank	11.26%	7 278 313	29 113 250	36 391 563	72 783 126
Trade Creditors	0%	27 163 931			27 163 931
Retentions	0%	3 776 224			3 776 224
Other Creditors	0%	6 969 958			6 969 958
		64 772 258	95 442 791	57 177 676	217 392 725
30 JUNE 2015					
Development Bank	8.90% - 11.56%	13 780 292	46 869 234	27 126 367	87 775 893
Nedbank	9.01%	3 783 945	15 135 781	7 483 262	26 402 988
First National Bank	9.33% - 11.56%	2 519 495	10 078 443	-	12 597 938
Finance Leases	13.6% - 32.6%	143 284			143 284
Trade Creditors	0%	24 933 040			24 933 040
Retentions	0%	2 180 761			2 180 761
Other Creditors	0%	5 401 490			5 401 490
		52 742 307	72 083 458	34 609 629	159 435 394

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

49.9 Credit Risk Management

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

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

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

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

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

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

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

Long-term Receivables	3 326	2 080
Consumer Debtors	18 759 906	16 750 565
Other Debtors	18 005 045	18 534 371
Bank and Cash Balances	206 785 097	136 699 553
Maximum interest and credit risk exposure	243 553 374	171 986 569

50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

50.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	8 545 526	42 670 080
Unauthorised expenditure current year - capital	59 915	-
Unauthorised expenditure current year due to budget exceeded - operating	10 539 879	8 545 526
Approved by Council or condoned	<u>(8 545 526)</u>	<u>(42 670 080)</u>
Unauthorised expenditure awaiting authorisation:	10 599 794	8 545 526

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

Operating budget

	2016 R Actual	2016 R Budget	2016 R Variance	2016 R Unauthorised
Executive & Council	19 697 544	21 282 044	(1 584 500)	-
Finance & Admin	48 966 607	55 505 392	(6 538 785)	-
Planning & Development	6 351 281	7 670 196	(1 318 915)	-
Community & Social Services	11 318 511	12 245 154	(926 643)	-
Housing	11 177 473	18 395 868	(7 218 395)	-
Public Safety	47 355 840	47 880 252	(524 412)	-
Environmental Conservation	1 899 081	1 650 158	248 923	248 923
Sport & Recreation	18 970 044	21 590 366	(2 620 322)	-
Road Transport	30 789 617	34 552 107	(3 762 490)	-
Waste Water Management/Sewerage	29 050 970	29 455 750	(404 780)	-
Waste Management/Solid Waste	30 006 498	19 715 542	10 290 956	10 290 956
Water	31 827 414	32 370 415	(543 001)	-
Electricity	115 739 800	120 028 649	(4 288 849)	-
Hessequa Tourism	956 143	1 101 287	(145 144)	-
Total	404 106 823	423 443 180	(19 336 357)	10 539 879

Capital budget

	2016 R Actual	2016 R Budget	2016 R Variance	2016 R Unauthorised
Budget and Treasury Office	218 841	260 749	(41 908)	-
Community and Social Services	1 146 042	1 550 503	(404 461)	-
Corporate Services	1 563 336	2 433 377	(870 041)	-
Electricity	32 292 768	33 958 393	(1 665 625)	-
Environmental Protection	37 743	46 435	(8 692)	-
Executive and Council	34 026	34 030	(4)	-
Planning and Development	12 148	23 060	(10 912)	-
Other	20 902	12 250	8 652	8 652
Public Safety	836 615	785 352	51 263	51 263
Road Transport	14 368 864	18 951 082	(4 582 218)	-
Sport and Recreation	1 541 121	1 672 563	(131 442)	-
Waste Management	2 906 704	3 048 131	(141 427)	-
Waste Water Management	18 616 425	23 533 360	(4 916 935)	-
Water	5 154 300	9 228 882	(4 074 582)	-
Total	78 749 835	95 538 167	(16 788 332)	59 915

50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (Continued)**50.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	755 060	638 043
Less: Approved by Council or condoned		
Interest paid due to late payment of creditors	-	19 205
CDW's settlement paid	-	182 798
Expenses incurred in the unrealised sale of Takkieskloof	-	19 740
Electricity losses above the threshold (Refer note 51)	-	-
Water losses above the threshold (Refer note 51)	279 012	533 318
Fruitless and Wasteful Expenditure awaiting condonement	1 034 072	1 393 103
Less: Approved by Council or condoned	(755 060)	(638 043)
Fruitless and wasteful expenditure awaiting authorisation:	279 012	755 060

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

50.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	13 640 877	-
Irregular expenditure current year	-	13 640 877
Condoned or written off	(11 959 881)	-
Irregular expenditure awaiting condonement	1 680 996.00	13 640 877

No Irregular expenditure was incurred during 2015/2016.

Details regarding the Irregular expenditure incurred during 2014/2015 is set out below:

2015			
Incident	Service	Disciplinary Steps/Criminal Proceedings	
Contract expansion contrary to memo 62 and Art 116(3)	Refurbishment of Waste water treatment works	None	4 379 528
Incorrect preference points calculated	Fencing	None	91 400
Suppliers with no declaration of interest	Life Savers	None	593 400
Suppliers with no declaration of interest	Fire protection	None	690 168
Suppliers without tax clearance certificates	Infrastructure updates	None	75 315
Suppliers without tax clearance certificates	Filing system	None	230 714
Contract expansion contrary to memo 62 and Art 116(3)	Refurbishment of Waste water treatment works	None	1 206 355
Contract expansion contrary to memo 62 and Art 116(3)	Upgrading of existing Albertinia-Theronsville sportsfield	None	2 085 355
Contract expansion contrary to memo 62 and Art 116(3)	Upgrading of existing Albertinia-Theronsville sportsfield	None	192 090
Tenders not advertised for the required period	Several as per available list	None	4 096 552
Total Irregular expenditure			13 640 877

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

51. MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	87 425 194	85 282 745
- Units lost during distribution (Kwh)	8 579 863	8 281 359
- Percentage lost during distribution	9.81%	9.71%

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

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

Non-Technical losses are due to:

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

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

Water Inventory

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

Riversdale

Kiloliters purchased	1 117 282	1 487 697
Movement in stock	-	825
Kiloliters sold	828 175	845 706
Kiloliters lost in distribution	289 107	642 816
Percentage loss in distribution	25.88%	43.21%
Cost per kiloliter	R 0.49	R1.60/0.46
Total cost in Rand	141 662	662 100
Amount greater than 12% transferred to fruitless expenditure	75 966	478 221

Heidelberg and Witsand

Kiloliters purchased	564 796	538 741
Movement in stock	(164)	(310)
Kiloliters sold	475 392	471 610
Kiloliters lost in distribution	89 568	66 821
Percentage loss in distribution	16%	12%
Cost per kiloliter	R 7.94	R 8.26
Total cost in Rand	711 170	551 941
Amount greater than 12% transferred to fruitless expenditure	173 032	17 941

Slangrivier

Kiloliters purchased	91 056	89 032
Movement in stock	-	389
Kiloliters sold	67 727	68 829
Kiloliters lost in distribution	23 329	20 592
Percentage loss in distribution	26%	23%
Cost per kiloliter	R 2.42	R 3.75
Total cost in Rand	56 456	77 220
Amount greater than 12% transferred to fruitless expenditure	30 014	37 156
Total amount transferred to fruitless expenditure (Refer note 50.2)	279 012	533 318

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

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

52. CONTINGENT LIABILITIES

Litigation that Council was involved in, is as follows: (excludes accounts handover to attorneys for collection)

Case	Evaluation	R
HM v Illegal Occupants	The Municipality is trying to obtain an interdict in order to prohibit people from illegally occupying municipal land in future. No monetary value can be established yet.	-
M Nel, Strydom and Others v HM (River case)	Applicants instituted action in the Western Cape High Court regarding various aspects of our By law relating to the management of the Breede River. The applicants took the matter to the Supreme Court of Appeal in Bloemfontein. We are currently awaiting the outcome of the application. No monetary value can be established yet.	-
Nachley Simon v HM	This is a potential claim, but no formal court documents have been received yet. No monetary value can be established yet.	-
HM v Breedt	Matter regarding illegal construction. The replying affidavits have been filed and we are awaiting a court date. No monetary value can be established yet.	-
HM v Various Diepkloof, Heidelberg residents	The Municipality is trying to obtain 3 interdicts where 3 people are illegally residing in municipal subsidised property. The matter has been postponed in the Magistrates Court and we are awaiting a new court date.	18 373
Various interdicts	The Municipality is currently in the process of obtaining various interdicts in building control matters in cases of non-adherence to building regulations. No monetary value can be established yet.	-
DB Joubert v HM	Applicant claims damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. The Municipality is looking at options to settle the matter.	-

53. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 47).

54. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2015 the Council adopted the 2015/16 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of Municipalities land.

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

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

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

55. BUDGET COMPARATIVE NOTES

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

Revenue

Rev1	Effects of the interpretation of revised IGRAP 1 was more than anticipated.
Rev2	Budget not fully spent on Capital (MIG - R3,187 million & Flood Relief - R1,629 million) and Operating (Housing - R6,866 million)
Rev3	Increased sales on water, sewerage and refuse
Rev4	Interest earned on investments due to Flood Disaster Relief & MIG Funds received during 2015/16 and not spent during the year.
Rev5	Actual proceeds under Loss on disposal of property, plant and equipment
Rev6	Revaluation on investment property not budgeted for
Rev7	Increase in building plan revenue

Expenditure

Exp1	Provision for retirement benefits less than anticipated. Vacancies during the year not filled.
Exp2	Effect of revised IGRAP 1 was more than anticipated which resulted in a higher provision than budgeted for.
Exp3	Depreciation on Provision for landfill sites capitalised that were not budgeted for
Exp4	Savings on budgeted items
Exp5	Interest on land-fill sites not budgeted for
Exp6	Transaction fee for Syntell fines, less than budgeted for
Exp7	Housing project not started at year end (R6,866 million). Savings on budget for Workmens Compensation (R250 675), Insurance (R238 459), Consultants fees (R2,567 million) and vehicles cost (R1,661 million)

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

Fp1	Correction of error in prior year on stores
Fp2	The collective variance on Exchange and non-exchange receivables are in order
Fp3	Grants received not spent
Fp10	Underspending of budget; budget amendments not corrected on Budget return forms

Liabilities

Fp4	Due to high spending at yearend, the creditors in the budget was understated
Fp5	Under budgeted as a result of uncertainty of spending external financing
Fp6	Full loan not taken up because of poor spending
Fp7	Revaluation in terms of IGRAP 2 for landfill sites not budgeted for
Fp8	Capital Replacement Fund budgeted for under statutory funds, but disclosed in AFS under Accumulated Surplus
Fp9	See comment above and higher interest received than budgeted for

Cash Flow

Cf1	Refer to budget comparison for Statement of Financial Performance for detail
Cf2	Refer to budget comparison for Statement of Financial Performance for detail
Cf3	Interest earned on investments due to Flood Disaster Relief & MIG Funds received during 2015/16 and not spent during the year.
Cf4	Interest on land-fill sites not budgeted for
Cf5	Capital spending less than budget
Cf6	Sale of land more than budgeted for
Cf7	Capital spending from external loans not realised as per budgeted projections
Cf8	Additional investments due to Flood Disaster Relief – and MIG Funding received during 2015/16 and not budgeted for.

Capital

Cap1	The Gouritsmond Upgrading of Tidal Pool could not be fully spent due to several problems. The remaining funds will be amended to the 2016/17 financial year by means of an adjustment budget in August 2016.
Cap2	The Municipality received R30 million for Flood Disaster Relief in 2015/16 financial year plus roll overs from the 2014/15 financial year. The original budget was amended in February 2016 with the adjustment budget. Due to limited time the amended amounts could not be fully spent. These projects are multi-year projects. The Melkhoutfontein Stormwater project from MIG-funds was placed on the adjusted budget in February 2016. Due to limited time the amended amounts could not be fully spent. A rollover application will be submitted for all the unspent funds before 31 August 2016.
Cap3	The Melkhoutfontein Bulk Sewer supply project from MIG-funds was amended in February 2016. Due to limited time the amended amounts could not be fully spent. A rollover application will be submitted for all the unspent funds before 31 August 2016. VAT on grant funds was claimed but not allocated to the VAT capital vote as budgeted.
Cap4	The Melkhoutfontein Bulk Water supply project from MIG-funds was amended in February 2016. Due to limited time the amended amounts could not be fully spent. A rollover application will be submitted for all the unspent funds before 31 August 2016. Several projects could not be fully spent due to limited time and the remaining funds will be amended to the 2016/17 financial year by means of an adjustment budget in August 2016.

Appendix A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30-Jun-15 R	Received during the period R	Redeemed written off during the period R	Balance at 30-Jun-16 R
Annuity Loans							
Development Bank	10.50%	12007420	2021	15 774 270	-	-2 002 659	13 771 611
Development Bank	9.38%	102004	2015	465 639	-	-465 639	-
Development Bank	9.33%	102770	2017	2 787 085	-	-1 330 073	1 457 012
First National Bank	11.40%	4-000-019-445-833	2020	9 405 534	-	-1 486 654	7 918 880
Development Bank	11.56%	103465	2019/06	5 083 970	-	-1 064 809	4 019 161
Nedbank	9.01%	7831031707	2022/06	19 250 395	-	-2 075 779	17 174 616
Development Bank	8.90%	61007148	2023/06	14 023 113	-	-1 264 330	12 758 783
Development Bank	9.98%	12007830	2024/06	23 466 289	-	-1 706 132	21 760 157
Standard Bank	11.26%		2026/06	-	43 000 000	-	43 000 000
Total External Loans				90 256 295	43 000 000	-11 396 075	121 860 219

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Additions - Impairments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings														
Land	186 546 460	-	-	-	-	-	(774 286)	185 772 174	18 176 117	-	(4 298)	-	18 171 819	167 600 355
Buildings	53 938 901	415 702	-	-	624 214	-	(27 325)	54 951 492	22 437 904	3 367 570	(23 901)	-	25 781 573	29 169 919
	240 485 360	415 702			624 214		(801 611)	240 723 666	40 614 021	3 367 570	(28 199)		43 953 392	196 770 274
Investment Property														
Land and Buildings	50 690 000	-	-	711 600	-	-	(24 000)	51 377 600	-	-	-	-	-	51 377 600
	50 690 000			711 600			(24 000)	51 377 600						51 377 600
Intangible Assets														
Water Rights	400 000	-	-	-	-	-	-	400 000	87 777	13 333	-	-	101 110	298 890
Software	57 480	-	-	-	-	-	-	57 480	6 159	8 211	-	-	14 370	43 110
	457 480							457 480	93 936	21 545			115 480	342 000
Infrastructure														
Sewerage														
Purification	39 852 995	6 329 486	-	-	1 063 800	7 726 201	-	54 972 482	7 709 255	1 478 440	-	-	9 187 695	45 784 787
Outfall Sewerage	11 547 913	-	-	-	-	(5 010 347)	-	6 537 566	3 620 506	433 500	-	-	4 054 006	2 483 560
Reticulation	32 921 948	-	-	-	11 209 801	(2 715 854)	-	41 415 895	9 707 003	831 763	-	-	10 538 766	30 877 129
Water														
Water Meters	4 360 672	-	-	-	-	-	-	4 360 672	1 020 468	135 767	-	-	1 156 234	3 204 437
Reticulation Network	24 599 871	-	-	-	5 059 878	-	-	29 659 749	6 496 739	579 065	-	-	7 075 804	22 583 945
Pump Stations	2 357 629	-	-	-	-	-	-	2 357 629	1 086 207	156 120	-	-	1 242 327	1 115 302
Purification Works	2 563 129	-	-	-	-	-	-	2 563 129	1 418 791	151 489	-	-	1 570 280	992 849
Reservoirs/Tanks	27 396 122	-	-	-	-	-	-	27 396 122	5 579 585	726 103	-	-	6 305 688	21 090 434
Electricity														
Power Stations	1 093 053	-	-	-	-	(510 531)	-	582 523	122 760	6 694	-	-	129 454	453 069
Transformer Kiosks	4 148 072	-	-	-	-	-	-	4 148 072	452 958	87 378	-	-	540 337	3 607 736
Substations	11 038 995	23 166 116	-	-	-	4 025 870	-	38 230 981	1 022 242	219 549	-	-	1 241 791	36 989 191
Streetlights	2 466 315	575 594	-	-	-	-	-	3 041 909	505 501	70 949	-	-	576 450	2 465 459
Electricity Meters	2 896 596	-	-	-	11 305	-	-	2 907 901	616 072	53 220	-	-	669 292	2 238 609
Mains	45 228 657	6 970 442	-	-	2 303 493	(3 515 339)	-	50 987 253	6 020 800	835 761	-	-	6 856 561	44 130 692
Solid Waste	975 483	141 220	-	-	-	-	-	1 116 703	594 284	45 561	-	-	639 845	476 859

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Additions - Impairments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Roads and Stormwater														
Motorways	106 558 103	2 011 420	-	-	269 675	-	-13 663	108 825 535	19 076 255	3 024 355	-	-	22 100 610	86 724 925
Stormwater	46 477 052	-	-	-	8 231 774	-	-	54 708 826	10 202 674	1 370 248	-	-	11 572 921	43 135 905
Parking Areas	809 405	-	-	-	-	-	-	809 405	49 214	20 685	-	-	69 899	739 506
Footpaths	4 743 260	-	-	-	78 112	-	-	4 821 372	1 460 268	154 090	-	-	1 614 358	3 207 015
	372 035 270	39 194 278	-	-	28 227 839	(0)	-13 663	439 443 724	76 761 580	10 380 735	-	-	87 142 315	352 301 408
Community Assets														
Cemeteries	969 874	-	-	-	556 797	-	-	1 526 670	460 938	61 346	-	-	522 284	1 004 386
Sport Grounds	14 723 952	3 917	-	-	30 031	-	-	14 757 900	5 204 470	783 325	-	-	5 987 795	8 770 105
Parks	6 921 699	-	-	-	17 650	-	-	6 939 349	2 809 074	286 988	-	-	3 096 062	3 843 287
Public Conveniences	1 179 187	-	-	-	56 661	-	-	1 235 848	47 757	34 930	-	-	82 687	1 153 161
	23 794 712	3 917	-	-	661 138	-	-	24 459 767	8 522 239	1 166 589	-	-	9 688 828	14 770 939
Heritage Assets														
Mayoral chains	30 000	-	-	-	-	-	-	30 000	-	-	-	-	-	30 000
Art Collections, antiquities and exhibits	8 291 875	-	-	-	-	-	-	8 291 875	-	-	-	-	-	8 291 875
	8 321 875	-	-	-	-	-	-	8 321 875	-	-	-	-	-	8 321 875

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

	Cost							Accumulated Depreciation and - impairments						
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Additions - Impairments	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets														
Emergency Equipment														
Emergency	611 653	124 789	-	-	-	-	-	736 442	281 018	48 741	-	-	329 758	406 684
Plant&Equipment														
Graders and Frontloaders	4 522 659	-	-	-	-	-	-	4 522 659	2 496 880	454 830	-	-	2 951 710	1 570 949
Tractors	3 209 156	-	-	-	-	-	-	3 209 156	1 718 542	265 966	-	-	1 984 508	1 224 648
Boats	40 000	-	-	-	-	-	-	40 000	18 984	3 852	-	-	22 836	17 164
Lawnmowers	1 363 324	32 290	-	-	-	-	(4 561)	1 391 052	945 517	99 433	(963)	-	1 043 987	347 065
Compressors	116 586	-	-	-	-	-	(47 164)	69 422	96 383	6 515	(43 795)	-	59 103	10 319
Other Plant and Equipment	5 511 170	4 166 937	-	-	-	-	(10 827)	9 667 280	3 435 236	557 933	(9 670)	-	3 983 500	5 683 780
MotorVehicles														
Sedans	945 030	-	-	-	-	-	-	945 030	567 933	101 195	-	-	669 129	275 901
Motor Cycles	78 769	-	-	-	-	-	-	78 769	68 557	4 354	-	-	72 911	5 858
Trailers	1 956 119	67 000	-	-	-	-	-	2 023 119	1 254 458	163 185	-	-	1 417 643	605 476
Trucks/LDV's	21 863 982	3 220 451	-	-	-	-	(141 613)	24 942 820	11 282 107	1 567 732	(125 001)	-	12 724 837	12 217 982
Office Equipment														
Computer Equipment	2 779 852	1 309 050	-	-	-	-	(89 651)	3 999 251	1 440 080	307 640	(67 961)	-	1 679 758	2 319 493
Other Equipment	714 921	-	-	-	-	-	(42 581)	672 339	451 819	58 664	(38 768)	-	471 715	200 624
Office Machines	3 811 660	-	-	-	-	-	(104 071)	3 707 589	2 121 170	406 345	(96 501)	-	2 431 014	1 276 575
Furniture and Fittings	4 960 826	702 233	-	-	-	-	(58 261)	5 604 798	3 819 917	427 106	(52 073)	-	4 194 950	1 409 848
Security Equipment														
Security	181 907	-	-	-	-	-	-	181 907	42 687	14 768	-	-	57 456	124 452
Landfill site rehabilitation														
Landfill site rehabilitation	55 562 365	-	(2 061 466)	-	-	-	-	53 500 899	4 110 735	6 056 370	-	-	10 167 104	43 333 795
	108 229 978	9 622 749	(2 061 466)	-	-	-	(498 730)	115 292 532	34 152 022	10 544 630	(434 733)	-	44 261 919	71 030 613
TOTAL	804 014 676	49 236 646	(2 061 466)	711 600	29 513 191	(0)	(1 338 004)	880 076 643	160 143 798	25 481 069	(462 932)	-	185 161 935	694 914 708

Appendix C - Unaudited

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

							Accumulated Depreciation				Carrying Value 30/06/2016	
	Opening Balance 1/7/2015	Additions	Under Construction	IGRAP 2 Adjustment	Fair Value Adjustment	Disposals	Closing Balance 30/06/2016	Opening Balance 1/7/2015	Additions	Disposals		Closing Balance 30/06/2016
	R	R	R			R	R	R	R	R		R
COMMUNITY & SOCIAL SERVICES	22 394 137	475 514	670 529	-	-	(22 266)	23 517 914	6 193 564	817 816	(19 797)	6 991 583	16 526 331
CORPORATE SERVICES	242 723 110	1 174 433	515 437	-	711 600	(888 949)	244 235 632	34 878 716	2 432 534	(78 532)	37 232 717	207 002 914
ELECTRICITY	73 868 555	29 977 971	2 314 798	-	-	(17 344)	106 143 980	12 413 232	1 604 825	(15 737)	14 002 321	92 141 659
ENVIRONMENTAL PROTECTION	48 538	37 743	-	-	-	-	86 281	23 623	5 169	-	28 792	57 489
EXECUTIVE AND COUNCIL	3 364 522	252 867	-	-	-	(30 029)	3 587 360	1 512 549	339 335	(20 835)	1 831 049	1 756 311
OTHER	360 202	12 148	-	-	-	(262)	372 089	288 298	32 737	(243)	320 792	51 297
PLANNING AND DEVELOPMENT	482 369	20 902	-	-	-	(2 555)	500 716	417 319	30 635	(2 279)	445 676	55 041
PUBLIC SAFETY	3 066 403	786 747	49 868	-	-	(39 855)	3 863 163	1 739 317	322 134	(37 498)	2 023 953	1 839 210
ROAD TRANSPORT	179 724 891	-	-	-	-	(187 742)	179 537 149	44 007 171	6 188 817	(154 811)	50 041 178	129 495 972
SPORTS AND RECREATION	66 065 389	10 092 528	13 667 503	-	-	(91 470)	89 733 950	14 144 554	2 316 400	(82 991)	16 377 963	73 355 987
WASTE MANAGEMENT	148 952 278	6 405 794	12 295 056	(2 061 466)	-	(52 972)	165 538 689	28 359 382	9 516 055	(49 247)	37 826 190	127 712 499
WATER	62 964 282	-	-	-	-	(4 561)	62 959 720	16 166 073	1 874 611	(963)	18 039 721	44 919 999
TOTAL	804 014 676	49 236 646	29 513 191	(2 061 466)	711 600	(1 338 004)	880 076 643	160 143 798	25 481 069	(462 932)	185 161 935	694 914 708

Appendix D - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

(including inter-departmental charges)

2015				2016		
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
32 116 434	30 806 265	1 310 169	Executive & Council	32 638 720	19 697 544	12 941 177
100 663 994	44 226 966	56 437 028	Finance & Admin	107 318 742	48 966 607	58 352 135
2 921 288	6 940 704	(4 019 416)	Planning & Development	2 567 886	6 351 281	(3 783 394)
5 800 933	10 176 858	(4 375 925)	Community & Social Services	6 924 366	11 318 511	(4 394 145)
11 459 905	11 331 976	127 929	Housing	9 816 613	11 177 473	(1 360 861)
39 607 128	36 066 352	3 540 776	Public Safety	46 925 173	47 355 840	(430 667)
470 169	897 667	(427 498)	Environmental Conservation	458 583	1 899 081	(1 440 499)
13 681 202	20 160 229	(6 479 027)	Sport & Recreation	10 049 675	18 970 044	(8 920 369)
9 017 572	33 980 604	(24 963 032)	Road Transport	10 522 646	30 789 617	(20 266 971)
27 172 624	19 470 070	7 702 554	Waste Water Management/Sewerage	37 763 310	29 050 970	8 712 340
14 823 737	13 873 065	950 672	Waste Management/Solid Waste	17 446 928	30 006 498	(12 559 571)
33 387 490	23 684 592	9 702 898	Water	37 973 940	31 827 414	6 146 527
113 752 185	103 519 652	10 232 533	Electricity	133 717 030	115 739 800	17 977 230
-	-	-	Hessequa Tourism	10 000	956 143	(946 143)
404 874 661	355 135 000	49 739 661	Sub total	454 133 612	404 106 823	50 026 789
(28 316 342)	(28 316 342)	-	Less inter-departmental charges	(28 973 038)	(28 973 038)	-
376 558 319	326 818 658	49 739 661	Total	425 160 574	375 133 785	50 026 789
(14 752 761)	(14 752 761)	-	Note: Difference between Income and Expenditure between Statement of Financial Performance and this segmental report is Equitable Share expenses for free basic services off-set against Income and Expenditure	(28 096 956)	(28 096 956)	-
361 805 558	312 065 897	49 739 661		397 063 618	347 036 829	50 026 789

Appendix D (i) - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Budget	Amendments	Final Budget	Actual	Variance	Budget	Amendments	Final Budget	Actual	Variance
Executive & Council	33 575 439	-	33 575 439	32 638 720	(936 719)	21 282 044	-	21 282 044	19 697 544	1 584 500
Finance & Admin	82 934 289	15 686 221	98 620 510	107 318 742	8 698 232	54 472 014	1 033 378	55 505 392	48 966 607	6 538 785
Planning & Development	1 535 000	-	1 535 000	2 567 886	1 032 886	7 670 196	-	7 670 196	6 351 281	1 318 915
Community & Social Services	7 411 227	-	7 411 227	6 924 366	(486 861)	11 517 381	727 773	12 245 154	11 318 511	926 643
Housing	16 599 051	-	16 599 051	9 816 613	(6 782 438)	18 395 868	-	18 395 868	11 177 473	7 218 395
Public Safety	45 445 464	-	45 445 464	46 925 173	1 479 709	47 883 455	(3 203)	47 880 252	47 355 840	524 412
Environmental Conservation	475 000	-	475 000	458 583	(16 417)	1 649 988	170	1 650 158	1 899 081	(248 923)
Sport & Recreation	9 458 678	-	9 458 678	10 049 675	590 997	16 827 413	4 762 953	21 590 366	18 970 044	2 620 322
Road Transport	14 114 389	(394 274)	13 720 115	10 522 646	(3 197 469)	35 064 290	(512 183)	34 552 107	30 789 617	3 762 490
Waste Water Management/Sewerage	37 445 083	370 318	37 815 401	37 763 310	(52 091)	24 259 761	5 195 989	29 455 750	29 050 970	404 780
Waste Management/Solid Waste	16 363 819	184 690	16 548 509	17 446 928	898 419	18 879 113	836 429	19 715 542	30 006 498	(10 290 956)
Water	31 937 306	3 238 838	35 176 144	37 973 940	2 797 796	28 133 162	4 237 253	32 370 415	31 827 414	543 001
Electricity	123 276 199	9 929 010	133 205 209	133 717 030	511 821	109 809 302	10 219 347	120 028 649	115 739 800	4 288 849
Hessequa Tourism	10 000	-	10 000	10 000	-	1 101 287	-	1 101 287	956 143	145 144
Total	420 580 944	29 014 803	449 595 747	454 133 612	4 537 865	396 945 274	26 497 906	423 443 180	404 106 823	19 336 357

Note: Income per Statement of performance = R354 499 857 - Difference = Equitable share expenses off-set against income - R28 097 145

Note: Expenses per Statement of performance = R276 242 747 - Difference = Equitable share expenses off-set against income - R28 097 145

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Revenue					
Property Rates	65 936 567	66 022 885	(86 318)	(0.13)	
Service charges	173 413 199	169 007 861	4 405 338	2.61	Increased sales on water, sewerage and refuse
Rental of facilities and equipment	11 093 561	10 531 591	561 970	5.34	
Interest earned - external investments	12 637 014	4 597 089	8 039 925	174.89	Interest earned on investments due to Flood Disaster Relief & MIG Funds received during 2015/16 and not spent during the year.
Interest earned - outstanding debtors	1 034 590	1 147 546	(112 956)	(9.84)	
Fines	44 051 887	42 277 437	1 774 450	4.20	Effect of revised IGRAP 1 was more than anticipated.
Licences and permits	1 245 120	762 561	482 559	63.28	
Donated property, plant and equipment	73 300	-	73 300	100.00	Donation of vehicle & trailer not budgeted for
Income for agency services	1 778 356	1 673 115	105 241	6.29	
Government grants and subsidies	79 848 423	93 231 548	(13 383 125)	(14.35)	Budget not fully spent on Capital (MIG - R3,187 million & Flood Relief - R1,629 million) and Operating (Housing - R6,866 million)
Gain on revaluation of investment property	711 600	-	711 600		Revaluation on investment property not budgeted for
Other Income	5 240 001	4 586 275	653 726	14.25	Increase in building plan revenue(R448 589) and sale of land (R826 251) incorrectly allocated to this vote
Surplus on sale of assets	-	500 000	(500 000)	(100.00)	Actual proceeds under Loss on disposal of property, plant and equipment
Total Income	397 063 618	394 337 908	2 725 710	0.69	

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Expenditure					
Employee related costs	116 413 761	127 640 574	(11 226 813)	(8.80)	Provision for retirement benefits less than anticipated. Vacancies during the year not filled.
Remuneration of councillors	6 046 658	6 360 321	(313 663)	(4.93)	
Working Capital Reserve	38 268 449	33 256 721	5 011 728	15.07	Effect of revised IGRAP 1 was more than anticipated which resulted in a higher provision than budgeted for.
Collection Costs	1 892 307	2 471 189	(578 882)	(23.43)	
Depreciation and impairment	25 481 069	20 840 400	4 640 669	22.27	Depreciation on Land Fill sites not budgeted for
Repairs and Maintenance	15 685 797	17 969 760	(2 283 963)	(12.71)	Savings on budgeted items
Interest - External borrowings	13 694 690	8 796 613	4 898 077	55.68	
Bulk Purchases	85 599 383	87 513 945	(1 914 562)	(2.19)	
Contracted Services	4 504 464	9 611 022	(5 106 558)	(53.13)	Transaction fee for Syntell fines, less than budgeted for
Loss on disposal of property, plant and equipment	218 494				Writing off of PPE not budgeted for - nett effect of write offs and proceeds on sale of land
General Expenses	39 231 761	53 724 796	(14 493 035)	(26.98)	Housing project not completed at year end (R6,866 million). Savings on budget for Workmens Compensation (R250 675), Insurance (R238 459), Consultants fees (R2,567 million) and vehicles cost (R1,661 million)
Total Expenditure	347 036 831	368 185 341	(21 367 004)	(5.80)	
Net surplus for the year	50 026 787	26 152 567	24 092 714	(92.12)	

APPENDIX E (2) - Unaudited

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016)

		2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
Land						
	<u>Land & Buildings</u>	977 200	1 029 829	-52 629	-5.11	
		977 200	1 029 829	-52 629	-5.11	
Infrastructure						
	<u>Sewerage</u>	18 603 087	23 515 360	-4 912 273	-20.89	The Melkhoutfontein Bulk Sewer supply project from MIG-funds was amended in February 2016. Due to limited time the amended amounts could not be fully spent. A rollover application will be submitted for all the unspent funds before 31 August 2016. VAT on grant funds was claimed but not allocated to the VAT capital vote as budgeted.
	<u>Water</u>	5 059 878	9 058 882	-3 999 004	-44.14	The Melkhoutfontein Bulk Water supply project from MIG-funds was amended in February 2016. Due to limited time the amended amounts could not be fully spent. A rollover application will be submitted for all the unspent funds before 31 August 2016. Several projects could not be fully spent due to limited time and the remaining funds will be amended to the 2016/17 financial year by means of an adjustment budget in August 2016.
	<u>Electricity</u>	32 254 332	33 905 493	-1 651 161	-4.87	
	<u>Solid Waste</u>	162 675	298 131	-135 456	-45.44	
	<u>Roads and Stormwater</u>	10 357 807	15 002 092	-4 644 285	-30.96	The Municipality received R30 million for Flood Disaster Relief in 2015/16 financial year plus roll overs from the 2014/15 financial year. The original budget was amended in February 2016 with the adjustment budget. Due to limited time the amended amounts could not be fully spent. These projects are multi-year projects. The Melkhoutfontein Stormwater project from MIG-funds was placed on the adjusted budget in February 2016. Due to limited time the amended amounts could not be fully spent. A rollover application will be submitted for all the unspent funds before 31 August 2016.
		66 437 779	81 779 958	-15 342 179	-18.76	
Community Assets						
	<u>Public Conveniences</u>	424 072	1 145 507	-721 435	-62.98	The Gouritsmond Upgrading of Tidal Pool & Albertinia Extension of Cemeteries could not be fully spent due to several problems. The remaining funds will be amended to the 2016/17 financial year by means of an adjustment budget in August 2016.
	<u>Sportfields</u>	419 149	419 169	-20	0.00	
	<u>Cemeteries</u>	556 797	880 000	-323 203	-36.73	
	<u>Other</u>	78 112	100 000	-21 888	-21.89	
		1 478 130	2 544 676	-1 066 546	-41.91	
Other Assets						
	<u>Plant & Equipment</u>	3 550 690	3 666 947	-116 257	-3.17	
	<u>Motor Vehicles</u>	4 288 103	4 252 500	35 603	0.84	
	<u>Other</u>	2 017 935	2 264 257	-246 322	-10.88	
		9 856 728	10 183 704	-326 976	-20.50	
Total		78 749 837	95 538 167	-16 788 330	-17.57	

APPENDIX F - Unaudited
Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Quarterly Receipts

Quarterly Expenditure

Name of Grant	Funder	Opening Balance	September	December	March	June	Total	September	December	March	June	Total	Closing Balance
		2015/07/01											2016/06/30
		R	R	R	R	R	R	R	R	R	R	R	R
National Government		35 349 810	50 040 000	14 933 749	27 853 679	1 196 616	94 024 044	11 430 549	11 393 189	13 535 808	25 883 716	62 243 261	67 130 593
Equitable Share	COGTA	-	13 137 000	6 969 000	11 423 000	-	31 529 000	7 882 250	7 882 250	7 882 250	7 882 250	31 529 000	-
MIG Projects	COGTA	6 517 128	2 372 000	5 932 000	5 028 000	-	13 332 000	2 484 417	989 385	2 859 178	10 057 430	16 390 410	3 458 718
Financial Management Grant	COGTA	-	1 450 000	-	-	-	1 450 000	215 125	387 798	254 459	592 618	1 450 000	(0)
National Electricity Program	DME	-	1 751 000	176 000	1 073 000	-	3 000 000	543 102	295 441	-	2 161 457	3 000 000	-
Municipal Systems Improvement Grant	COGTA	-	930 000	-	-	-	930 000	29 412	81 292	11 113	808 183	930 000	-
Expanded Public Works Programme	DPW	204 761	400 000	-	600 000	-	1 000 000	48 243	49 533	121 305	985 680	1 204 761	0
Energy Efficiency Demand Side Mgmt	DME	78 795	-	-	-	-	-	-	-	-	78 795	78 795	-
Disaster Recovery Grant	COGTA	28 549 126	30 000 000	-	9 325 044	-	39 325 044	-	-	1 428 923	2 804 279	4 233 202	63 640 968
Accelerated Community Infrastr. Programme	DWA	-	-	1 856 749	404 635	1 196 616	3 458 000	228 000	1 707 489	978 579	513 024	3 427 093	30 907
Provincial Government		1 499 068	3 890 895	4 469 693	8 948 525	-	17 309 113	3 240 803	3 435 700	7 779 724	3 242 085	17 698 311	1 109 870
Human Settlement Development	WC: Housing	-	1 755 228	1 614 027	6 287 858	-	9 657 113	1 755 228	1 614 027	6 287 858	-	9 657 113	-
Library Municipal Replacement Funding	WC: Cult. Affairs	330 505	1 585 334	1 585 333	1 585 333	-	4 756 000	988 787	1 091 417	877 230	1 983 044	4 940 477	146 028
Municipal Capacity Building Grant	WC: Local Gov	398 400	-	267 000	-	-	267 000	-	115 600	36 058	497 152	648 810	16 590
Slangrivier Land Reform	WC: Land Affairs	8 725	-	-	-	-	-	-	-	-	-	-	8 725
Library Conditional Grant	WC: Cult. Affairs	34 883	550 333	550 333	550 334	-	1 651 000	344 180	322 014	365 028	508 512	1 539 734	146 149
Riversdale Thusong Centre	WC: Cult. Affairs	-	-	100 000	-	-	100 000	-	-	-	5 000	5 000	95 000
Proclaimed Roads	WC: Transport	-	-	-	95 000	-	95 000	-	-	95 000	-	95 000	-
Greenest Municipality Competition	WC: Environment	70 000	-	-	130 000	-	130 000	-	-	-	195 377	195 377	4 623
Spatial Development Framework	WC: Environment	2 807	-	-	-	-	-	-	-	-	-	-	2 807
Housing Consumer Education	WC: Housing	20 586	-	-	-	-	-	-	-	-	-	-	20 586
Financial Management Support Grant	WC: Local Govt.	633 162	-	353 000	-	-	353 000	152 608	292 642	118 550	53 000	616 800	369 362
Municipal Infrastructure Support Grant	WC:Pub Works	-	-	-	300 000	-	300 000	-	-	-	-	-	300 000
District Municipality		373 388	-	-	-	-	-	-	-	-	-	-	373 388
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 787.00	-	-	-	-	-	-	-	-	-	-	78 787
Alternative Electricity	Eden Distr. Mun.	273 533.00	-	-	-	-	-	-	-	-	-	-	273 533
Housing Consumer Educations	Eden Distr. Mun.	21 068.00	-	-	-	-	-	-	-	-	-	-	21 068
Other		512 597	53 357	86 952	370 435	767 463	1 278 207	287 137	88 530	44 830	7 172	437 669	1 353 135
Skills Development	Seta	47 079	53 357	86 952	70 435	230 213	440 957	39 430	88 530	44 830	7 172	179 962	308 074
National Lottery Fund		-	-	-	-	527 250	527 250	224 023	-	-	-	224 023	303 227
Tourism		101 819	-	-	-	-	-	-	-	-	-	-	101 819
Africana Centre		6 615	-	-	-	-	-	-	-	-	-	-	6 615
National Heritage Council		23 684	-	-	-	-	-	23 684	-	-	-	23 684	-0
Asla Devco - Water meters Slangrivier		273 400	-	-	-	-	-	-	-	-	-	-	273 400
Business Engineering						10 000	10 000					10 000	-
Public Participation Strategy		60 000	-	-	-	-	-	-	-	-	-	-	60 000
Arbor Day Award	Total S A	-	-	-	300 000	-	300 000	-	-	-	-	-	300 000
TOTAL - CONDITIONAL GRANTS		37 734 863	53 984 252	19 490 394	37 172 640	1 964 079	112 611 364	14 958 489	14 917 419	21 360 362	29 132 972	80 379 242	69 966 986

Accelerated Community Infrastr. Programme - Amount of R200 000 utilised for 14/15

National Electricity Program - Amount of R480 339 utilised for 14/15

Unspent EEDSM Grant on 30 June 2016 = R79 000 was subtracted from Equitbale Share during 2015/16