

HESSEQUA MUNICIPALITY



2017/2018

HESSEQUA LOCAL MUNICIPALITY

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HESSEQUA MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR
DEPUTY MAYOR
SPEAKER

Councillor G Riddels
Councillor Mr J Hartnick
Councillor A Stroebel

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson
Member
Member
Member
Member

Councillor G Riddels
Councillor Johannes Hartnick
Councillor M Jakobs
Councillor AM Joubert
Councillor B Smith

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

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

Councillor B Smith
Councillor B Smith
Councillor M Jakobs
Councillor Johannes Hartnick
Councillor AM Joubert

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Ms A Hartnick

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Me A Hartnick

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

I Mangaliso
AM Joubert
B Smith
CP Taute
T van den Berg
JL Hartnick
M Fielies
L Pieterse
S Odendaal
J Gelderbloem
Johannes Hartnick
G Riddles
A Stroebel
M Jakobs
T Pretorius
ME Dyamani
NA Joseph

POSITION

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

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 - 96, 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 2018
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 2018.

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

Reclassified/
Restated

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.

2.83 2.52

Revenue Management

Actual income vs Budgeted income

99.18% 103.30%

Level of government grants to own income

25.68% 43.10%

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

Expenditure management

Actual expenditure vs Budgeted expenditure

92.80% 87.17%

Personnel costs to total expenditure

36.58% 35.88%

Interest paid as percentage of total expenditure

4.76% 4.77%

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

23.17% 25.50%

Asset management

Acquisition of PPE - Actual vs budgeted

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %
Land				
<u>Land & Buildings</u>	1 479 686	2 363 000	-883 314	-37.38
	1 479 686	2 363 000	-883 314	-37.38
Infrastructure				
<u>Sewerage</u>	15 597 250	19 393 346	-3 796 096	-19.57
<u>Water</u>	10 612 293	25 486 708	-14 874 415	-58.36
<u>Electricity</u>	8 574 302	8 975 533	-401 231	-4.47
<u>Solid Waste</u>	44 234	50 000	-5 766	-11.53
<u>Roads and Stormwater</u>	9 525 011	15 244 000	-5 718 989	-37.52
<u>Information And Communication Infrastructure</u>	850 318	945 200	-94 882	-10.04
	45 203 408	70 094 787	-24 891 379	-141

Statement from the Chief Financial Officer -(continued)

Intangible Assets				
<u>Computer Software And Applications</u>	0	242 000	-242 000	-100.00
	0	242 000	-242 000	-100
Community Assets				
<u>Public Conveniences</u>	527 252	600 000	-72 748	-12.12
<u>Sportfields</u>	353 213	448 600	-95 387	-21.26
<u>Cemeteries</u>	595 300	710 400	-115 100	-16.20
<u>Other</u>	2 685 796	3 549 143	-863 347	-24.33
	4 161 561	5 308 143	-1 146 582	-21.60
Other Assets				
<u>Plant & Equipment</u>	1 877 916	2 317 050	-439 134	-18.95
<u>Motor Vehicles</u>	7 545 793	8 074 200	-528 407	-6.54
<u>Other</u>	2 023 415	2 282 617	-259 202	-11.36
	11 447 124	12 673 867	-1 226 743	-9.68
Total	62 291 779	90 681 797	-28 390 018	-31.31

Budget Spent 68.69%

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 decreased by 3% which indicates an increase in the level of solvency since total assets increased relatively to total liabilities.

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 a decrease of 4 days relative to the prior year in creditors' payments.

	2017/18	2016/17
	73.04 days	74.17 days
	96.94%	97.51%
	28.77%	31.36%
	30.71%	34.55%
	4.40%	4.23%
	69.04 days	73.93 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.

	2017/18		2016/17	Growth
	Actual	Budget	Actual	
Revenue				
Agency services	2 218 473	1 950 411	1 986 815	11.66%
Fines	38 417 424	41 208 474	66 507 156	-42.24%
Gains on disposal of PPE	101 615	2 500 000	979 124	100.00%
Donated PPE	141 699	133 700	900 000	-84.26%
Interest Earned - External investments	17 958 842	4 828 000	18 093 727	-0.75%
Interest Earned - Outstanding debtors	1 950 423	1 392 917	1 522 180	28.13%
Licenses and permits	1 420 287	1 396 986	1 318 799	7.70%
Property rates	78 148 577	76 330 839	70 987 819	10.09%
Rental of facilities and equipment	2 607 264	1 821 048	2 028 046	28.56%
Services Charges	201 488 590	197 276 277	188 958 244	6.63%
Transfers Recognised	93 230 593	117 007 380	158 411 863	-41.15%
Gain on revaluation of Investment Property	453 509	-	2 704 941	-100.00%
Other revenue	18 898 201	14 985 413	16 133 732	17.13%
	457 035 497	460 831 445	530 532 446	-13.85%

Statement from the Chief Financial Officer -(continued)

	2017/18		2016/17	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	89 362 014	87 369 323	87 869 756	1.70%
Contracted services	32 192 657	46 521 327	38 735 468	-16.89%
Debt impairment	33 065 220	35 484 740	47 471 141	-30.35%
Depreciation and impairment	30 044 169	35 734 618	25 594 136	17.39%
Employee related cost	152 567 856	153 303 267	127 791 235	19.39%
Remuneration of councillors	7 202 030	7 269 038	6 483 887	11.08%
Finance charges	18 822 055	19 007 575	17 722 545	6.20%
Inventory consumed	19 235 516	23 558 680	19 124 001	0.58%
Transfers and subsidies	1 054 802	1 106 680	865 317	21.90%
Other expenditure	21 026 642	26 606 620	19 069 853	10.26%
	404 572 962	435 961 868	390 727 338	3.54%
Net operating Surplus	52 462 535	24 869 577	139 805 108	

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:

	2017/18	2016/17
Service Charges	44.14%	35.87%
Property rates	17.12%	13.47%
Grants and subsidies	20.42%	30.07%
Other	18.32%	20.59%
	100.00%	100.00%

3.2 Operating expenditure

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

	2017/18	2016/17
Bulk purchases	22.58%	23.64%
Employee related cost/Council Remuneration	38.40%	37.62%
Depreciation and impairment	7.59%	6.88%
Finance cost	4.76%	4.77%
Other	26.67%	27.09%
	100.00%	100.00%

4. Debtors

Total outstanding net debtors increased by R4 223 939 to a balance of R51 214 855 at 30 June 2018. Income from traffic fines decreased to R38 417 424 and outstanding traffic receivables increased to R78 541 216 at 30 June 2018. A provision for impairment of traffic fines of R61 421 068 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt decreased to R111 554 932 in the financial year ended 30 June 2018. Cash and cash equivalents increased by R8 081 209 to close the year at R220 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 2018

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Note	2018 R	2017 Restated R
ASSETS			
Current Assets		276 030 423	264 212 286
Inventory	2	2 810 521	3 185 607
Trade receivables from exchange transactions	3	23 983 095	20 823 537
Trade receivables from non-exchange transactions	4	27 231 760	26 167 379
VAT Receivable	5	1 689 073	1 861 914
Bank, Cash and Cash Equivalents	6	219 860 299	211 779 090
Operating Lease Assets	7	452 826	392 126
Current Portion of Long-term Receivables	12	2 849	2 634
Non-Current Assets		854 072 765	832 134 684
Property, Plant and Equipment	8	774 214 448	752 484 382
Intangible Assets	9	298 911	320 455
Investment Property	10	71 227 509	70 995 100
Heritage Assets	11	8 321 875	8 321 875
Long-term Receivables	12	10 022	12 871
Total Assets		1 130 103 187	1 096 346 970
LIABILITIES			
Current Liabilities		97 482 387	105 044 801
Consumer Deposits	13	8 399 605	6 443 626
Provisions	14	7 903 047	7 474 064
Creditors	15	50 942 955	54 008 420
Unspent Conditional Grants and Receipts	16	12 680 337	21 250 876
Operating Lease Liabilities	17	135 495	130 220
Current Portion of Long-term Liabilities	18	17 420 948	15 737 596
Non-Current Liabilities		227 632 366	238 776 270
Long-term Liabilities	18	94 133 984	111 556 514
Retirement Benefit Liabilities	19	51 622 000	42 116 910
Non-current Provisions	20	79 843 805	83 181 499
Trust Fund	49	2 032 577	1 921 347
Total Liabilities		325 114 754	343 821 072
Total Assets and Liabilities		804 988 434	752 525 898
NET ASSETS			
Statutory Funds		804 988 434	752 525 898
Statutory Funds	21	245 695	245 694
Accumulated Surplus	22	804 742 739	752 280 204
Total Net Assets		804 988 434	752 525 898

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2018

Revenue	Note	2018	2017	2017	2017
		R	R	R	R
		Actual	Restated	Reclassification	Previously reported
Revenue from non-exchange transactions		213 577 053	300 112 452	(2 704 942)	302 817 393
Property Rates	23	78 148 577	70 987 819	-	70 987 819
Fines		38 417 424	66 507 156	-	66 507 156
Licences and permits		1 420 287	1 318 799	-	1 318 799
Income from Agency Services		2 218 473	1 986 815	-	1 986 815
Donated Property, Plant and Equipment		141 699	900 000	-	900 000
Transfers recognised - Operational	25 + 26	60 345 573	62 641 179	(95 770 685)	158 411 863
Transfers recognised - Capital	25 + 26	32 885 020	95 770 684	95 770 684	
Gain on revaluation of Investment Property		-	-	(2 704 941)	2 704 941
Revenue from exchange transactions		242 903 319	226 735 929	(1 301 440)	228 037 368
Service Charges	24	201 488 590	188 958 244	-	188 958 244
Rental of facilities and equipment		2 607 264	2 028 046	(11 135 726)	13 163 772
Interest earned - external investments		17 958 842	18 093 727	-	18 093 727
Interest earned - outstanding receivables		1 950 423	1 522 180	-	1 522 180
Other income	27	18 898 200	16 133 731	11 135 726	4 998 006
Gains on disposal of property, plant and equipment		-	-	(1 301 440)	1 301 440
Total Revenue		456 480 372.30	526 848 381	(4 006 381)	530 854 761

Expenditure					
Employee related costs	28	144 786 954	133 378 401	6 343 670	127 034 731
Remuneration of Councillors	29	7 202 030	6 483 887	-	6 483 887
Bad debts written off	30	33 065 220	23 846 153	(23 624 988)	47 471 141
Collection costs		-	-	(2 260 932)	2 260 932
Depreciation and Amortisation	31	30 044 169	25 594 136	(977 079)	26 571 215
Repairs and maintenance	32	-	-	(16 265 256)	16 265 256
Finance Charges	33	18 822 055	17 722 545	-	17 722 545
Bulk purchases	34	89 362 014	87 869 756	(5 807 699)	93 677 455
Loss on disposal of property, plant and equipment		-	-	(322 316)	322 316
Inventory Consumed	58	19 235 516	19 124 001	19 124 001	-
Transfers and Subsidies		1 054 802	865 317	865 317	-
Contracted services	57	32 192 657	38 735 468	31 587 130	7 148 338
General expenses	35	20 018 955	18 123 813	(28 945 104)	47 068 917
Total Expenditure		395 784 374	371 743 478	(20 283 255)	392 026 733

Operating Surplus/(Deficit) for the Year					
Actuarial Gains/(Losses)		(6 500 230)	5 587 166	5 587 166	-
Inventories: (write-down)/Reversal of write-down to Net Realisable value		(121 430)	-	-	-
Gains/(Loss) on Sale of Fixed Assets		101 615	979 124	979 124	-
(Impairment Loss) on receivables	30	(1 280 671)	(23 624 988)	(23 624 988)	-
Water losses	52	(886 257)	(946 038)	(946 038)	-
Profit on Fair Value Adjustments	10	453 509	2 704 941	2 704 941	-
NET SURPLUS FOR THE YEAR		52 462 535	139 805 108	977 078	138 828 029

Refer to note 47 for details regarding restatements/reclassifications

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2018

Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance 1 July 2016	245 694	-	597 725 869	597 971 563
Correction of prior year error			14 749 227	14 749 227
Restated balance 1 July 2017	245 694	-	612 475 096	612 720 790
Surplus for the year - restated			139 805 108	139 805 108
Transfer from Housing Reserve	-		-	-
Restated balance at 30 JUNE 2017	245 694	-	752 280 204	752 525 898
Surplus for the year			52 462 535	52 462 535
Balance at 30 JUNE 2018	245 693	-	804 742 739	804 988 433

HESSEQUA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018		2017	
		R	R	R	R
		Actual	Reclassified	Reclassification of expenditure/revenue	Previously reported
Cash Flow from Operating Activities					
Receipts		388 928 543	400 148 190	-	400 148 190
Property rates		76 164 766	70 186 743	(284 734)	70 471 477
Fines		8 741 648	12 586 940	(20 439 204)	33 026 143
Government grants and subsidies		84 660 054	109 695 754	-	109 695 753
Service Charges		194 872 289	186 481 652	20 723 938	165 757 715
Income from agency services		2 218 473	1 986 815	-	1 986 815
Rental of facilities and equipment		2 607 264	2 028 046	(11 135 726)	13 163 772
Licences and permits		1 420 287	1 318 799	-	1 318 799
Other receipts		18 243 762	15 863 441	11 135 725	4 727 716
Payments		(306 645 673)	(283 683 452)	(1 282 293)	(282 401 159)
Employee related cost		(140 378 912)	(127 491 334)	(756 504)	(126 734 830)
Remuneration of councillors		(7 202 030)	(6 483 887)	-	(6 483 887)
Transfers and Subsidies		(1 054 802)	(865 317)	(865 317)	-
Suppliers paid		(138 943 235)	(126 879 943)	(26 540 370)	(100 339 572)
Other payments		(19 066 694)	(21 962 971)	26 879 898	(48 842 869)
Cash generated from operations	37	82 282 871	116 464 738	(1 282 293)	117 747 031
Interest received		19 909 265	19 615 907		19 615 907
Interest paid	33	(18 822 055)	(17 722 545)		(17 722 545)
Net Cash from Operating Activities		83 370 081	118 358 100	(1 282 293)	119 640 393
Cash flows from Investing Activities					
Purchase of property, plant and equipment	8	(62 158 081)	(122 237 935)	-	(122 237 935)
Sale of property, plant and equipment		538 544	1 301 440	-	1 301 440
Increase in non-current receivables		2 633	3 326	-	3 326
Net Cash flows from Investing Activities		(61 616 904)	(120 933 169)	-	(120 933 169)
Cash flows from Financing Activities					
New loans raised/(repaid)		(15 739 178)	5 433 889	0	5 433 889
(Decrease)/increase in consumer deposits		1 955 979	2 029 981	1 282 293	747 688
Increase in Trust Funds		111 231	105 192	-	105 192
Net Cash from Financing Activities		(13 671 969)	7 569 062	1 282 293	6 286 769
Net Increase in Cash and Cash Equivalents		8 081 209	4 993 993	(0)	4 993 993
Cash and cash equivalents at the beginning of the year		211 779 090	206 785 097		206 785 097
Cash and cash equivalents at the end of the year	36	219 860 299	211 779 090		211 779 090

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018

Statement of Financial Performance

Figures in Rand

Revenue	Approved budget - (Febr 2018)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions	238 007 790	20 000	238 027 790	213 577 053	-24 450 737	Note 56
Property Rates	76 330 839	-	76 330 839	78 148 577	1 817 738	
Fines	41 333 974	(125 500)	41 208 474	38 417 424	(2 791 050)	Rev 1
Licences and permits	1 396 986	-	1 396 986	1 420 287	23 301	
Income from agency services	1 950 411	-	1 950 411	2 218 473	268 062	Rev 2
Donated Property, Plant and Equipment	8 200	125 500	133 700	141 699	7 999	
Transfers Recognised - Operational	71 282 018	20 000	71 302 018	60 345 573	(10 956 445)	Rev 3
Transfers Recognised - Capital	45 705 362	-	45 705 362	32 885 020	(12 820 342)	Rev 4
Revenue from exchange transactions	222 803 655	-	222 803 655	243 458 444	20 654 789	
Service Charges	197 276 277	-	197 276 277	201 488 590	4 212 313	
Rental of facilities and equipment	1 821 048	-	1 821 048	2 607 264	786 216	Rev 5
Interest earned - external investments	4 828 000	-	4 828 000	17 958 842	13 130 842	Rev 6
Interest earned - outstanding receivables	1 392 917	-	1 392 917	1 950 423	557 506	Rev 7
Other Revenue	14 985 413	-	14 985 413	18 898 200	3 912 787	Rev 8
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	555 125	(1 944 875)	Rev 9
Total Revenue	460 811 445	20 000	460 831 445	457 035 497	(3 795 948)	
Expenditure						
Employee related costs	153 303 267	-	153 303 267	151 287 185	(2 016 082)	
Remuneration of Councillors	7 269 038	-	7 269 038	7 202 030	(67 008)	
Bad debts	35 484 740	-	35 484 740	34 345 891	(1 138 849)	
Depreciation and Asset Impairment	35 734 618	-	35 734 618	30 044 169	(5 690 449)	Exp 1
Repairs and maintenance	-	-	-	-	-	
Inventory Consumed	17 208 360	6 350 320	23 558 680	20 243 203	(3 315 477)	Exp 2
Finance Charges	19 007 575	-	19 007 575	18 822 055	(185 520)	
Bulk purchases	94 369 323	(7 000 000)	87 369 323	89 362 014	1 992 691	
Transfers and Subsidies	1 062 680	44 000	1 106 680	1 054 802	(51 878)	
Contracted services	45 870 690	650 637	46 521 327	32 192 657	(14 328 670)	Exp 3
General expenses	26 631 577	(24 957)	26 606 620	20 018 955	(6 587 665)	Exp 4
Total Expenditure	435 941 868	20 000	435 961 868	404 572 962	(31 388 906)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	24 869 577	-	24 869 577	52 462 535	27 592 958	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018

Statement of Financial Position	Approved budget - (April 2018)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
ASSETS						Note 56
Current Assets	172 472 116	28 386 472	200 858 588	276 030 423	75 171 835	
Inventory	3 135 239	0	3 135 239	2 810 521	-324 718	Fp1
Trade receivables from exchange transactions	26 813 499	329 822	27 143 321	23 983 095	-3 160 226	
Trade receivables from non-exchange transactions	20 790 389	0	20 790 389	27 231 760	6 441 371	
VAT Receivable	0	0	0	1 689 073	1 689 073	
Bank, Cash and Cash Equivalents	121 729 988	28 056 650	149 786 638	219 860 299	70 073 661	Fp2
Operating Lease Assets	0	0	0	452 826	452 826	
Current Portion of Long-term Receivables	3 001	0	3 001	2 849	-152	
Non-Current Assets	866 722 055	23 912 665	890 634 720	854 072 765	-36 561 955	
Property, Plant and Equipment	815 012 000	-4 268 310	810 743 690	774 214 448	-36 529 242	
Intangible assets	320 455	242 000	562 455	298 911	-263 544	
Investment Property	51 377 600	19 617 100	70 994 700	71 227 509	232 809	
Heritage Assets	0	8 321 875	8 321 875	8 321 875	0	
Long-term Receivables	12 000	0	12 000	10 022	-1 978	
Total Assets	1 039 194 171	52 299 137	1 091 493 308	1 130 103 187	38 609 879	
LIABILITIES						
Current Liabilities	89 387 215	1 380 000	90 767 215	97 482 387	6 715 172	
Consumer Deposits	4 625 000	506 000	5 131 000	8 399 605	3 268 605	Fp3
Provisions	7 181 008	874 000	8 055 008	7 903 047	-151 961	
Creditors	61 950 132	0	61 950 132	50 942 955	-11 007 177	Fp4
Unspent Conditional Grants and Receipts	0	0	0	12 680 337	12 680 337	Fp5
Operating Lease Liabilities	0	0	0	135 495	135 495	
Current Portion of Long-term Liabilities	15 631 075	0	15 631 075	17 420 948	1 789 873	Fp6
Non-Current Liabilities	288 490 460	-20 299 000	268 191 460	227 632 366	-40 559 094	
Long-term Liabilities	148 593 039	-15 737 000	132 856 039	94 133 984	-38 722 055	Fp7
Retirement Benefit Liabilities	54 673 000	-4 562 000	50 111 000	51 622 000	1 511 000	
Non-current Provisions	83 303 074	0	83 303 074	79 843 805	-3 459 269	
Trust Fund	1 921 347	0	1 921 347	2 032 577	111 230	
Total Liabilities	377 877 675	-18 919 000	358 958 675	325 114 754	-33 843 921	
Total Assets and Liabilities	661 316 496	71 218 137	732 534 633	804 988 434	72 453 801	
NET ASSETS	661 316 496	71 218 137	732 534 633	804 988 433	72 453 800	
Statutory Funds	246 275	0	246 275	245 694	-581	
Accumulated Surplus	661 070 221	71 218 137	732 288 358	804 742 739	72 454 381	Fp8
Total Net Assets	661 316 496	71 218 137	732 534 633	804 988 433	72 453 800	

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018

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 56
Receipts						
Property rates	75 293 906	-	75 293 906	76 164 766	870 860	
Service charges	193 330 753	-	193 330 753	194 872 289	1 541 536	
Other revenue	30 778 844	221 937	31 000 781	33 231 434	2 230 653	Cf1
Government grants and subsidies	87 483 750	28 973 326	116 457 076	84 660 054	(31 797 022)	Cf2
Payments						
Suppliers and employees	(336 274 824)	(23 904 350)	(360 179 174)	(305 590 870)	54 588 304	Cf3
Transfers and grants	(976 830)	-	(976 830)	(1 054 802)	(77 972)	
Cash generated from operations	49 635 599	5 290 913	54 926 512	82 282 871	27 356 359	
Interest received	5 720 060	(16 685)	5 703 375	19 909 265	14 205 890	Cf4
Interest paid	(19 007 575)	-	(19 007 575)	(18 822 055)	185 520	
Net Cash from Operating Activities	36 348 084	5 274 228	41 622 312	83 370 081	41 747 769	
Cash flows from Investing Activities						
Purchase of property, plant and equipment	(74 455 483)	(16 226 690)	(90 682 173)	(62 158 081)	28 524 092	Cf5
Sale of property, plant and equipment	2 500 000	-	2 500 000	538 544	(1 961 456)	Cf6
(Increase)/decrease in non-current receivables	2 000	-	2 000	2 633	633	
Net Cash flows from Investing Activities	(71 953 483)	(16 226 690)	(88 180 173)	(61 616 904)	26 563 269	
Cash flows from Financing Activities						
New loans raised/(repaid)	36 646 388	(52 277 463)	(15 631 075)	(15 739 178)	(108 103)	
(Decrease)/increase in consumer deposits	196 000	-	196 000	1 955 979	1 759 979	Cf7
Increase in Trust Funds	-	-	-	111 231	111 231	
Net Cash from Financing Activities	36 842 388	(52 277 463)	(15 435 075)	(13 671 969)	1 763 106	
Net Increase / (decrease) in Cash and Cash Equivalents	1 236 989	(63 229 925)	(61 992 936)	8 081 209	70 074 145	
Cash and cash equivalents at the beginning of the year	120 493 000	91 286 090	211 779 090	211 779 090	(0)	
Cash and cash equivalents at the end of the year	121 729 989	28 056 165	149 786 154	219 860 299	70 074 145	Cf8

HESSEQUA LOCAL MUNICIPALITY
APPROPRIATION STATEMENT AT 30 JUNE 2018

Statement of Financial Performance

Figures in Rand

Revenue	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	% Variances on final budget	% Variances on original budget
Revenue from non-exchange transactions	208 495 510	29 512 280	238 007 790	-	(20 000)	238 027 790	213 577 053		
Property Rates	76 330 839	-	76 330 839	-	-	76 330 839	78 148 577	2.38	2.38
Fines	41 333 974	-	41 333 974	-	125 500	41 208 474	38 417 424	(6.77)	(7.06)
Licences and permits	1 396 986	-	1 396 986	-	-	1 396 986	1 420 287	1.67	1.67
Income from agency services	1 950 411	-	1 950 411	-	-	1 950 411	2 218 473	13.74	13.74
Donated Property, Plant and Equipment	-	8 200	8 200	-	(125 500)	133 700	141 699	100.00	100.00
Transfers Recognised - Operational	71 566 750	(284 732)	71 282 018	-	(20 000)	71 302 018	60 345 573	(15.37)	(15.68)
Transfers Recognised - Capital	15 916 550	29 788 812	45 705 362	-	-	45 705 362	32 885 020	(28.05)	106.61
Revenue from exchange transactions	222 598 403	205 252	222 803 655	-	-	222 803 655	243 458 444		
Service Charges	197 276 277	-	197 276 277	-	-	197 276 277	201 488 590	2.14	2.14
Rental of facilities and equipment	1 821 048	-	1 821 048	-	-	1 821 048	2 607 264	43.17	43.17
Interest earned - external investments	4 828 000	-	4 828 000	-	-	4 828 000	17 958 842	271.97	271.97
Interest earned - outstanding receivables	1 392 917	-	1 392 917	-	-	1 392 917	1 950 423	40.02	40.02
Other Revenue	14 780 161	205 252	14 985 413	-	-	14 985 413	18 898 200	26.11	27.86
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	-	-	2 500 000	555 125	(77.80)	(77.80)
Total Revenue	431 093 913	29 717 532	460 811 445	-	(20 000)	460 831 445	457 035 497	(0.82)	6.02
Expenditure									
Employee related costs	151 963 395	1 339 872	153 303 267	-	-	153 303 267	151 287 185	(1.32)	(0.44)
Remuneration of Councillors	7 269 038	-	7 269 038	-	-	7 269 038	7 202 030	(0.92)	(0.92)
Bad debts	35 484 740	-	35 484 740	-	-	35 484 740	34 345 891	(3.21)	(3.21)
Depreciation and Asset Impairment	35 734 618	-	35 734 618	-	-	35 734 618	30 044 169	(15.92)	(15.92)
Finance Charges	19 007 575	-	19 007 575	-	-	19 007 575	18 822 055	(0.98)	(0.98)
Bulk purchases	87 082 323	7 287 000	94 369 323	(7 000 000)	-	87 369 323	89 362 014	2.28	2.62
Inventory Consumed	25 196 416	(7 988 056)	17 208 360	6 600 320	(250 000)	23 558 680	20 243 203	(14.07)	(19.66)
Transfers and Subsidies	976 830	85 850	1 062 680	4 000	40 000	1 106 680	1 054 802	(4.69)	7.98
Contracted services	46 401 287	(530 597)	45 870 690	850 531	(199 894)	46 521 327	32 192 657	(30.80)	(30.62)
General expenses	26 283 822	347 755	26 631 577	(24 957)	-	26 606 620	20 018 955	(24.76)	(23.84)
Total Expenditure	435 400 044	541 824	435 941 868	429 894	(409 894)	435 961 868	404 572 962	(7.20)	(7.08)
Operating Surplus/(Deficit) for the Year	(4 306 131)	29 175 708	24 869 577	429 894	(429 894)	24 869 577	52 462 535	110.95	(1 318.32)

HESSEQUA LOCAL MUNICIPALITY
APPROPRIATION STATEMENT AT 30 JUNE 2018

Capital Budget

Figures in Rand

GFS classification

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	% Variances on final budget	% Variances on original budget	Reference
Finance And Administration	4 876 530	-142 900	4 733 630	-	-	4 733 630	3 284 694	-30.61	-32.64	Cap1
Community And Social Services	2 153 300	-259 583	1 893 717	-	-	1 893 717	1 623 230	-14.28	-24.62	Cap2
Other	12 500	(3 400)	9 100	-	-	9 100	8 280	-9.02	-33.76	
Energy Sources	11 177 950	(1 549 667)	9 628 283	-	-	9 628 283	9 128 325	-5.19	-18.34	
Executive And Council	308 620	-223 800	84 820	-	-	84 820	67 236	-20.73	-78.21	
Planning And Development	63 100	(5 600)	57 500	-	-	57 500	54 330	-5.51	-13.90	
Housing	0	8 000	8 000	-	-	8 000	0	-100.00		
Public Safety	1 121 500	1 224 000	2 345 500	-	-	2 345 500	1 807 582	-22.93	61.18	Cap3
Road Transport	11 489 900	7 140 050	18 629 950	-	125 500	18 629 950	12 643 281	-32.13	10.04	Cap4
Sport And Recreation	5 622 143	-97 500	5 524 643	-	-	5 524 643	4 695 806	-15.00	-16.48	Cap5
Waste Management	1 805 000	-413 500	1 391 500	-	(125 500)	1 391 500	1 373 469	-1.30	-23.91	
Waste Water Management	23 298 414	-3 443 868	19 854 546	-	-	19 854 546	15 988 232	-19.47	-31.38	Cap6
Water Management	16 445 236	10 075 372	26 520 608	-	-	26 520 608	11 617 314	-56.20	-29.36	Cap7
Total	78 374 193	12 307 604	90 681 797	-	-	90 681 797	62 291 779	(31.31)	(20.52)	

*

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2017 and 30 June 2018 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 on-going 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 13.2 on *Revenue from Exchange Transactions* and Accounting Policy 13.3 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 2018

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 9.1 on *Financial Assets Classification* and Accounting Policy 9.2 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 9.4 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 3, 4 and 12 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 assessment and considerations of useful lives are set out in Accounting policy 8, Estimation of Useful Lives.

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

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

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 11.2 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 2018

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 16, 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 19 and 20 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, 14, 20 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 12 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 01/07/2017 to 30/06/2018.

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 5% deviation exists. All material differences above 5% 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. No foreign exchange transactions are included in the statements.

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

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

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

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED

1. BASIS OF PRESENTATION (continued)

Reference	Topic	Effective date
GRAP 20	<p>Related party disclosures (Revised)</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality adopted some of the disclosure requirements of GRAP 20. The information is included in the financial statements.</p>	1 April 2019
GRAP 32	<p>Service Concession Arrangement Grantor - issued December 2009</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 108	<p>Statutory Receivables - issued December 2009</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019
GRAP 109	<p>Accounting by Principals and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p>Living and Non-Living Resources</p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

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.

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.

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 2018

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.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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:

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3. 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		

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

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 stated at historical cost and 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.

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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.

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5. INTANGIBLE ASSETS

5. 1 Initial Recognition

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

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

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

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

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

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

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 municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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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.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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).

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6. INVESTMENT PROPERTY (continued)

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 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. 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.

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 reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

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.

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 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 the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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 the Statement of Financial Performance. Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

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 the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over the estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality, or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists the useful life is changed.

Any change in the useful life is accounted for as change in estimate in accordance with GRAP 3 (*Accounting policies, change in accounting estimates and errors*)

Annually the municipality considers whether there have been any indication that the initial useful lives of assets needs to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed,
- (b) The use of the asset has changed because of the following:
 - (i) The municipality has changed the manner in which the asset is used;
 - (ii) The municipality has changed the utilisation rate of the asset;
 - (iii) The municipality has made the decision to dispose of the asset during a future reporting reporting period which results in a change in the useful life of the asset;
 - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset;
 - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life,
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period,
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets, Financial Liabilities or Residual Interests 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

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9. 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.

9. 1 Financial Assets - Classification

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

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 any 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
Operating Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current Portion of Long-term Receivables	Financial assets at amortised cost
Trade receivables from exchange transactions	Financial assets at amortised cost
Trade receivables from non-exchange transactions	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.

9. 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) Fair value;
- (ii) Amortised cost; or
- (iii) Cost.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2018

9. FINANCIAL INSTRUMENTS (continued)

9. 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
Current portion of long term liabilities	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.

9. 3 Initial and Subsequent Measurement

9. 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.

9. 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.

9. 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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9. FINANCIAL INSTRUMENTS (continued)

9. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

Accounts receivable encompasses Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (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.

9. 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.

9. 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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10. STATUTORY RECEIVABLES

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

10. 1 Initial recognition

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

10. 2 Subsequent measurement

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

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

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

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

10. 3 Derecognition

The Municipality derecognises a statutory receivable when:

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

11. 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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

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 50.8 to the annual financial statements.

12. INVENTORIES

12. 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.

12. 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. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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12. INVENTORIES (continued)

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.

13. REVENUE RECOGNITION

13. 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.

13. 2 Revenue from Exchange Transactions

13. 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13. REVENUE RECOGNITION (continued)

13. 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.

13. 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.

13. 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.

13. 2. 5 Income from Agency Services

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

13. 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.

13. 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.

13. 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.

13. 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13. REVENUE RECOGNITION (continued)

13. 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.

13. 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.

13. 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.

13. 3. 5 Services in-kind

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

13. 3. 6 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
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14. 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.

15. PROVISIONS

Provisions 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
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15. 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.

Provision for Environmental Rehabilitation

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.

16. EMPLOYEE BENEFIT LIABILITY

16. 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.

16. 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.

16. 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.

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16. EMPLOYEE BENEFITS (continued)

16. 3 Defined Benefit Plans

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

16. 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.

16. 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.

16. 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.

16. 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 annually.

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

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17. 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.

17. 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.

17. 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.

17. 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 2018

18. BORROWING COSTS

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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

25. 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. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

26. 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.

27. 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.

28. 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.

28.1 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.

28.2 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 2018

29. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred 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.

29.1 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.

29.2 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 2018**

30. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

31. COMPARATIVE INFORMATION

31. 1 Current Year Comparatives

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

31. 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.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts is set out in [note 47.4](#) of the annual financial statements.

31. 3 Budget information

The annual budget figures have been prepared in accordance with GRAP 24 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 under spending 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 2017 to 30 June 2018.

32. 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

33. 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, where disclosure is required by a specific standard of GRAP.
- 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.

34. 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 2018

2018
R

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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	635 092	603 111
Store Heidelberg - Electrical - at cost	69 044	102 547
Public Works - Heidelberg - at cost	7 994	12 455
Riversdal Main Store	-	97 655
Riversdal Electrical Store	1 877 916	2 203 359
Waterworks - Heidelberg - at cost	6 883	11 049
Water Inventory - at cost	205 967	148 711
	2 802 895	3 178 887

2.2 Other

Stilbaai Books	863	460
Refuse Bins	2 010	1 508
Hessequa Book: Riversdal Tourism	-	136
Albertinia Municipal Office	1 358	2 715
Slangrivier - Office	679	679
Stilbaai - Office	136	136
Stilbaai Tourism Office	136	-
Witsand - Office	950	950
Heidelberg - Office	1 358	-
Mayoral Office	136	136

Total

2 810 521 **3 185 607**

Water Inventory

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 250 000 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. Write downs of Inventory to Net Realisable Value amounted to R121 430.

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

The cost of Inventories recognised as an expense during the period was R19 235 516 (2017: R19 124 001).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
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3. Trade receivables from exchange transactions	30 JUNE 2017			30 JUNE 2018		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	15 848 406	7 252 615	8 595 792	16 604 680	7 619 721	8 984 959
Water	7 823 971	3 581 032	4 242 939	8 564 204	3 404 691	5 159 513
Sewerage	6 020 613	2 755 451	3 265 162	6 160 202	2 159 499	4 000 703
Waste Management	3 359 966	1 537 754	1 822 212	3 545 134	1 242 770	2 302 364
Other	5 342 557	2 445 125	2 897 432	5 443 978	1 908 422	3 535 556
	38 395 513	17 571 976	20 823 537	40 318 198	16 335 103	23 983 095

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

Current (0 - 30 days)	19 257 852	17 076 102
Past due		
31 - 60 days	2 552 409	2 172 872
60 days +	1 314 461	1 085 215
90 days +	11 749 498	12 718 767
Total	34 874 220	33 052 956

Other

Current (0 - 30 days)	804 876	530 370
Past due		
31 - 60 days	405 565	333 614
60 days +	172 680	246 985
90 days +	4 060 857	4 231 588
Total	5 443 978	5 342 557

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 2018				
Current:				
0 - 30 days	14 916 909	4 162 911	687 006	295 902
Past Due:				
31 - 60 Days	2 317 410	581 417	30 462	28 685
61 - 90 Days	1 148 672	303 550	24 687	10 233
+ 90 Days	13 951 813	927 616	810 066	120 860
Sub-total	32 334 803	5 975 494	1 552 222	455 680
Less: Provision for Impairment	(13 625 152)	(2 517 938)		(192 013)
Total Debtors by Customer Classification	18 709 651	3 457 556	1 552 222	263 667

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 2017				
<u>Current:</u>				
0 - 30 days	10 401 682	5 714 860	953 755	536 176
<u>Past Due:</u>				
31 - 60 Days	1 883 041	558 925	21 957	42 562
61 - 90 Days	962 212	310 586	25 115	34 288
+ 90 Days	14 529 149	1 155 547	938 097	327 561
Sub-total	27 776 083	7 739 918	1 938 925	940 587
Less: Provision for Impairment	(13 387 996)	(3 730 619)		(453 360)
Total Debtors by Customer Classification	14 388 086	4 009 299	1 938 925	487 226

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

Balance at beginning of year	80 923 408	57 281 801
Impairment Losses recognised	34 345 891	47 471 141
Impairment -Vat movement	(155 616)	16 618
Amounts written off as uncollectable	(33 065 220)	(23 846 152)
Balance at end of year	82 048 463	80 923 408

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

Consumer -and other debtors	20 627 395	22 330 438
Traffic Fines	61 421 068	58 592 970
	82 048 463	80 923 408

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 50 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 2018 consumer debtors of R3,920,367 (2017: R3,217,065) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	2 957 973	2 506 486
61 - 90 Days	962 394	710 579
91 Days +	-	-
Total	3 920 367	3 217 065

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

Assessment rates debtors	11 463 869	11 077 746
Prepaid Expenses	1 956 411	1 867 866
Employees PAYE & Salary control	26 405	82 284
Traffic Fines	78 541 216	76 094 766
Other	957 220	396 148
	92 945 121	89 518 810
Less: Provision for Impairment	(65 713 361)	(63 351 431)
Total Trade Receivables from non-exchange transactions	27 231 760	26 167 379

Analysis of traffic fines receivable

Traffic Fines receivable at beginning of the year	76 094 766	45 247 776
Movement of fines during the year	2 446 450	30 846 990
Fines outstanding at the end of the year before provision for impairment	78 541 216	76 094 766
Less: Provision for Impairment of traffic fines	(61 421 068)	(58 592 970)
Fines outstanding at the end of the year	17 120 148	17 501 796

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.

Non-Exchange receivables are not secured.

Ageing of trade receivables from non-exchange transactions

Rates Ageing

Current (0 - 30days)	5 060 958	4 423 936
Past due		
31 - 60 days	1 424 165	759 269
60 days +	418 495	668 398
90 days +	4 560 250	5 226 143
Total	11 463 869	11 077 746

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2018				
Current:				
0 - 30 days	4 780 630	271 925	2 935	5 468
Past Due:				
31 - 60 Days	1 234 090	60 766	128 368	941
61 - 90 Days	391 713	23 024	2 935	823
+ 90 Days	3 938 254	193 764	390 778	37 454
Sub-total	10 344 688	549 479	525 016	44 686
Less: Provision for Impairment	(4 059 148)	(215 610)	-	(17 534)
Total Debtors by Customer Classification	6 285 539	333 869	525 016	27 152

As at 30 JUNE 2017

Current:				
0 - 30 days	4 188 202	220 831	8 813	6 090
Past Due:				
31 - 60 Days	708 925	38 890	7 195	4 259
61 - 90 Days	611 595	48 309	4 362	4 132
+ 90 Days	4 328 497	212 319	533 042	152 285
Sub-total	9 837 219	520 349	553 412	166 766
Less: Provision for Impairment	(4 447 789)	(235 270)	-	(75 401)
Total Debtors by Customer Classification	5 389 430	285 079	553 412	91 365

At 30 June 2018 receivables from non-exchange transactions of R2,110,618 (2017: R1,895,349) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	1 424 165	759 269
61 - 90 Days	418 495	668 398
91 Days +	267 957	467 682
Total	2 110 618	1 895 349

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	(2 477 477)	(2 004 841)
VAT receivable	4 166 550	3 866 754
Net VAT receivable / (payable)	1 689 073	1 861 914

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 R3,951,553 (2017: R3,791,308) 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 2018
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6. CASH AND CASH EQUIVALENTS

Current Investments	216 414 954	200 359 524
Cash and Cash Equivalents	50 530	47 230
Bank	3 394 815	11 372 335
Total Bank, Cash and Cash Equivalents	219 860 299	211 779 090

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	216 414 954	200 359 524
---------------	--------------------	--------------------

Summary of Investments

FNB	1 576 869	11 484 335
Investec	61 717 419	86 644 388
Standard Bank	50 628 205	10 074 137
Nedbank	102 492 460	92 156 665
	216 414 954	200 359 524

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 7.175% to 8.81% (2017: 6,80% to 8.755%) per annum.

Allocations of investments

- Repayment of Long-term Liabilities as set out in Note 18	17 420 948	15 737 596
- Attributable to Unspent Conditional Grants as set out in Note 16	12 680 337	21 250 876
- Attributable to Housing Reserve as set out in Note 21	245 694	245 694
- Attributable to Trust Funds - see note 49	2 032 577	1 921 347
- Provision made for 40% (2017: 35%) of provision for rehabilitation of land-fill sites	28 437 122	26 391 645
- Available for Operational Account	155 598 275	134 812 367
	216 414 954	200 359 524

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	11 296 052	3 209 069
Cash book balance at end of year	3 352 587	11 296 052

Bank statement balance at beginning of year	11 316 905	3 357 204
Bank statement balance at end of year	3 368 893	11 316 905

Current Account

First National Bank - Riversdale Branch Code 200313

Account Number 62225917543

Cheque Account

Cash book balance at beginning of year	76 283	22 648
Cash book balance at end of year	42 228	76 283

Bank statement balance at beginning of year	76 283	22 648
Bank statement balance at end of year	42 228	76 283

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	392 126	278 796
Operating Lease expenses recorded	(1 589 345)	(1 294 418)
Operating Lease payments effected	1 650 045	1 407 748
Total Operating Lease Assets	452 826	392 126

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	1 779 046	1 299 116
2 to 5 years	3 319 751	3 359 683
More than 5 years	908 895	1 165 232
Total Operating Lease Arrangements	6 007 692	5 824 031

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 R60,700 (2017: Increase of R113,329). No restrictions have been imposed on the municipality in terms of the lease agreements.

8. PROPERTY, PLANT AND EQUIPMENT**30 JUNE 2018****Reconciliation of Carrying Value**

Description	Land	Buildings	Infrastructure	Community	Other	Total
Carrying values at 1 JULY 2017	147 401 528	28 610 654	471 171 882	15 950 590	89 349 728	752 484 382
Cost	165 573 047	56 891 793	566 316 936	26 808 604	126 197 941	941 788 322
- Completed Assets	165 573 047	56 875 593	543 532 051	26 335 340	126 197 941	918 513 973
- Under Construction	-	16 200	22 784 885	473 264	-	23 274 350
Accumulated Depreciation:	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
- Cost	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
Transfer to cost of completed assets due to projects completed	-	16 200	21 899 507	193 439	-	22 109 146
Transfer from cost under construction due to projects completed	-	(16 200)	(21 619 682)	(473 264)	-	(22 109 146)
Disposals	(188 000)	-	-	(36 092)	(383 506)	(607 598)
Depreciation on disposals	-	-	-	36 071	355 699	391 769
IGRAP 2 adjustment	-	-	-	-	(10 331 261)	(10 331 261)
Total acquisitions	8 000	1 688 786	45 271 174	2 869 857	12 461 962	62 299 779
Acquisitions	8 000	1 684 711	14 913 082	2 303 259	12 453 912	31 362 964
Capital under Construction - Additions	-	4 075	30 358 092	566 598	8 050	30 936 816
Depreciation:	-	3 025 857	15 043 162	1 163 649	10 789 956	30 022 625
- Based on cost	-	3 025 857	15 043 162	1 163 649	10 789 956	30 022 625
Impairment:	-	-	-	-	-	-
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2018	147 221 528	27 273 582	501 679 719	17 376 953	80 662 665	774 214 448
Cost	165 393 047	58 580 579	611 867 935	29 362 545	127 945 136	993 149 243
- Completed Assets	165 393 047	58 576 504	580 344 640	28 795 947	127 937 086	961 047 224
- Under Construction	-	4 075	31 523 295	566 599	8 050	32 102 019
Accumulated Depreciation and impairment:	18 171 519	31 306 997	110 188 217	11 985 592	47 282 471	218 934 795
- Cost	18 171 519	31 306 997	110 188 217	11 985 592	47 282 471	218 934 795

8. PROPERTY, PLANT AND EQUIPMENT (continued)

30 JUNE 2017

Reconciliation of Carrying Value

Description	Land Restated	Buildings Restated	Infrastructure Restated	Community Restated	Other Restated	Total Restated
Carrying values at 1 JULY 2016	147 424 496	29 351 351	372 206 136	14 803 943	86 000 152	649 786 078
Cost	165 596 015	54 951 492	455 412 484	24 459 767	115 275 970	815 695 728
- Completed Assets	165 596 015	54 028 954	412 100 577	23 040 661	115 275 970	770 042 177
- Under construction	-	922 538	43 311 907	1 419 106	-	45 653 551
Accumulated Depreciation:	18 171 519	25 600 141	83 206 348	9 655 824	29 275 818	165 909 650
- Cost	18 171 519	25 781 573	82 758 352	9 688 829	44 258 607	180 658 880
- Correction of errors	-	(181 432)	447 996	(33 005)	(14 982 790)	(14 749 230)
Transfer to cost of completed assets due to projects completed	-	922 538	26 163 555	991 282	-	28 077 374
Transfer from cost under construction due to projects completed	-	(922 538)	(26 163 555)	(991 282)	-	(28 077 374)
Disposals	(33 500)	-	(246 734)	-	(2 203 384)	(2 483 618)
Depreciation on disposals	-	-	135 815	-	2 042 486	2 178 301
IGRAP 2 adjustment	-	-	-	-	5 438 277	5 438 277
Total acquisitions	10 532	1 940 301	111 151 186	2 348 838	7 687 078	123 137 935
Acquisitions	10 532	1 924 101	105 514 654	2 303 397	7 687 078	117 439 762
Capital under Construction - Additions	-	16 200	5 636 533	45 440	-	5 698 173
Restatements Capital under construction - Additions	-	-	-	-	-	-
Depreciation:	-	2 680 998	12 074 521	1 202 191	9 614 881	25 572 591
- Based on cost as restated	-	3 182 030	12 021 189	1 198 127	10 148 323	26 549 670
- Restatements	-	(501 032)	53 332	4 063	(533 442)	(977 079)
Impairment:	-	-	-	-	-	-
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2017	147 401 528	28 610 654	471 171 882	15 950 590	89 349 728	752 484 382
Cost	165 573 047	56 891 793	566 316 936	26 808 604	126 197 941	941 788 322
- Completed Assets	165 573 047	56 875 593	543 532 051	26 335 340	126 197 941	918 513 973
- Under Construction	-	16 200	22 784 885	473 264	-	23 274 350
Accumulated Depreciation and impairment:	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
- Cost	18 171 519	28 963 603	94 643 726	10 886 956	52 364 445	205 030 249
- Restatements	-	(682 464)	501 328	(28 942)	(15 516 231)	(15 726 309)

8.1 Property, Plant and Equipment Under Construction

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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	4 075	16 200
- Infrastructure	31 523 295	22 784 885
- Community	566 599	473 264
- Other assets	8 050	-
	32 102 019	23 274 350

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	62 299 779	123 137 935
- Less: Donated Assets	(141 699)	(900 000)
	62 158 081	122 237 935

8.2 Delayed projects

No projects that are currently in progress are experiencing significant delays. No projects have been halted either during the current or previous reporting period.

8.3 Impairment of Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
2017
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8. PROPERTY, PLANT AND EQUIPMENT (continued)
8.4 Net carrying amount of assets subject to finance lease

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

8.5 Expenditure to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by the municipality during the reporting period:

Contractors	8 892 902	8 675 330
Materials	7 685 418	7 532 336
	16 578 320	16 207 666

9. INTANGIBLE ASSETS
At Cost less Accumulated Amortisation and Accumulated Impairment Losses
298 911
320 455

The movement in Intangible Assets is reconciled as follows:

Carrying value at 1 JULY 2017	320 455	342 000
Cost	457 480	457 480
Accumulated Amortisation	(137 025)	(115 480)
Acquisitions during the Year:	-	-
Amortisation during the Year:	(21 545)	(21 545)
Carrying value at 30 JUNE 2018	298 911	320 455
Cost	457 480	457 480
Accumulated Amortisation	(158 569)	(137 025)

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
71 227 509
70 995 100

The movement in Investment Property is reconciled as follows:

Carrying values at 1 JULY 2017	70 995 100	68 307 159
Fair value as previously reported	70 995 100	68 307 159
Restatement	-	-
Disposals	(221 100)	(17 000)
Fair value adjustments due to revaluation	453 509	2 704 941
Carrying values at 30 JUNE 2018	71 227 509	70 995 100
Fair value	71 227 509	70 995 100
Accumulated impairment loss	-	-

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

Rental Revenue earned from Investment Property	144 932	330 211
Direct Operating expenses arising from investment property that generated rental revenue - Repairs and maintenance	-	(57 590)

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

The municipality carried out a review of the recoverable amount of all its Investment Property. No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2017: 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 and the valuer Mr. T Nel is a professional valuer.

10.3 Expenditure to repair and maintain

Contractors	-	3 860
Materials	-	53 730
	-	57 590

11. HERITAGE ASSETS

30 JUNE 2018

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
Carrying value at 1 JULY 2017	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 2018	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
	-	-	-

30 JUNE 2017

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
Carrying value at 1 JULY 2016	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 2017	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	12 871	15 505
Less: Current portion transferred to current receivables		
Sport clubs/Pre-primary school	(2 849)	(2 634)
Total	10 022	12 871

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

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

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

Sport clubs and other

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

Pikkewouter Pre-primary school - Stilbaai

Heidelberg Gholflklub

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
2017
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13. CONSUMER DEPOSITS
Reclassified

Electricity, Water and Other	8 399 605	6 443 626
Balance 30 JUNE 2018	8 399 605	6 443 626

Consumer Deposits are paid by consumers on application for new water and electricity connections, and other deposits are paid with a new application. Examples of these deposits are for camping sites, building plans, and rental of facilities. Service deposits are repaid when the water and electricity connections are terminated, and all other deposits are repaid upon receipt of an application. 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, as well as on any other deposit. 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.

Refer to note 47.5 for reclassification

14. PROVISIONS

Performance Bonus	841 190	714 752
Staff bonuses	3 887 857	3 710 174
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19.1 below)	2 280 000	2 015 885
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 19.2 below)	4 000	10 878
Current portion of Provision for long-service Awards (See note 20 below)	890 000	1 022 375
Total Provisions	7 903 047	7 474 064

Performance bonuses

Performance bonuses accrue to employees yearly, subject to performance criteria stipulated in the employee contracts. The amount of the bonus is fixed at a maximum of 14% of the annual remuneration. This is however subjected to evaluation. The provision is an estimate of the amount due to directors 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 2017	3 710 174	2 015 885	1 022 375	10 878	714 752
Transfer to non-current	-	-	-	(6 878)	-
Contribution to provisions	3 887 857	2 345 427	855 127	-	791 883
Expenditure incurred	(3 710 174)	(2 081 312)	(987 502)	-	(665 445)
Balance at 30 JUNE 2018	3 887 857	2 280 000	890 000	4 000	841 190
Balance at 1 JULY 2016	3 275 933	1 818 000	594 000	2 000	763 940
Transfer from non-current	-	-	-	-	-
Contribution to provisions	3 710 174	1 962 104	1 022 375	8 878	714 752
Expenditure incurred	(3 275 933)	(1 764 219)	(594 000)	-	(763 940)
Balance at 30 JUNE 2017	3 710 174	2 015 885	1 022 375	10 878	714 752

15. CREDITORS
Reclassified

Trade Creditors	30 416 499	33 189 258
Payments received in advance	3 482 993	3 728 276
Retentions	5 932 347	7 526 915
Staff Leave	7 028 056	6 433 171
Other Creditors	4 083 061	3 130 800
Total	50 942 955	54 008 420

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 Government - Appendix F

	11 477 728	20 102 693
National Government Grants	30 907	6 716 198
Provincial Government Grants	11 108 433	13 013 107
District Municipality Grants	338 388	373 388

16.2 Other Conditional Receipts - Appendix F

	1 202 609	1 148 183
Tourism Note 26.5	101 819	101 819
Skills Development Note 26.1	495 961	258 318
National Lottery Fund Note 26.3	303 227	303 227
ASLA Devco - Water meters Slangrivier Note 26.4	217 310	273 400
Africana Centre Note 26.2	314	23 315
Public Participation Strategy Note 26.6	60 000	60 000
Arbor Day Award Note 26.7	23 978	128 105

Total conditional grants and receipts

12 680 337	21 250 876
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See note 25 and 26 for reconciliation of grants.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

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	130 220	98 476
Operating Lease expenses recorded	936 641	886 366
Operating Lease payments effected	(931 366)	(854 622)
Total Operating Lease Liabilities	135 495	130 220

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:	1 770 246	1 391 025
Up to 1 year	758 507	728 723
2 to 5 years	1 011 739	662 302
More than 5 years	-	-
Computer software:	887 384	1 140 444
Up to 1 year	273 344	253 092
2 to 5 years	614 040	887 352
More than 5 years	-	-
Equipment:	1 310 998	1 709 997
Up to 1 year	1 310 998	1 069 010
2 to 5 years	-	640 987
More than 5 years	-	-
Total Operating Lease Arrangements	3 968 628	4 241 466

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

Minimum lease payments	(931 366)	(854 622)
Total Operating Lease Expenses	(931 366)	(854 622)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018

2017

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18. LONG-TERM LIABILITIES

Annuity Loans	111 554 932	127 294 110
	111 554 932	127 294 110
Less: Current portion transferred to current liabilities		
Annuity Loans	17 420 948	15 737 596
Total long-term liabilities (Neither past due nor impaired)	94 133 984	111 556 514

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.

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	51 516 000	42 005 148
Ex-gratia Pension Benefit Liability	106 000	111 762
Total	51 622 000	42 116 910

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	44 021 033	44 668 000
Contributions to Provision	5 721 664	6 282 000
Expenditure incurred	(2 081 312)	(1 764 219)
Actuarial (gains)/loss	6 134 615	(5 164 748)
Balance at end of Year	53 796 000	44 021 033
Transfer to Current Provisions	(2 280 000)	(2 015 885)
Total Post-retirement Health Care Benefits Liability	51 516 000	42 005 148

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

	2018	2017	2016	2015	2014
	R	R	R	R	R
Members	53 796 000	44 021 033	44 668 000	44 603 000	45 098 427
Total Liability	53 796 000	44 021 033	44 668 000	44 603 000	45 098 427

Experience adjustments were calculated as follows:

	2018	2017	2016	2015	2014
Liabilities: (Gain)/Loss	6 134 615	(5 164 748)	(3 847 733)	(4 007 373)	-

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 2018 by Neil 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)	161	149
Continued Members (Retirees, widowers and orphans)	54	53
Total members	215	202

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

In-service Members	28 011 000	19 080 033
Continued Members	25 785 000	24 941 000
Total liability	53 796 000	44 021 033

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 2018 is estimated to be R1,623,513 and R4,098,151 respectively, whereas the cost for the ensuing year is estimated to be R1,804,000 and R5,322,000 respectively.

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

Discount Rate	9.72%	9.52%
Health Care Cost Inflation Rate (1% above Consumer price inflation)	8.97%	7.82%
Net Effective Discount Rate	0.69%	1.58%
Average retirement age	63	65

The assumption made regarding the average retirement age was adjusted from 65 to 63 years. This resulted in an actuarial loss during the current year.

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 normal retirement age for all active employees was 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	44 021 033	44 668 000
Current service costs	1 623 513	1 842 000
Interest cost	4 098 151	4 440 000
Benefits paid	(2 081 312)	(1 764 219)
Actuarial gains	6 134 615	(5 164 748)
Present Value of Fund Obligation at the end of the Year	53 796 000	44 021 033
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	53 796 000	44 021 033

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

Present value of fund obligations	53 796 000	44 021 033
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	53 796 000	44 021 033

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

Current service cost	1 623 513	1 842 000
Interest cost	4 098 151	4 440 000
Actuarial gains	6 134 615	(5 164 748)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	11 856 279	1 117 252

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	8 347 000	7 432 000
Effect on the defined benefit obligation	61 680 000	50 811 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	6 137 000	5 361 000
Effect on the defined benefit obligation	47 289 000	38 481 000

The municipality expects to make a contribution of R7 126 000 to the provision during the next year.

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

19. RETIREMENT BENEFIT LIABILITIES (continued)

19.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year	122 640	134 000
Contributions to Provision	10 409	11 000
Expenditure incurred	(2 000)	-
Decrease due to Re-measurement	(21 049)	(22 360)
Balance at end of Year	110 000	122 640
Transfer to Current Provisions	(4 000)	(10 878)
Total Ex-Gratia Pensioners Benefits Liability	106 000	111 762

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Members	110 000	122 640	134 000	138 000	226 570
Total Liability	110 000	122 640	134 000	138 000	226 570

	2017	2016	2015	2014
Experience adjustments were calculated as follows:				
Liabilities: (Gain)/Loss	(21 049)	(22 360)	(9 000)	(58 918)
				-

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2018, 51 (2017: 54) 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 R10 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	9.14%	8.87%
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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	122 640	134 000
Interest cost	10 409	11 000
Benefits paid	(2 000)	-
Actuarial losses / (gains)	(21 049)	(22 360)
Present Value of Fund Obligation at the end of the Year	110 000	122 640
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	110 000	122 640

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

Present value of fund obligations	110 000	122 640
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	110 000	122 640

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

Interest cost	10 409	11 000
Actuarial gains	(21 049)	(22 360)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	(10 640)	(11 360)

The effect of a one percent movement in the discount rate is as follows:

Increase:		
Effect on the interest cost	10 000	12 000
Effect on the defined benefit obligation	104 000	115 632
Decrease:		
Effect on the interest cost	9 000	10 000
Effect on the defined benefit obligation	117 000	130 314

20. NON-CURRENT PROVISIONS

Provision for Long Service Awards	8 751 000	7 776 800
Land-fill Sites	71 092 805	75 404 699
Total non-current provisions	79 843 805	83 181 499

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

	30 JUNE 2018	30 JUNE 2018
	Land-fill sites	Long Service Awards
Balance at beginning of year	75 404 699	8 799 175
(Decrease)/increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	(10 331 261)	1 440 663
Expenditure incurred		(1 002 000)
Interest charge due to the unwinding of discount	6 019 367	
Increase due to re-measurement		403 162
Transfer to current provisions	71 092 805	9 641 000
	-	(890 000)
Balance at end of year	71 092 805	8 751 000

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

	2018	2017	2016	2015	2014
	R	R	R	R	R
Members	9 641 000	8 799 175	8 226 000	7 460 000	6 735 286
Total Liability	9 641 000	8 799 175	8 226 000	7 460 000	6 735 286

Experience adjustments were calculated as follows:

	2018	2017	2016	2015	2014
Liabilities: (Gain)/Loss	403 162	(365 825)	(297 017)	84 714	145 000

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 2018 by Neil 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.

At year end, 521 (2017: 522) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2018 is estimated to be R726,589 and R714,074 respectively, whereas the cost for the ensuing year is estimated to be R775,000 and R917 000 respectively.

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

	Long Service	
	2018	2017
Discount Rate	8.93%	8.60%
General salary inflation	7.43%	6.43%
Net Effective Discount Rate	1.40%	2.05%
Average retirement age	63	65

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

Balance at the beginning of the year	8 799 175	8 226 000
Current service costs	726 589	698 000
Interest cost	714 074	835 000
Benefits paid	(1 002 000)	(594 000)
Actuarial losses / (gains)	403 162	(365 825)
Present Value of Fund Obligation at the end of the Year	9 641 000	8 799 175
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	9 641 000	8 799 175

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

Present value of fund obligations	9 641 000	8 799 175
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	9 641 000	8 799 175

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

Current service cost	726 589	698 000
Interest cost	714 074	835 000
Actuarial (gains) / losses	403 162	(365 825)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 843 825	1 167 175

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	1 846 000	1 678 000
Effect on the defined benefit obligation	10 422 000	9 484 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 555 000	1 405 000
Effect on the defined benefit obligation	8 943 000	8 190 000

The municipality expects to make a contribution of R1 692 000 to the provision during the next year.

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 licensing 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	245 694
Rental Income	-	-
	245 694	245 694
Less: Expenses	-	-
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	752 280 204	612 475 096
Surplus for the year as restated	52 462 535	139 805 108
Transfer to Housing Reserve	-	-
Total Accumulated Surplus	804 742 739	752 280 204

23. PROPERTY RATES

Actual

Residential, Commercial & State	85 124 471	77 595 996
Less: Income Forgone	(6 975 894)	(6 608 177)
Total Assessment Rates	78 148 577	70 987 819

Valuations

	R000's	R000's
Residential, Commercial & State	10 031 556	9 853 736
Agriculture	3 932 614	3 923 702
Municipal	320 799	320 812
Churches	118 895	117 790
Total Property Valuations	14 403 864	14 216 040

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 an extension for the next valuation roll to be implemented 1 July 2021. 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 0.007109 c/R (2016/2017: 0.006582 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 2017/2018 financial year were as follows:

	2017/18	2016/17
Residential	.007109c/R	.006582c/R
Vacant Land	.012387c/R	.011469c/R
Agriculture	.001777c/R	.001645c/R
State	.015092c/R	.014512c/R
Business	.007276c/R	.006737c/R

A rebate of R50 000 on the value of the property (2016/2017: 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 agricultural properties used for residential and/or business purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
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24. SERVICE CHARGES

Sale of electricity		131 783 398	127 795 091
Sale of water		33 829 899	31 144 803
Connection Fees - Geysers load control		369 879	282 149
Refuse removal fees		15 263 906	12 542 244
Sewerage and sanitation charges		20 241 509	17 193 957
Total Service Charges		201 488 590	188 958 244

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.

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

Operating				
National:			40 132 920	37 617 357
Equitable Share	25.1	37 497 000	34 558 000	
Financial Management Grant	25.2	1 550 000	1 475 000	
MIG Projects	25.10	690 650	651 151	
Expanded Public Works Programme	25.4	395 270	394 430	
Integrated National Electricity Program	25.11	-	538 776	
Provincial:			19 934 226	24 747 207
Human Settlement Development	25.5	11 005 796	17 113 168	
Library Conditional Grant	25.7	3 200 000	2 127 743	
Libraries Municipal Replacement Funding	25.14	4 469 313	4 528 926	
Municipal Service Delivery and Capacity Building	25.19	16 020	179 756	
LG Graduate Internship Grant	25.20	74 878	15 000	
Greenest Municipality	25.16	42 387	123 169	
Subsidy - Proclaimed Roads	25.13	111 000	110 755	
Municipal Infrastructure Support Grant	25.21	-	284 190	
Municipal Electrical Master Plan	25.25	600 000	-	
Financial Management Support Grant	25.17	414 832	264 500	
Capital Projects				
National:			30 503 147	94 422 038
Integrated National Electricity Program	25.11	1 000 000	-	
MIG Allocations	25.10	17 346 418	11 606 500	
Disaster Recovery Grant	25.18	11 519 000	82 121 968	
Expanded Public Works Programme	25.4	637 730	693 570	
Provincial:			2 302 783	1 275 166
Riversdal Thusong Centre	25.3	-	92 400	
Fire Service Capacity Building Grant	25.24	937 954	-	
Human Settlement Development	25.5	-	927 360	
Municipal Drought Support Grant	25.23	1 000 000	-	
Library Conditional Grant	25.7	-	255 406	
Libraries Municipal Replacement Funding	25.14	329 829	-	
Vermaaklikheid Land Reform	25.26	35 000	-	
Total Government Grants & Subsidy - Operational		60 067 145	62 364 563	
Total Government Grants & Subsidy - Capital		32 805 930	95 697 204	
Government - Operating Grants		60 067 145	62 364 563	
Government - Capital Grants		32 805 930	95 697 204	
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		92 873 075	158 061 767	
Other grants note 26		357 518	350 096	
		93 230 593	158 411 864	

25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)

25.1 Equitable Share

Current Year Receipts	37 497 000	34 558 000
Conditions met - transferred to revenue	(37 497 000)	(34 558 000)
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	1 550 000	1 475 000
Conditions met - transferred to revenue: Operating Expenses	(1 550 000)	(1 475 000)
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	2 600	95 000
Current Year Receipts	-	-
Revert back to Provincial Department	(2 600)	-
Conditions met - transferred to revenue: Capital Expenses	-	(92 400)
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	2 600

This grant is used for social and economic development.

25.4 Extended Public Works Programme

Balance unspent at beginning of year	-	-
Current Year Receipts	1 033 000	1 088 000
Conditions met - transferred to revenue: Operating Expenses	(395 270)	(394 430)
Conditions met - transferred to revenue: Capital Expenses	(637 730)	(693 570)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

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

25.5 Human Settlement Development

Balance unspent at beginning of year	10 078 278	-
Current Year Receipts	3 586 862	28 118 806
Conditions met - transferred to revenue: Capital Expenses	-	(927 360)
Conditions met - transferred to revenue: Operating Expenses	(11 005 796)	(17 113 168)
Conditions still to be met - transferred to liabilities (refer note 16.1)	2 659 344	10 078 278

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
Revert back to Provincial Department	(2 807)	-
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	2 807

This grant is earmarked for environmental projects.

25.7 Library Conditional Grant

Balance unspent at beginning of year	-	146 149
Current Year Receipts	3 200 000	2 237 000
Conditions met - transferred to revenue: Capital Expenses	-	(255 406)
Conditions met - transferred to revenue: Operating Expenses	(3 200 000)	(2 127 743)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
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25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)
25.8 Accelerated Community Infrastr. Programme

Balance unspent at beginning of year	30 907	30 907
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	30 907	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	4 224 067	3 458 718
Current Year Receipts	13 813 000	13 023 000
Conditions met - transferred to Revenue: Capital Expenses	(17 346 418)	(11 606 500)
Conditions met - transferred to revenue: Operating Expenses	(690 650)	(651 151)
Conditions still to be met - transferred to liabilities (refer note16.1)	(0)	4 224 067

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	2 461 224	-
Current Year Receipts	1 000 000	3 000 000
Conditions met - transferred to Revenue: Capital Expenses	(1 000 000)	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Repaid to National Revenue Fund	(2 461 224)	(538 776)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	2 461 224

The INEP grant was used for electrification of housing schemes.

25.12 Slangrivier Land Reform

Balance unspent at beginning of year	8 725	8 725
Current Year Receipts	-	-
Revert to Provincial Government	(8 725)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	8 725

25.13 Proclaimed Roads

Balance unspent at beginning of year	-	-
Current Year Receipts	111 000	110 755
Conditions met - transferred to Revenue: Operating Expenses	(111 000)	(110 755)
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	390 102	146 028
Current Year Receipts	4 664 001	4 773 000
Conditions met - transferred to Revenue: Operating Expenses	(4 469 313)	(4 528 926)
Conditions met - transferred to Revenue: Capital Expenses	(329 829)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	254 961	390 102

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

25.15 Municipal Capacity Building Grant

Balance unspent at beginning of year	120 000	16 590
Current Year Receipts	240 000	120 000
Revert to Provincial Government	-	(16 590)
Conditions still to be met - transferred to liabilities (refer note16.1)	360 000	120 000

This grant was used for project preparation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
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25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)
25.16 Subsidy - Greenest Municipality

Balance unspent at beginning of year	11 454	4 623
Current Year Receipts	50 000	130 000
Conditions met - transferred to revenue: Operating Expenses	(42 387)	(123 169)
Conditions still to be met - transferred to liabilities (refer note16.1)	19 067	11 454

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

25.17 Financial Management Support Grant

Balance unspent at beginning of year	97 500	369 362
Current Year Receipts	330 000	-
Revert to Provincial Government	-	(7 362)
Conditions met - transferred to revenue: Operating Expenses	(414 832)	(264 500)
Conditions still to be met - transferred to liabilities (refer note16.1)	12 668	97 500

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

25.18 Disaster Recovery Grant

Balance unspent at beginning of year	-	63 640 968
Current Year Receipts	11 519 000	30 000 000
Revert to National Government	-	(11 519 000)
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(11 519 000)	(82 121 968)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

The grant was used for the rehabilitation of infrastructure damaged by floods. The municipality was in a dispute with National Government (NG) regarding NG's claim that R30 000 000 of the grant be reverted to NG. An amount of R11 519 000 was recovered from the municipality in 2016/17, while the amount of R18 481 000 was to be recovered from the approved equitable share allocation in future years. The amount of R11 519 000 has been refunded, while the municipality has been granted remission of the R18 481 000. The promulgation was made by means of a MIG allocation, but because of the conditions of the grant, it is still shown separately for easy reference. A portion of the allocation was already spent in 2016/17.

25.19 Municipal Service Delivery and Capacity Building

Balance unspent at beginning of year	20 244	-
Current Year Receipts	-	200 000
Conditions met - transferred to revenue: Operating Expenses	(16 020)	(179 756)
Conditions still to be met - transferred to liabilities (refer note16.1)	4 224	20 244

For the repair of potholes.

25.20 LG Graduate Internship Grant

Balance unspent at beginning of year	45 000	-
Current Year Receipts	66 000	60 000
Conditions met - transferred to revenue: Operating Expenses	(74 878)	(15 000)
Conditions still to be met - transferred to liabilities (refer note16.1)	36 122	45 000

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

25.21 Municipal Infrastructure Support Grant

Balance unspent at beginning of year	15 810	300 000
Current Year Receipts	-	-
Revert back to Provincial Department	(15 810)	-
Conditions met - transferred to revenue: Operating Expenses	-	(284 190)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	15 810

25.22 Housing Consumer Education

Balance unspent at beginning of year	20 586	20 586
Current Year Receipts	-	-
Revert to Provincial Government	(20 586)	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	20 586

This grant is earmarked for consumer awareness projects.

25.23 Municipal Drought Support Grant

Balance unspent at beginning of year	1 000 000	-
Current Year Receipts	7 500 000	1 000 000
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(1 000 000)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	7 500 000	1 000 000

25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)**25.24 Fire Service Capacity Building Grant**

Balance unspent at beginning of year	1 200 000	-
Current Year Receipts	-	1 200 000
Conditions met - transferred to revenue: Capital Expenses	(937 954)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	262 046	1 200 000

25.25 Municipal Electrical Master Plan

Balance unspent at beginning of year	-	-
Current Year Receipts	600 000	-
Conditions met - transferred to revenue: Operating Expenses	(600 000)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

25.26 Vermaaklikheid Land Reform

Balance unspent at beginning of year	78 787	78 787
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	(35 000)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	43 787	78 787

25.27 Alternative Electricity

Balance unspent at beginning of year	273 533	273 533
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	273 533	273 533

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

Reclassified

		2018	2017
		R	R
Operating		278 428	276 616
Seta	26.1	134 302	178 200
Arbor Day Award	26.7	104 126	98 416
MM forum	26.8	20 000	-
Tourism	26.5	20 000	-
Capital		79 090	73 480
Arbor Day Award	26.7	-	73 480
National Lottery Fund	26.3	-	-
Africana Centre	26.2	23 000	-
Asla Devco - Water meters Slangrivier	26.4	56 090	-
Total Operating Grants		278 428	276 616
Total Capital Grants		79 090	73 480

26.1 Seta

Balance unspent at beginning of year		258 318	308 074
Current Year Receipts		371 946	128 443
Conditions met - transferred to revenue: Operating Expenses		(134 302)	(178 200)
Conditions still to be met - transferred to liabilities (refer note16.2)		495 962	258 318

This grant is utilised for various staff skills development programmes.

26.2 Africana Centre

Balance unspent at beginning of year		23 315	6 615
Current Year Receipts		-	16 700
Conditions met - transferred to revenue: Capital Expenses		(23 000)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		315	23 315

This was utilised for maintenance and general expenditure.

26.3 National Lottery Fund

Balance unspent at beginning of year		303 227	303 227
Current Year Receipts		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		303 227	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		(56 090)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		217 310	273 400

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

26.5 Tourism

Balance unspent at beginning of year		101 819	101 819
Current Year Receipts		20 000	-
Conditions met - transferred to revenue: Operating Expenses		(20 000)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		101 819	101 819

This grant is earmarked for projects in previously disadvantaged areas

26.6 Public Participation Strategy

Balance unspent at beginning of year		60 000	60 000
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		60 000	60 000

This grant was used for heritage projects

26.7 Arbor Day Award

Balance unspent at beginning of year		128 104	300 000
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	(73 480)
Conditions met - transferred to revenue: Operating Expenses		(104 126)	(98 416)
Conditions still to be met - transferred to liabilities (refer note16.2)		23 978	128 104

This grant was used for heritage projects

26.8 Absa - MM forum

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

This grant was used to finance catering for the MM forum

27. OTHER INCOME

Included in other income is the following:

		Reclassified
Capital Contribution: Water and electricity	2 135 844	962 628
Capital Contribution: Sewerage	399 940	222 333
Building plans	1 253 492	1 090 939
Camping fees	12 315 918	11 135 726
Commission	86 040	83 542
Entrance fees	84 438	-
Other Income	2 205 914	2 246 236
Roadworthy Certificates	416 615	392 328
Total	18 898 200	16 133 731

28. EMPLOYEE RELATED COSTS

		Reclassified
Salaries and wages	99 786 448	92 082 297
Contributions for UIF, pensions and medical aids	21 647 756	20 013 880
Workmens Compensation	828 687	756 504
Travel, motor car, accomodation, subsistence and other allowance	8 972 913	7 584 497
Housing benefits and allowance	1 159 439	1 141 727
Overtime payments	5 218 976	3 973 495
Contribution to provision for post-retirement medical aid benefits	5 721 664	6 282 001
Contribution to long-service provision	1 440 663	1 533 000
Contribution to provision for post-retirement ex-gratia	10 409	11 000
Total Employee Related Costs	144 786 954	133 378 401

Remuneration of the Municipal Manager

Annual Remuneration	981 249	841 963
Performance Bonus	128 830	180 449
Travel Allowance	36 000	30 000
Other (telephone, bargaining council etc)	99	8 121
Leave	-	98 766
Contributions to UIF, Medical and Pension Fund	169 409	167 049
Total	1 315 587	1 326 348

Remuneration of the Director Community Services

Annual Remuneration	684 390	632 467
Performance Bonus	96 916	116 366
Travel Allowance	80 000	80 000
Other (telephone, bargaining council etc)	7 300	7 292
Contributions to UIF, Medical and Pension Fund	181 515	168 592
Total	1 050 121	1 004 717

Remuneration of the Director Technical Services

Annual Remuneration	672 719	93 024
Performance Bonus	16 622	24 284
Travel Allowance	122 000	28 000
Other (telephone, bargaining council etc)	27 005	1 223
Leave	13 496	-
Contributions to UIF, Medical and Pension Fund	55 416	24 233
Total	907 258	170 764

Remuneration of the Director Planning Services

Annual Remuneration	863 611	801 041
Performance Bonus	144 148	135 989
Travel Allowance	60 000	60 000
Other (telephone, bargaining council etc)	7 299	9 835
Contributions to UIF, Medical and Pension Fund	181 801	168 590
Total	1 256 859	1 175 455

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
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28. EMPLOYEE RELATED COSTS (continued)
Remuneration of the Director Financial Services

Annual Remuneration	774 482	695 400
Performance Bonus	144 148	135 989
Travel Allowance	180 000	201 322
Long Service bonus	88 788	-
Other (telephone, bargaining council etc)	7 299	7 292
Contributions to UIF, Medical and Pension Fund	150 929	132 909
Total	1 345 646	1 172 912

Remuneration of the Director Corporate Services

Annual Remuneration	834 065	770 651
Performance bonus	134 781	127 152
Long Service bonus	62 264	-
Other (telephone, bargaining council etc)	7 300	18 997
Contributions to UIF, Medical and Pension Fund	199 516	189 064
Total	1 237 926	1 105 864

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

Post-employment Benefits:-

Municipal Manager	-	639 399
Chief Financial Officer	612 531	289 340
Director: Corporate Services	497 979	172 258
Director: Planning	185 321	156 987
Director: Social	198 190	293 758
Total	1 494 021	1 551 742

Other Long-term Benefits:-

Chief Financial Officer	-	88 777
Director: Corporate Services	45 362	79 526
Director: Planning	100 279	74 012
Director: Social	204 352	181 604
Director: Technical and Engineering Services	-	509
Total	349 993	424 428

Staff Leave Benefits:-

Municipal Manager	63 244	27 676
Chief Financial Officer	55 528	66 202
Director: Corporate Services	30 829	7 497
Director: Planning	23 488	41 916
Director: Social	99 391	94 065
Director: Technical and Engineering Services	-	8 966
Total	272 479	246 322

29. REMUNERATION OF COUNCILLORS

Executive Mayor	829 513	770 113
Deputy Executive Mayor	670 331	524 907
Speaker	670 331	622 621
Mayoral Committee Members	1 891 608	1 749 204
Councillors	3 140 247	2 817 042
	7 202 030	6 483 887
Ward committee's - see other expenses	-	-
Total Councillors' Remuneration	7 202 030	6 483 887

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.

30. PROVISION FOR IMPAIRMENT OF DEBTORS

Impairment loss on receivables	1 280 671	23 624 988
Bad debts written off	33 065 220	23 846 153
Total	34 345 891	47 471 141

The contribution consist of the following:

Rates and service debtors	4 288 468	3 185 785
Traffic fines	30 057 423	44 285 356
Total	34 345 891	47 471 141

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
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31. DEPRECIATION AND AMORTISATION
Restated

PPE (Note 8)	30 022 625	25 572 591
Intangible assets (Note 9)	21 545	21 545
Total	30 044 169	25 594 136

32. REPAIRS AND MAINTENANCE
Reclassified

Buildings	-	1 709 417
Electrical infrastructure	-	1 968 905
Roads/Stormwater infrastructure	-	3 832 187
Solid waste infrastructure	-	326 889
Waste water infrastructure	-	1 739 836
Water infrastructure	-	856 284
Furniture and office equipment	-	277 644
Machinery and equipment	-	1 096 049
Vehicles	-	4 169 812
Other assets	-	288 232
Total	-	16 265 255

33. FINANCE CHARGES

Long-term liabilities	12 802 688	12 301 005
Other	6 019 367	5 421 540
Total	18 822 055	17 722 545

34. BULK PURCHASES
Reclassified

Electricity	89 170 107	87 869 756
Water	191 907	-
Total	89 362 014	87 869 756

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

"Refer to note 58 - inventory consumed for the bulk purchase of water"

35. GENERAL EXPENSES
Reclassified

Audit Fees - External	3 327 477	2 883 244
Commission	452 555	411 042
Insurance	1 212 439	389 272
Other	5 455 333	4 962 042
SALGA membership	1 368 357	1 317 305
Skills Development	1 116 965	1 007 979
Software license	1 645 368	1 386 715
Postage & Telephone	1 916 460	2 276 288
Printing & Stationery	121 475	43 828
Software assistance	1 635 552	1 482 720
Travelling & Subsistence	991 259	944 077
Vehicle Costs	775 717	1 019 300
Total	20 018 955	18 123 813

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

36. CASH AND CASH EQUIVALENTS

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

Bank and Cash on Hand	50 530	47 230
Bank, cash and cash equivalents	219 809 769	211 731 860
Total	219 860 299	211 779 090

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
2017
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R
37. CASH GENERATED BY OPERATIONS

		Restated / Reclassified
Surplus for the year	52 462 535	139 805 108
Adjustments for:		
Depreciation and amortisation	30 044 169	25 594 136
Gain on disposal of assets	(101 615)	(979 124)
Gain on revaluation of investment property	(453 509)	(2 704 941)
Donated property, plant and equipment	(141 699)	(900 000)
Contribution to provision for impairment of debtors	34 345 892	47 471 141
Increase/(decrease) in Retirement Benefit Liabilities	9 505 090	(865 090)
Increase in Non-current Provisions	6 993 567	5 566 129
Increase/(decrease) in operating lease liabilities	5 275	31 744
(Increase)/decrease in operating lease assets	(60 700)	(113 329)
Investment & Debtors Interest	(19 909 265)	(19 615 907)
Interest paid	18 822 055	17 722 545
Operating surplus before working capital changes:	131 511 796	211 012 412
(Increase)/Decrease in inventories	375 086	230 263.55
(Increase)/Decrease in debtors	(8 144 703)	(26 709 773)
(Increase)/Decrease in other debtors	(30 269 513)	(31 003 951)
Increase/(Decrease) in provisions	428 983	1 020 191
Increase/(Decrease) in conditional grants and receipts	(8 570 539)	(48 716 110)
Increase/(Decrease) in creditors	(3 065 464)	9 894 363
(Increase)/Decrease in VAT	17 225	737 342
Cash generated by operations	82 282 871	116 464 738

38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
38.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	1 368 357	1 317 305
Amount paid - current year	(1 368 357)	(1 317 305)
Balance at 30 JUNE 2018	-	-

38.2 PAYE and UIF

Opening Balance	-	-
Current year payroll deductions	17 621 449	15 019 856
Amount paid - current year	(17 621 449)	(15 019 856)
Balance at 30 JUNE 2018	-	-

38.3 Pension and Medical Aid deductions

Opening Balance	-	-
Current year payroll deductions	33 251 208	32 666 531
Amount paid - current year	(33 251 208)	(32 666 531)
Balance at 30 JUNE 2018	-	-

38.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	3 327 477	2 883 244
Amount paid - current year	(3 327 477)	(2 883 244)
Balance at 30 JUNE 2018	-	-

38.5 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.

38.6 Councillor's arrear Consumer Accounts

The following Councillor had arrear accounts outstanding for more than 90 days as at 30 JUNE 2018.

Councillor JL Hartnick

Total councillor arrear consumer accounts

The councillor and municipality have a repayment agreement in terms of the policy of the municipality whereby amounts are being deducted from the monthly salary in order to settle the debt.

**Outstanding
more than 90
days**

27 526

27 526

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

No known matters existed at reporting date.

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

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

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

	30 JUNE 2018	30 JUNE 2018
	Number of Cases	R
<R2 000	466	537 906
Sole supplier	7	145 772
Emergency	260	196 270
Exceptional Circumstances	199	195 864
Impractical	-	-
R2 000 - R30 0000	329	2 509 487
Sole supplier	8	94 687
Emergency	124	738 212
Exceptional Circumstances	197	1 676 588
Impractical	-	-
R30 000 - R200 000	61	4 518 230
Sole supplier	6	511 299
Emergency	5	363 042
Exceptional Circumstances	50	3 643 889
Impractical	-	-
> R200 000	13	18 772 627
Sole supplier	1	829 478
Emergency	1	229 300
Exceptional Circumstances	11	17 713 849
Impractical	-	-
Total	869	26 338 250

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

Department	Service	Provider	Reason for deviation	Amount
Technical Services	The repair of extensive flood damage to roads and stormwater in Heidelberg.	CJ Meyer (Meyer Beton)	The funds in the flood damage allocation had to be spend before 30 June 2018. Given time constraints and conditions set by grant funding it was recommended that there be deviated from the official procurement process.	4 085 082
Technical Services	The repair of extensive flood damage to roads and stormwater in Riversdale.	Benver Civil and Plant Hire	The funds in the flood damage allocation had to be spend before 30 June 2018. Given time constraints and conditions set by grant funding it was recommended that there be deviated from the official procurement process.	2 470 385
Technical Services	Appointment of consulting engineers for the design, implementation, construction monitoring and completion of various capital projects.	Various	This in an exceptional case and it is impractical or impossible to follow the official procurement processes.	5 173 796
Technical Services	Appointment of a consulting engineer to conclude flood damage construction related work.	WEC Consult (Pty) Ltd	This case it is impractical to follow the official procurement processes. Due to time constraints the Municipality will be exposed to substantial risks if the official processes are followed.	637 582
Technical Services	Geyser controll fees	Powertech System Integrators	Other brands are not compatible with the existing unit, and Powertech is the OEM of the geyser load control equipment and as such the only service provider that can maintain the system.	257 205
Corporate Services	Microsoft annual license fees	Microsoft Ireland Operations	Microsoft Enterprise is the sole provider of Windows and MS Office licenses. Pricing is fixed in terms of the agreement but subject to the Rand/Dollar exchange rate.	599 268
Financial Services	Printing and distribution of monthly municipal service accounts and newsletters	CAB Holdings (Pty) Ltd	The monthly service accounts need to be distributed to all account holders as per debtors policy. If accounts are not distributed, there is a risk that debtors will not pay their monthly service accounts.	341 875
Financial Services	Vending Services Management	Ontec Systems (Pty) Ltd	Circular 80 recommends that municipalities should not procure additional systems while MSCOA is being implemented. The services will therefore be rendered on a month-to-month basis until 30 June 2018.	484 404
Community Services	Conversion of one Isuzu chassis cab truck into a medium capacity fire fighting vehicle	Ramcom Trucks and load bodies (Pty) Ltd	Two tenders were received but both did not score the minimum required points for functionality. The cheapest tender was accepted and appointed.	492 126
Community Services	The provision of traffic law enforcement equipment, back-office system and related services.	Syntell (Pty) Ltd	It is an exceptional circumstance and it is impractical or impossible to follow the official tender process.	1 130 838

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
2017
R
R
30 June 2017

	30 June 2017	30 June 2017
	Number of Cases	R
<R2 000	467	381 453
Sole supplier	2	2 461
Emergency	194	132 658
Exceptional Circumstances	271	246 335
Impractical	-	-
R2 000 - R30 0000	297	2 372 332
Sole supplier	4	47 531
Emergency	76	519 158
Exceptional Circumstances	217	1 805 643
Impractical	-	-
R30 000 - R200 000	46	3 530 357
Sole supplier	2	68 400
Emergency	7	535 111
Exceptional Circumstances	37	2 926 846
Impractical	-	-
> R200 000	6	3 529 984
Sole supplier	1	1 907 004
Emergency	-	-
Exceptional Circumstances	5	1 622 980
Impractical	-	-
Total	816	9 814 126

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

Department	Service	Provider	Reason for deviation	Amount
Information Technology	Windows and MS Office licenses.	Microsoft Ireland Operations	Microsoft Enterprise Agreement, sole provider of Windows and MS Office licenses.	1 672 811
Finance	Extension of tender agreement of pre-paid electricity service provider.	Ontec Systems	National Treasury's circular 80 of 8 March 2016 recommends that municipalities should not procure additional systems while MSCOA is being implemented.	425 263
Finance	Budget tool	Business Connexion	That in terms of section 3.2.9 of the SCM policy, this deviation be approved since Business Connexion (Pty) Ltd is the sole provider of the budget tool for the Venus financial system.	331 140
Streets, Storm water, parks and Resorts	Recycling services for Albertinia, Heidelberg, Riversdal and Stilbaai by a contractor for 1 March 2017 - 30 June 2017.	Henque Waste	Henque waste is the current service provider for the provision of recycling services, in order to provide time to compile new specifications for this service the request for a deviation was submitted so that this service would not be interrupted.	257 435
Electrical Services	Monitoring of geyser burden management system.	Powertech System Integrators	Other brands are not compatible with the existing unit, and Powertech is the OEM of the geyser load control equipment and as such the only service provider that can maintain the system.	216 752
Streets, Storm water, parks and Resorts	Contract HES-WRS 04/1213 – the collection of recycling waste within the Hessequa municipal area.	Henque Waste	At the Portfolio Committee meeting the decision was made that Hessequa municipality will continue with the rendering of recycling services to the community and that this be workshopped with the council prior to the advertisement. Consequently the contract will lapse by the time of award and/or extension, therefore the reason for deviation.	193 076
Water, sewerage and sanitation	Repair two water pumps at Olice Grove Water works.	Hidro-Tech Systems	Exceptional case and it was impractical or impossible to follow the official procurement processes.	170 960
Electrical Services	Repair of loader CCC 5486 RD 0390 5J	M Briers Landbouddienste	Service provider appointed by means of the rotation register.	164 473
Water, sewerage and sanitation	Repair and supply of material to upgrade the Denedal Uf plant to a fully operational state.	Ikusasa Chemicals	The plant was out of commission and needed to be repaired urgently to provide water to the community.	143 040
Water, sewerage and sanitation	Removal of oxidation pond/liquid at Gouritzmond WWTW and safely disposing at Albertinia WWTW	Jetvac South Africa	Written correspondence received from the Department of Environmental Affairs and Development Planning indicated the concern of the capacity of the oxidation dam and the inherent risk of a spill-over and contamination of the environment. Therefore this service is considered an emergency.	131 578

41. RELATED PARTY TRANSACTIONS
41.1 Services rendered to Related Parties

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

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

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

41. RELATED PARTY TRANSACTIONS - (continued)**41.2 Loans granted to Related Parties**

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

41.3 Interest of Related Parties

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

41.4 Compensation of Related Parties

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

41.5 Purchases from Related Parties

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

Service Provider	Related Person	Capacity	Municipal Capacity	2018 R	2017 R
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman	26 659	64 844
Seasons Find 982 CC	YJ Daniels	Owner	Admin Clerk	118 000	246 000
Henna's Catering	E du Preez	Owner	Cashier/Clerk	121 955	65 128
JI Daries	H Daries (Resigned)	Owner	Care Taker	-	1 600
EJ Electrical	E Prins	Owner	Clerk: SCM, contracts	-	157 550
HAH Motors T/A Pro Motors	A Stroebel	Owner	Councillor	379 101	328 342
La Bella Deli & Restaurant	AM Joubert	Owner	Councillor	-	14 000
CRR General Dealers	CJ Riddles	Owner	Handyman	10 500	43 066
N Cronje t/a WG Pompe	M Cronje	Owner	Head: Employee relations	543 130	57 498
Total				1 199 345	978 028

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

42. COMMITMENTS FOR EXPENDITURE**Capital Commitments**

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

23 774 400

15 408 888

Community

898 549

-

Total Capital Commitments

24 672 949

15 408 888

This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

24 672 949

15 408 888

24 672 949

15 408 888

(Including VAT)

43. AFTER BALANCE SHEET EVENTS

No events having financial implications requiring disclosure occurred subsequent to 30 JUNE 2018.

44. RETIREMENT BENEFIT INFORMATION

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

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

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

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

44.1 DEFINED BENEFIT SCHEMES**LA Retirement Fund (Previously Cape Joint Pension Fund)**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2017 disclosed an actuarial valuation amounting to R1,859,077,000 (30 June 2016 : R2,037,843,000), with a nett accumulated surplus of R46,989,000 (2016 : R67,791,000), with a funding level of 102.6% (30 June 2016 : 103.5%).

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

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

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

The actuary concluded that :

- The Pensioner account has a funding level of 102.6% with a surplus of R47.0 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R47.0 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 101.3% with a surplus of R47.0 million.
- The DC Section has a funding level of 100% and is in a sound financial condition.
- Overall the fund is in a sound financial condition with a surplus of R47.0 million and the overall funding level of 102.6%.
- The Trustees awarded a 3.3% pension increase effective 1 January 2018.

It is to be noted that :

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The last statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

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

Municipal Councillors' Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;

SALA Pension Fund:

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

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.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

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 last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R10,050,029,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% 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.

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

An amount of R16,200 million (2017: R14,736 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

45. GUARANTEES

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

46. IN-KIND DONATIONS AND ASSISTANCE

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

47. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3

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

47.1 Property, Plant and Equipment

Balances as published as at 30 June 2017	736 758 077
LV electricity infrastructure improved unbundling - Infrastructure accumulated depreciation - Opening balance	(536 397)
LV electricity infrastructure improved unbundling - Infrastructure accumulated depreciation - Prior year	(48 078)
Correction of the useful lives of other assets - Other assets accumulated depreciation - Opening balance	14 982 786
Correction of the useful lives of other assets - Other assets accumulated depreciation - Prior year	533 443
Prior period change in estimates of useful lives incorrectly not performed - Buildings - Accumulated depreciation - Opening balance	177 424
Prior period change in estimates of useful lives incorrectly not performed - Buildings - Accumulated depreciation - Prior year	501 031
Prior period change in estimates of useful lives incorrectly not performed - Infrastructure - Accumulated depreciation - Opening balance	45 845
Prior period change in estimates of useful lives incorrectly not performed - Infrastructure - Accumulated depreciation - Prior year	(5 254)
Prior period change in estimates of useful lives incorrectly not performed - Community assets - Accumulated depreciation - Opening balance	33 005
Prior period change in estimates of useful lives incorrectly not performed - Community assets - Accumulated depreciation - Prior year	(4 063)
Corrections of accumulated depreciation - Infrastructure accumulated depreciation - Opening balance	42 555
Corrections of accumulated depreciation - Buildings accumulated depreciation - Opening balance	4 007
Restated balance as at 30 June 2017	752 484 382

47.2 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 2017	736 553 899
Correction of accumulated depreciation due to LV improved unbundling	(536 397)
Correction of accumulated depreciation due to the correction of the useful lives of other assets	14 982 786
Corrections of accumulated depreciation - Infrastructure accumulated depreciation - Opening balance	46 562
Effect of changes in the surplus for the previous financial year	977 079
Restated balance as at 30 June 2017 - Refer to note 22	752 280 204

47.3 Appropriations to the 2016/2017 surplus/deficit

Corrections were made to certain profit and loss accounts which affected the 2016/2017 year.

Surplus for the year as previously stated:	138 828 029
Depreciation and amortisation	(48 078)
Depreciation and amortisation	533 444
Depreciation and amortisation	491 713
Restated balance as at 30 June 2017	139 805 108

47.4 Reclassification of Income and Expenses

Certain items of revenue and expenses have been reclassified in the prior year due to the implementation of mSCOA. Although the municipality was a pilot site for the implementation of mSCOA last year, the reclassifications could not have been done in the prior year as the necessary comparative information was not available. Reclassifications are as follows:

47. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3 (continued)

	2017 R	2017 R	2017 R
	Restated	Reclassification	Previously reported
Revenue from non-exchange transactions			
Property Rates	70 987 819	-	70 987 819
Fines	66 507 156	-	66 507 156
Licences and permits	1 318 799	-	1 318 799
Income from Agency Services	1 986 815	-	1 986 815
Donated Property, Plant and Equipment	900 000	-	900 000
Transfers recognised - Operational	62 641 179	(95 770 684)	158 411 863
Transfers recognised - Capital	95 770 684	95 770 684	-
Gain on revaluation of Investment Property	-	(2 704 941)	2 704 941
Revenue from exchange transactions			
Service Charges	188 958 244	-	188 958 244
Rental of facilities and equipment	2 028 046	(11 135 726)	13 163 772
Interest earned - external investments	18 093 727	-	18 093 727
Interest earned - outstanding receivables	1 522 180	-	1 522 180
Other income	16 133 731	11 135 726	4 998 006
Gains on disposal of property, plant and equipment	-	(1 301 440)	1 301 440
Total Revenue	526 848 381	(4 006 380)	530 854 761
Expenditure			
Employee related costs	133 378 401	6 343 670	127 034 731
Remuneration of Councillors	6 483 887	-	6 483 887
Bad debts	23 846 153	(23 624 988)	47 471 141
Collection costs	-	(2 260 932)	2 260 932
Depreciation and Asset Impairment	25 594 136	(977 079)	26 571 215
Repairs and maintenance	-	(16 265 256)	16 265 256
Finance Charges	17 722 545	-	17 722 545
Bulk purchases	87 869 756	(5 807 699)	93 677 455
Loss on disposal of property, plant and equipment	-	(322 316)	322 316
Inventory Consumed	19 124 001	19 124 001	-
Transfers and Subsidies	865 317	865 317	-
Contracted services	38 735 468	31 587 130	7 148 338
General expenses	18 123 813	(28 945 104)	47 068 917
Totale expenditure	371 743 478	(20 283 255)	392 026 733
Operating surplus	155 104 903	16 276 874	138 828 029
Actuarial Gains	5 587 166	5 587 166	-
Gains/(Loss) on Sale of Fixed Assets	979 124	979 124	-
Impairment Loss on receivables	(23 624 988)	(23 624 988)	-
Water losses	(946 038)	(946 038)	-
Profit on Fair Value Adjustments	2 704 941	2 704 941	-
NET SURPLUS AS RESTATED	139 805 108	977 079	138 828 029

47.5 Reclassification of Consumer Deposits

Consumer Deposits as previously reported	5 161 333
Reclassification of "other" deposits	1 282 293
Consumer Deposits as restated	6 443 626

48. CHANGE IN ACCOUNTING ESTIMATES

48.1 Property, Plant and Equipment

The useful life of certain property, plant and equipment approaching the end of its useful lives, have been revised by management in the current financial period. The effect of this revision has decreased the depreciation charges for the current year and increased the depreciation charge for future periods by R1,025,508.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
2018
2017
R
R
49. TRUST FUNDS

Nature Development - Stilbaai			1 782 397	1 689 699
Elsje Koorts Tuberculosis Fund			250 180	231 648
Total Trust Funds			2 032 577	1 921 347

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

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

Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	10 022	12 871
Consumer Debtors				
Electricity	Note 3	Amortised cost	16 604 680	15 848 406
Water	Note 3	Amortised cost	8 564 204	7 823 971
Sewerage	Note 3	Amortised cost	6 160 202	6 020 613
Waste Management	Note 3	Amortised cost	3 545 134	3 359 966
Other	Note 3	Amortised cost	5 443 978	5 342 557
Less: Provision for Impairment	Note 3	Amortised cost	(16 335 102)	(17 571 976)
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	2 849	2 634
Cash and Cash Equivalents				
Call Deposits	Note 6	Amortised cost	216 414 954	200 359 524
Bank balances and Cash Floats	Note 6	Amortised cost	3 445 345	11 419 565
			243 856 266	232 618 132

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables:				
Long-term Receivables	Note 12	Sport clubs/Pre-primary School	10 022	12 871
Consumer Debtors	Note 3	Electricity	16 604 680	15 848 406
Consumer Debtors	Note 3	Water	8 564 204	7 823 971
Consumer Debtors	Note 3	Sewerage	6 160 202	6 020 613
Consumer Debtors	Note 3	Waste Management	3 545 134	3 359 966
Consumer Debtors	Note 3	Other	5 443 978	5 342 557
Consumer Debtors		Less: Provision for Impairment	(16 335 102)	(17 571 976)
Current Portion of Long-term Receivables	Note 12	Sport clubs/Pre-primary School	2 849	2 634
Bank, Cash and Cash Equivalents	Note 6	Bank Balances, Cash Floats and Advances	219 860 299	211 779 090
			243 856 266	232 618 132
TOTAL FINANCIAL ASSETS			243 856 266	232 618 132

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018			2018	2017
			R	R
50. FINANCIAL INSTRUMENTS - (continued)				
FINANCIAL LIABILITIES				
Financial Liabilities	Classification			
Long-term Liabilities				
Annuity Loans	Note 18	Amortised cost	94 133 984	111 556 514
Consumer Deposits				
Electricity, Water and Other	Note 13	Amortised cost	8 399 605	6 443 626
Creditors				
Trade Creditors	Note 15	Amortised cost	30 416 499	33 189 258
Retentions	Note 15	Amortised cost	5 932 347	7 526 915
Other Creditors	Note 15	Amortised cost	11 111 117	9 563 971
Current Portion of Long-term Liabilities				
Annuity Loans	Note 18	Amortised cost	17 420 948	15 737 596
			167 414 499	184 017 880
SUMMARY OF FINANCIAL LIABILITIES				
Long-term Liabilities	Note 18	Annuity Loans	94 133 984	111 556 514
Consumer Deposits	Note 13	Electricity, Water and Other	8 399 605	6 443 626
Creditors	Note 15	Trade Creditors	30 416 499	33 189 258
Creditors	Note 15	Retentions	5 932 347	7 526 915
Creditors	Note 15	Other Creditors	11 111 117	9 563 971
Current Portion of Long-term Liabilities	Note 18	Annuity Loans	17 420 948	15 737 596
TOTAL FINANCIAL LIABILITIES			167 414 499	184 017 880

50.2 Fair Value of Financial Instruments

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

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

	30 JUNE 2018		30 JUNE 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Long-term Receivables	10 022	10 022	12 871	12 871
Call Deposits	216 414 954	216 414 954	200 359 524	200 359 524
Consumer Debtors	23 983 096	23 983 096	20 823 537	20 823 537
Bank Balances and Cash	3 445 345	3 445 345	11 419 565	11 419 565
Current Portion of Long-term Receivables	2 849	2 849	2 634	2 634
Total Financial Assets	243 856 266	243 856 266	232 618 132	232 618 132
FINANCIAL LIABILITIES				
Loans and receivables:				
Unsecured Bank Facilities:				
- Annuity Loans	111 554 932	111 554 932	127 294 110	127 294 110
Trade and Other Payables:	55 859 567	55 859 567	56 723 770	56 723 770
Consumer Deposits	8 399 605	8 399 605	6 443 626	6 443 626
Creditors	47 459 962	47 459 962	50 280 143	50 280 143
Total Financial Liabilities	167 414 499	167 414 499	184 017 880	184 017 880

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

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

50.3 Capital Risk Management

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

50.4 Significant Accounting Policies

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

50.5 Financial Risk Management Objectives

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

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

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

50.6 Market risk

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

50.7 Interest Rate Risk Management

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

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

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

50.8 Liquidity Risk Management

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

50. FINANCIAL INSTRUMENTS - (continued)

Liquidity and Interest Risk Tables

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

Description	Average effective interest rate	Within 1 year	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R
30 JUNE 2018					
Development Bank	8.90% - 11.56%	11 731 872	33 222 627	4 008 512	48 963 011
ABSA	10.20%	3 236 975	12 947 899	12 939 278	29 124 152
Nedbank	9.01%	3 783 945	11 351 836	-	15 135 781
First National Bank	11.40%	2 520 900	2 520 900	-	5 041 799
Standard Bank	11.26%	7 274 239	29 096 956	21 827 960	58 199 155
Trade Creditors	0%	30 416 499			30 416 499
Retentions	0%	5 932 347			5 932 347
Other Creditors	0%	11 111 117			11 111 117
		76 007 893	89 140 218	38 775 749	203 923 860
30 JUNE 2017					
Development Bank	8.90% - 11.56%	11 734 207	38 455 094	10 514 951	60 704 252
ABSA	10.20%	3 236 975	12 947 899	16 184 874	32 369 748
Nedbank	9.01%	3 783 945	15 135 781	-	18 919 726
First National Bank	11.40%	2 520 900	5 041 799	-	7 562 699
Standard Bank	11.26%	7 274 239	29 096 956	29 086 574	65 457 770
Trade Creditors	0%	33 189 258			33 189 258
Retentions	0%	7 526 915			7 526 915
Other Creditors	0%	9 563 971			9 563 971
		78 830 409	100 677 529	55 786 399	235 294 338

The municipality has access to financing facilities. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

50.9 Credit Risk Management

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

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

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

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

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

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

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

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

Long-term Receivables	12 872	15 505
Consumer Debtors	23 983 095	20 823 537
Other Debtors	7 171 575	6 319 284
Bank and Cash Balances	219 860 299	211 779 090
Maximum interest and credit risk exposure	251 027 840	238 937 415

51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**51.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	2 774 641	10 599 794
Unauthorised expenditure current year - capital	-	300 730
Unauthorised expenditure current year due to budget exceeded - operating	862 201	2 473 911
Approved by Council	(2 774 641)	(10 591 142)
Amount allocated to incorrect department prior year - not unauthorised	-	(8 652)
Unauthorised expenditure awaiting authorisation:	862 201	2 774 641

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

	2018 R Budget	2018 R Actual	2018 R Variance	2018 R Unauthorised
Office of the MM	30 137 962	31 000 163	862 201	862 201
Corporate Services	40 092 276	35 396 373	(4 695 903)	
Financial Services	27 809 106	24 279 911	(3 529 195)	
Community Services	75 383 337	62 857 973	(12 525 364)	
Technical Services	251 025 878	240 220 349	(10 805 529)	
Spatial Planning & Environmental Management	11 513 309	10 818 194	(695 115)	
Total	435 961 868	404 572 962	(31 388 906)	862 201

51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (Continued)**51.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	261 879	279 012
Telkom switchboard and subscription not used	409 029	
Electricity losses above the threshold (Refer note 52)	-	-
Water losses above the threshold (Refer note 52)	-	261 879
Fruitless and Wasteful Expenditure awaiting condonement	670 908	540 891
Less: Approved by Council on 25 July 2018	(670 908)	(279 012)
Fruitless and wasteful expenditure awaiting authorisation:	-	261 879

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R670 908 be certified as irrecoverable and be written off.

51.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	1 680 996
Irregular expenditure current year:		
- Vanquard fire and safety Cape - PPPFA, Regulation 8(5)	79 220	
- Administrative irregularities in the award of tender	1 150 976	
- Adopting alternative solution from Vox	377 842	
- Payment of acting allowance	79 514	
Written off by council on 25 July 2018	(1 608 332)	(1 680 996)
Irregular expenditure awaiting council approval	79 220	-

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R1 608 332 be certified as irrecoverable and be written off.

52. MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	91 314 146	89 513 700
- Units lost during distribution (Kwh)	9 770 776	8 290 400
- Percentage lost during distribution	10.70%	9.26%

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

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

Non-Technical losses are due to:

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

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

Water Inventory

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

Riversdale		
Kiloliters purchased	870 135	954 542
Movement in stock	-	-
Kiloliters sold	812 042	867 385
Kiloliters lost in distribution	58 093	87 157
Percentage loss in distribution	6.68%	9.13%
Cost per kiloliter	R 0.57	R 0.50
Total cost in Rand	33 113	43 579
Heidelberg and Witsand		
Kiloliters purchased	549 901	590 597
Movement in stock	-	-
Kiloliters sold	457 668	502 303
Kiloliters lost in distribution	92 233	88 294
Percentage loss in distribution	17%	15%
Cost per kiloliter	R 8.08	R 7.72
Total cost in Rand	745 240	681 630
Slangrivier		
Kiloliters purchased	85 689	97 037
Movement in stock	-	-
Kiloliters sold	73 272	69 510
Kiloliters lost in distribution	12 417	27 527
Percentage loss in distribution	14%	28%
Cost per kiloliter	R 8.69	R 8.02
Total cost in Rand	107 904	220 767
Total amount of water losses	886 257	945 975

Water losses above the 12% threshold, will be considered to be distribution losses.

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

53. CONTINGENT LIABILITIES

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

Case	Evaluation	R
DB Joubert v HM	Applicant claimed 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. R14 708 have already been paid but further costs will be incurred.	20 000
S Pain v HM	Applicant is claiming damages from the Municipality.	30 000

54. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors and reclassifications (Note 47).

55. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2017 the Council adopted the 2017/18 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of Municipalities land.

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

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

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

56. BUDGET COMPARATIVE NOTES

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

Revenue - Refer to Appendix E (1) for additional information

Rev1	Fines issued are less than envisaged.
Rev2	Increased revenue on vehicle registration fees
Rev3	Housing grant funds received less than budgeted for. SETA grant (R914 497) not spend
Rev4	Unspent Drought relief Grant (R7 500 000) and Desalination Plant unspent (R4 500 000)
Rev5	More rentals received than anticipated.
Rev6	Interest rates more favourable - more investment funds available because of poor capital spending.
Rev7	Increase in outstanding debtors.
Rev8	Increase in Building Plan revenue (R646 553), Camping Fees (R1 665 357) and Capital Contribution - Electricity (R1 278 418)
Rev9	Land sales not realised.

Expenditure - Refer to Appendix E (1) for additional information

Exp1	Unbundling done only by year-end and underspending on projects resulting in lower depreciation.
Exp2	Saving on fuel budget (R623 055) and water purchases budget (R2 468 255)
Exp3	Housing projects not completed with unspent funds of R9 131 152 at year end. Saving on budgeted items for Consultants (R765 069)
Exp4	Less spent on SETA training, telephone, postage, learner internships, software license fees and vehicle insurance. WCA expenditures of R1m transferred to employee related costs, while the budget amount reflects under general expenses.

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

- Fp1 Inventory less because of more stock issues than budget.
 Fp2 More cash available due to underspending on the capital budget.

Liabilities

- Fp3 Deposits more because of reclassification from creditors.
 Fp4 The budget includes unspent grants.
 Fp5 Unspent grants and receipts are included in creditors
 Fp6 The budget is understated because of uncertainty of raising of an external loan
 Fp7 Council did not raise an external loan
 Fp8 Accumulated surplus is more than expected because of the correction of accumulated depreciation in the prior year, more revenue collected than budgeted and expenditure less than budgeted.

Cash Flow

- Cf1 Revenue from traffic fines less than expected.
 Cf2 Housing allocation less than expected and promulgated. No spending on desalination plant.
 Cf3 Underspending on various votes as well as housing projects.
 Cf4 Interest rates more favourable and more investment funds available because of low capital spending.
 Cf5 Underspending of the capital budget.
 Cf6 Land sales not realised.
 Cf7 Variation as a result of reclassification of "other" deposits.
 Cf8 Underspending of the capital budget, result in more cash for investment.

Capital - Refer to Appendix E (2) for additional information

- Cap1 Underspending on Vehicle Store - Stillbay, mess halls for workers in Slangrivier and Witsand.
 Cap2 Underspending on public conveniences, sport fields and cemeteries
 Cap3 Underspending on fire brigade
 Cap4 Underspending on reseal of Van Riebeeck Street, Riversdale and upgrading of Strand Street, Jongensfontein.
 Cap5 Underspending on reseal of streets in camps.
 Cap6 Underspending on sewerage projects in Stillbay, Gouritsmond and Albertinia.
 Cap7 Underspending on infrastructure projects in Heidelberg, Riverdale, Witsand and Slangrivier.

Appendix A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30-Jun-17	Received during the period	Redeemed written off during the period	Balance at 30-Jun-18
				R	R	R	R
Annuity Loans							
Development Bank	10.50%	12007420	2021	11 550 561	-	(2 462 929)	9 087 632
Absa Bank	10.20%	4068858722	2027	20 000 000	-	(1 218 877)	18 781 123
First National Bank	11.40%	4-000-019-445-833	2020	6 255 204	-	(1 858 740)	4 396 464
Development Bank	11.56%	103465	2019/06	2 827 027	-	(1 332 039)	1 494 987
Nedbank	9.01%	7831031707	2022/06	14 903 096	-	(2 472 645)	12 430 452
Development Bank	8.90%	61007148	2023/06	11 375 984	-	(1 506 592)	9 869 391
Development Bank	9.98%	12007830	2024/06	19 872 769	-	(2 081 290)	17 791 479
Standard Bank	11.26%	280033036	2026/06	40 509 470	-	(2 806 067)	37 703 404
Total External Loans				127 294 111	-	(15 739 178)	111 554 932

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

	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	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	165 573 047	8 000	-	-	-	-	(188 000)	165 393 047	18 171 519	-	-	18 171 519	147 221 528
Buildings	56 891 793	1 684 711	-	-	4 075	-	-	58 580 579	28 281 140	3 025 857	-	31 306 997	27 273 582
	222 464 840	1 692 711	0	-	4 075	-	(188 000)	223 973 626	46 452 659	3 025 857	-	49 478 516	174 495 110
Investment Property													
Land and Buildings	70 995 100	-	-	453 509	-	-	(221 100)	71 227 509	-	-	-	-	71 227 509
	70 995 100	-	-	453 509	-	-	(221 100)	71 227 509	-	-	-	-	71 227 509
Intangible Assets													
Water Rights	400 000	-	-	-	-	-	-	400 000	114 444	13 333	-	127 777	272 223
Software	57 480	-	-	-	-	-	-	57 480	22 581	8 211	-	30 793	26 687
	457 480	-	-	-	-	-	-	457 480	137 025	21 545	-	158 570	298 910
Infrastructure													
Sewerage													
Purification	63 889 324	200 000	-	-	11 792 827	8 285 147	-	84 167 298	10 946 034	1 948 007	-	12 894 041	71 273 258
Outfall Sewerage	6 537 566	20 714	-	-	114 684	-	-	6 672 963	4 473 301	337 892	-	4 811 193	1 861 771
Reticulation	57 742 157	-	-	-	3 469 025	(23 177 229)	-	38 033 953	7 196 220	628 625	-	7 824 845	30 209 108
Water													
Water Meters	4 360 672	-	-	-	-	-	-	4 360 672	1 301 999	145 764	-	1 447 763	2 912 909
Reticulation Network	37 519 831	4 826 872	-	-	2 452 609	(225 600)	-	44 573 711	7 066 514	1 396 173	-	8 462 686	36 111 025
Pump Stations	2 332 150	-	-	-	195 926	-	-	2 528 076	1 395 847	138 094	-	1 533 941	994 134
Purification Works	2 638 757	1 049 437	-	-	399 892	(1 095 637)	-	2 992 449	1 676 974	122 094	-	1 799 067	1 193 381
Reservoirs/Tanks	27 535 921	1 099 928	-	-	587 628	3 159 685	-	32 383 162	7 030 232	737 945	-	7 768 177	24 614 985
Electricity													
Power Stations	582 523	-	-	-	-	(305 450)	-	277 073	150 132	20 660	-	170 792	106 281
Transformer Kiosks	5 862 530	-	-	-	-	52 044	-	5 914 574	920 433	126 165	-	1 046 597	4 867 977
Substations	42 270 502	0	-	-	7 352 000	0	-	49 622 502	2 578 276	1 045 200	-	3 623 476	45 999 026
Streetlights	9 373 207	0	-	-	-	1 083 283	-	10 456 490	2 391 859	342 552	-	2 734 411	7 722 079
Electricity Meters	750 456	-	-	-	342 592	(449 118)	-	643 930	0	12 054	-	12 054	631 876
Mains	47 458 343	0	-	-	879 711	(380 759)	-	47 957 295	7 267 376	983 417	-	8 250 793	39 706 502
Solid Waste	1 406 648	44 234	-	-	-	-	-	1 450 882	688 484	58 757	-	747 241	703 641

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

	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	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Roads and Stormwater													
Motorways	195 985 445	7 472 830	-	-	2 300 169	16 751 604	-	222 510 049	25 394 087	5 369 781	-	30 763 868	191 746 182
Stormwater	54 303 595	-	-	-	436 510	(3 952 070)	-	50 788 036	12 808 257	1 452 452	-	14 260 709	36 527 327
Parking Areas	878 340	99 258	-	-	21 324	-	-	998 922	90 583	23 442	-	114 025	884 897
Footpaths	4 888 970	99 809	-	-	13 195	533 924	-	5 535 898	1 768 447	154 089	-	1 922 536	3 613 362
	566 316 936	14 913 082	-	-	30 358 092	279 825	0	611 867 935	95 145 053	15 043 162	-	110 188 216	501 679 719
Community Assets													
Cemeteries	2 378 845	105 300	-	-	490 000	-	(36 092)	2 938 053	568 475	48 834	(36 071)	581 239	2 356 814
Sport Grounds	15 555 267	-	-	-	18 312	-	-	15 573 579	6 724 100	690 062	-	7 414 162	8 159 416
Parks	7 089 796	333 599	-	-	16 352	0	-	7 439 747	3 392 818	299 772	-	3 692 589	3 747 158
Public Conveniences	1 784 696	1 864 359	-	-	41 935	(279 825)	-	3 411 166	172 622	124 980	-	297 603	3 113 564
	26 808 605	2 303 259	-	-	566 598	(279 825)	(36 092)	29 362 546	10 858 016	1 163 649	(36 071)	11 985 594	17 376 952
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 2018

	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	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets													
Emergency Equipment													
Emergency	1 547 523	415 139	-	-	-	-	-	1 962 662	237 824	78 583	-	316 407	1 646 255
Plant&Equipment													
Graders and Frontloaders	5 494 364	-	-	-	-	-	-	5 494 364	2 116 574	333 939	-	2 450 513	3 043 851
Tractors	2 506 956	594 783	-	-	-	-	-	3 101 739	1 210 449	191 021	-	1 401 470	1 700 269
Boats	40 000	-	-	-	-	-	-	40 000	17 311	2 667	-	19 978	20 022
Lawnmowers	1 491 870	119 844	-	-	-	-	(10 839)	1 600 876	598 589	84 310	(10 620)	672 279	928 597
Compressors	69 422	-	-	-	-	-	-	69 422	36 539	3 702	-	40 241	29 181
Other Plant and Equipment	10 353 043	1 350 373	-	-	-	-	(13 163)	11 690 253	2 623 149	608 448	(13 143)	3 218 454	8 471 799
MotorVehicles													
Sedans	945 030	917 134	-	-	-	-	-	1 862 164	410 081	87 846	-	497 928	1 364 236
Motor Cycles	100 421	-	-	-	-	-	-	100 421	52 014	5 251	-	57 266	43 156
Trailers	2 185 241	-	-	-	-	-	-	2 185 241	793 600	106 981	-	900 581	1 284 660
Trucks/LDV's	27 051 516	6 035 827	-	-	-	-	-	33 087 342	8 188 267	1 509 615	-	9 697 883	23 389 460
Office Equipment													
Computer Equipment	5 196 582	1 421 077	-	-	-	-	(119 864)	6 497 795	1 268 139	373 151	(108 011)	1 533 279	4 964 516
Other Equipment	864 838	76 689	-	-	-	-	(10 904)	930 623	276 518	46 673	(10 867)	312 325	618 299
Office Machines	3 132 642	-	-	-	-	-	(136 328)	2 996 314	1 060 176	178 944	(127 859)	1 111 260	1 885 054
Furniture and Fittings	6 113 971	1 518 099	-	-	8 050	-	(92 408)	7 547 712	1 679 992	261 589	(85 199)	1 856 382	5 691 330
Security Equipment													
Security	165 345	4 948	-	-	-	-	-	170 293	55 515	13 685	-	69 200	101 092
Landfill site rehabilitation													
Landfill site rehabilitation	58 939 176	-	(10 331 261)	-	-	-	-	48 607 915	16 223 474	6 903 551	-	23 127 026	25 480 889
	126 197 941	12 453 912	(10 331 261)	-	8 050	-	(383 506)	127 945 135	36 848 213	10 789 956	(355 699)	47 282 470	80 662 665
TOTAL	1 021 562 776	31 362 964	(10 331 261)	453 509	30 936 816	0	(828 698)	1 073 156 106	189 440 966	30 044 169	(391 769)	219 093 366	854 062 740

Appendix C - Unaudited

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

									Accumulated Depreciation				Carrying Value 30/06/2018
	Opening Balance 1/7/2017	Additions	Under Construction	IGRAP 2 Adjustment	Fair Value Adjustment	Disposals	Transfers due to unbundling	Closing Balance 30/06/2018	Opening Balance 1/7/2016	Additions	Disposals	Closing Balance 30/06/2018	
	R	R	R		R	R		R	R	R	R	R	
COMMUNITY & SOCIAL SERVICES	42 394 950	878 904	-	-	490 000	(16 929 607)	(58 071)	26 776 176	6 335 356	704 925	(57 876)	6 982 404	19 793 772
CORPORATE SERVICES	245 037 118	3 047 244	-	453 509	123 243	233 589	(515 056)	248 379 647	37 689 196	2 211 372	(94 942)	39 805 626	208 574 021
ELECTRICITY	113 020 323	558 186	-	-	8 574 302	-	(8 171)	122 144 640	15 477 609	2 774 985	(8 130)	18 244 464	103 900 176
ENVIRONMENTAL PROTECTION	83 283	-	-	-	-	-	-	83 283	21 481	5 352	-	26 833	56 450
EXECUTIVE AND COUNCIL	3 977 362	374 051	-	-	-	-	(79 009)	4 272 404	1 005 879	250 855	(69 761)	1 186 973	3 085 431
OTHER	373 119	8 280	-	-	-	-	(16 827)	364 572	143 063	16 334	(16 824)	142 573	221 999
HOUSING	15 512	-	-	-	-	-	-	15 512	244	714	-	958	14 554
PLANNING AND DEVELOPMENT	451 948	54 330	-	-	-	-	(18 804)	487 475	182 985	22 943	(18 701)	187 227	300 248
PUBLIC SAFETY	5 160 061	2 391 992	-	-	-	-	(29 745)	7 522 308	1 094 043	294 999	(29 715)	1 359 327	6 162 981
ROAD TRANSPORT	270 580 164	10 148 868	-	-	2 300 169	19 089 501	(17 403)	302 101 299	48 950 263	8 261 901	(17 167)	57 194 997	244 906 302
SPORTS AND RECREATION	83 680 634	6 858 923	-	-	-	(8 397 147)	(71 819)	82 070 591	17 161 760	2 314 645	(64 898)	19 411 507	62 659 084
WASTE MANAGEMENT	183 297 477	49 381	(10 331 261)	-	15 813 046	1 870 380	(3 499)	190 695 524	42 437 567	10 576 500	(3 488)	53 010 580	137 684 944
WATER	73 490 823	6 992 805	-	-	3 636 055	4 133 284	(10 293)	88 242 675	18 941 519	2 608 646	(10 269)	21 539 896	66 702 779
TOTAL	1 021 562 776	31 362 964	(10 331 261)	453 509	30 936 816	0	-828 698	1 073 156 106	189 440 966	30 044 169	(391 769)	219 093 366	854 062 740

Appendix D - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

(including inter-departmental charges)

2017				2018		
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)
R	R	R		R	R	R
35 966 118	21 376 815	14 589 303	Executive And Council	38 427 893	28 428 095	9 999 798
-	1 179 793	(1 179 793)	Internal Audit	-	1 271 580	(1 271 580)
112 899 444	39 959 318	72 940 126	Finance And Administration	115 037 950	48 908 923	66 129 027
2 855 009	8 240 193	(5 385 184)	Planning And Development	4 757 270	9 377 432	(4 620 161)
7 632 868	15 139 569	(7 506 701)	Community And Social Services	8 493 645	16 244 443	(7 750 798)
16 834 025	17 762 395	(928 371)	Housing	11 081 202	12 058 341	(977 138)
1 020 475	3 813 102	(2 792 627)	Public Safety	981 836	4 861 679	(3 879 844)
572 768	1 589 747	(1 016 979)	Environmental Protection	474 821	1 556 886	(1 082 066)
11 474 316	20 285 650	(8 811 334)	Sport And Recreation	11 817 460	21 659 111	(9 841 651)
158 349 591	90 063 902	68 285 689	Road Transport	47 270 973	76 189 893	(28 918 920)
24 214 385	23 658 446	555 939	Waste Water Management	11 524 617	26 224 313	(14 699 696)
12 953 615	26 192 917	(13 239 302)	Waste Management	15 613 078	29 218 052	(13 604 974)
36 427 111	27 139 796	9 287 315	Water Management	36 953 819	29 419 693	7 534 126
140 348 263	124 267 166	16 081 097	Energy Sources	185 681 413	129 070 632	56 610 781
-	1 074 071	(1 074 071)	Other	19 997	1 184 364	(1 164 367)
561 547 988	421 742 880	139 805 108	Sub total	488 135 974	435 673 437	52 462 537
(31 015 542)	(31 015 542)	-	Less inter-departmental charges	(31 100 476)	(31 100 476)	-
530 532 446	390 727 338	139 805 108	Total	457 035 498	404 572 961	52 462 537

test

-530 532 445.87	-390 727 337.95	-139 805 107.92		-457 035 497.00	-404 572 961.53	-52 462 535.47
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0.23	0.39	-0.13 difference		1.48	-0.17	1.65
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Appendix D (i) - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Budget	Amendments	Final Budget	Actual	Variance	Budget	Amendments	Final Budget	Actual	Variance
Executive And Council	38 891 302	20 000	38 911 302	38 427 893	(483 409)	27 013 913	240 000	27 253 913	28 428 095	1 174 182
Internal Audit	-	-	-	-	-	1 430 619	-	1 430 619	1 271 580	(159 039)
Finance And Administration	87 156 956	-	87 156 956	100 038 503	12 881 547	54 140 775	9 600	54 150 375	47 613 975	(6 536 400)
Planning And Development	4 245 000	-	4 245 000	4 757 270	512 270	9 747 494	-	9 747 494	9 377 432	(370 062)
Community And Social Services	8 961 412	-	8 961 412	8 493 645	(467 767)	18 219 343	(246 000)	17 973 343	15 274 401	(2 698 942)
Housing	20 171 143	-	20 171 143	11 081 202	(9 089 941)	21 519 035	(40 000)	21 479 035	12 058 341	(9 420 694)
Public Safety	1 251 000	-	1 251 000	981 836	(269 164)	4 529 500	293 920	4 823 420	4 861 679	38 259
Environmental Protection	522 731	-	522 731	474 821	(47 910)	1 817 518	-	1 817 518	1 556 886	(260 632)
Sport And Recreation	10 750 507	-	10 750 507	11 817 460	1 066 953	19 941 679	(55 400)	19 886 279	17 188 811	(2 697 468)
Road Transport	57 305 425	-	57 305 425	47 099 169	(10 206 256)	83 469 788	(174 840)	83 294 948	76 035 305	(7 259 643)
Waste Water Management	31 099 640	-	31 099 640	11 303 871	(19 795 769)	21 362 744	48 000	21 410 744	20 036 143	(1 374 601)
Waste Management	15 162 760	-	15 162 760	15 390 357	227 597	28 277 732	121 220	28 398 952	28 558 688	159 736
Water Management	53 305 834	-	53 305 834	34 488 933	(18 816 901)	25 933 802	(174 600)	25 759 202	24 510 800	(1 248 402)
Energy Sources	131 865 916	-	131 865 916	172 660 542	40 794 626	117 136 199	(1 900)	117 134 299	116 616 461	(517 838)
Other	121 819	-	121 819	19 997	(101 822)	1 401 727	-	1 401 727	1 184 364	(217 363)
Total	460 811 445	20 000	460 831 445	457 035 499	(3 795 946)	435 941 868	20 000	435 961 868	404 572 962	(31 388 906)
TEST	-460 811 445	-20 000	-460 831 445	-457 035 497	3 795 948	-435 941 868	-20 000	-435 961 868	-404 572 962	31 388 906

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Revenue					
Property Rates	78 148 577	76 330 839	1 817 738	2.38	
Service charges	201 488 590	197 276 277	4 212 313	2.14	
Rental of facilities and equipment	2 607 264	1 821 048	786 216	43.17	More rentals received than anticipated
Interest earned - external investments	17 958 842	4 828 000	13 130 842	271.97	Interest rates more favourable. More investment funds available because of poor capital spending.
Interest earned - outstanding debtors	1 950 423	1 392 917	557 506	40.02	Increase in outstanding debtors.
Fines	38 417 424	41 208 474	(2 791 050)	(6.77)	Fines issued are less than envisaged.
Licences and permits	1 420 287	1 396 986	23 301	1.67	
Donated property, plant and equipment	141 699	133 700	7 999	5.98	
Contributed Asset					
Income for agency services	2 218 473	1 950 411	268 062	13.74	Increased revenue on vehicle registration fees
Government grants and subsidies - Operational	60 345 573	71 302 018	(10 956 445)	(15.37)	Housing grant funds received less than budgeted for.
Government grants and subsidies - Capital	32 885 020	45 705 362	(12 820 342)	(28.05)	Unspent Grants: Drought Relief (R7 500 000), Agent Francaise Development - Desalination Plant (R4 500 000)
Gain on revaluation of investment property	-	-	-		
Other Income	18 898 200	14 985 413	3 912 787	26.11	Increase in Building Plan revenue (R646 553), Camping Fees (1 665 357) and Capital Contribution - Electricity (R1 278 418)
Surplus on sale of assets	555 125	2 500 000	(1 944 875)	(77.80)	Land sales not realised as budgeted for.
Total Income	457 035 497	460 831 445	(3 795 948)	(0.82)	

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Expenditure					
Employee related costs	151 287 185	153 303 267	(2 016 082)	(1.32)	
Rumuneration of councillors	7 202 030	7 269 038	(67 008)	(0.92)	
Working Capital Reserve	34 345 891	-	34 345 891	#DIV/0!	
Depreciation and impairment	30 044 169	-	30 044 169	#DIV/0!	Unbundling done only by year-end - low spending on projects with resulting lower depreciation.
Interest - External borrowings	18 822 055	19 007 575	(185 520)	(0.98)	
Bulk Purchases	89 362 014	87 369 323	1 992 691	2.28	
Contracted Services	32 192 657	46 521 327	(14 328 670)	(30.80)	Housing projects not completed with unspent funds of R9 131 152 at year end. Saving on budgeted items for Consultants (R765 069), Legal Cost (R443 003), Valuers & Assessors (R420 328), Traffic fines Management (R278 605), Engineering Consulting Cost (R285 315) and Maintenance on all Departments (R1 391 974)
Inventory Consumed	20 243 203	23 558 680	(3 315 477)	(14.07)	Saving on budgeted items for Vehicle fuel (R623 055) and water purchases (R2 468 255)
Transfers and Subsidies	1 054 802	1 106 680	(51 878)	(4.69)	
General Expenses	20 018 955	26 606 620	(6 587 665)	(24.76)	Saving on budgeted items for SETA Training program (R914 497), telephone (R776 057), Postage (R303 746), Leaner- & Internship (R372 250), Software Licence Fees (R309 012), Vehicle Insurance (R357 867) and various smaller savings on operational cost. Workmans compensation expenditure of R1m transferred to employee related costs, while the budget remained.
Total Expenditure	404 572 962	364 742 510	39 830 452	10.92	
Net surplus for the year	52 462 535	96 088 935	(43 626 400)	45.40	

APPENDIX E (2) - Unaudited

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2018)

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
Land					
<u>Land & Buildings</u>	1 479 686	2 363 000	-883 314	-37.38	Unable to complete the erection of a vehicle store (Still Bay) for R400 000, mess halls for workers (Slangrivier & Witsand) for R200 000 and R100 000 due to staff budget constraints. R400 000 was budgeted for a vehicle store, but only the building plans of R4 075 were finalised in 2017/18. Quotations received for the mess halls were much higher than budgeted amounts. Projects not completed.
	1 479 686	2 363 000	-883 314	-37.38	
Infrastructure					
<u>Sewerage</u>	15 597 250	19 393 346	-3 796 096	-19.57	Four projects, Bulk Sewer upgrade - Stilbay (R861 204), Upgrading Sewerage Works - Gouritsmond (R257 740), Upgrade existing gravity line - Stilbay(R378 731) and New Gravity line distribution - Still Bay (R314 516) was unspent at year end due to limited time. Tender for Extension of Sewerage Infrastructure - Albertina (447 061) was cancelled. Roll over application will be submitted for the unspent funds at the 1st Adjustment Budget for 2018/19. VAT on MIG funds was claimed (±R1 431 487), but not allocated to the VAT capital vote.
<u>Water</u>	10 612 293	25 486 708	-14 874 415	-58.36	Five projects, Replacement of water Infrastructure - Heidelberg (R273 719), Upgrading Workworks - Riversdale (R151 500), Security WTW - Riversdale (R141 918), Refurbishment Pumpstation - Preekstoel (R121 885) and Water meters - Slangrivier (R217 310) was unspent at year end due to limited time. Application will be submitted for the unspent funds at the 1st Adjustment Budget. Projects from grant funds, Desalination Plant - Witsand (R8 997 926) and Boreholes - Stilbay/Albertina, was unspent at year end due to late grant allocations. Roll over application will be submitted for the unspent funds. Saving on project, New Bulk water supply - Stilbay (MIG funds R164 370 and loan R862 961).
<u>Electricity</u>	8 574 302	8 975 533	-401 231	-4.47	
<u>Solid Waste</u>	44 234	50 000	-5 766	-11.53	
<u>Roads and Stormwater</u>	9 525 011	15 244 000	-5 718 989	-37.52	Five projects, Reseal Van Riebeeck str - Riversdale (R426 935), Upgrading Strandstr - Jongensfontein (R232 912), Paving of Gravel roads - Riversdale (R305 000), Paving of Gravel roads - Albertina (R100 000) and Stormwater - Jongensfontein (R141 107) was unspent at year end due to limited time. Application will be submitted for the unspent funds at the 1st Adjustment Budget. VAT on Flood Damage funds for Upgrading of Roads & Stormwater was claimed (±R4 325 746), but not allocated to the VAT capital vote.
<u>Information And Communication Infrastructure</u>	850 318	945 200	-94 882	-10.04	
	45 203 408	70 094 787	-24 891 379	-141	
Intangible Assets					
<u>Computer Software And Applications</u>	0	242 000	-242 000	-100.00	Budget Tool (R242 000) not purchased
	0	242 000	-242 000	-100	
Community Assets					
<u>Public Conveniences</u>	527 252	600 000	-72 748	-12.12	Saving on projects
<u>Sportfields</u>	353 213	448 600	-95 387	-21.26	Saving on projects
<u>Cemeteries</u>	595 300	710 400	-115 100	-16.20	Saving on projects
<u>Other</u>	2 685 796	3 549 143	-863 347	-24.33	Three projects, Reseal of Streets in Camp - Ellensrust (R132 287), Reseal of Streets in Camp - Preekstoel (R263 545) and Upgrading of roofs of Chalets - Jongensfontein (R111 112) was unspent at year end due to limited time. Application will be submitted for the unspent funds at the 1st Adjustment Budget for 2018/19.
	4 161 561	5 308 143	-1 146 582	-21.60	
Other Assets					
<u>Plant & Equipment</u>	1 877 916	2 317 050	-439 134	-18.95	Underspending due to savings on purchases of equipment
<u>Motor Vehicles</u>	7 545 793	8 074 200	-528 407	-6.54	Underspending due to savings on purchases of vehicles
<u>Other</u>	2 023 415	2 282 617	-259 202	-11.36	Underspending due to savings on purchases and Budget Tool (R242,000) not purchased
	11 447 124	12 673 867	-1 226 743	-9.68	
Total	62 291 779	90 681 797	-28 390 018	-31.31	

APPENDIX F - Unaudited

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

Name of Grant	Funder	Quarterly Receipts							Quarterly Expenditure					Closing Balance 30/06/2018 R
		Opening Balance 01/07/2017 R	Revert back to Department	September R	December R	March R	June R	Total R	September R	December R	March R	June R	Total R	
National Government		6 716 199	2 461 224	20 010 000	20 783 000	25 619 000	-	66 412 000	13 811 943	12 487 236	15 691 916	28 644 972	70 636 067	30 907
Equitable Share	COGTA	-		12 524 000	12 499 000	12 474 000		37 497 000	9 374 250	9 374 250	9 374 250	9 374 250	37 497 000	-
MIG Projects	COGTA	4 224 067		5 677 000	6 820 000	1 316 000		13 813 000	4 047 704	2 087 888	4 370 824	7 530 651	18 037 067	-
Financial Management Grant	COGTA	-		1 550 000				1 550 000	215 909	340 281	406 461	587 349	1 550 000	-
National Electricity Program	DME	2 461 224	2 461 224		1 000 000			1 000 000		684 635	103 214	212 151	1 000 000	-
Expanded Public Works Programme	DPW	-		259 000	464 000	310 000		1 033 000	174 080	182	92 322	766 416	1 033 000	-
Energy Efficiency Demand Side Mgmt	DME	-						-					-	-
Disaster Recovery Grant	COGTA	-				11 519 000		11 519 000			1 344 845	10 174 155	11 519 000	-
Accelerated Community Infrastr. Programme	DWA	30 907						-					-	30 907
Provincial Government		13 013 106	50 528	3 548 851	5 280 678	11 518 334	-	20 347 863	4 370 640	10 320 139	2 419 472	5 091 757	22 202 008	11 108 433
Human Settlement Development	WC: Housing	10 078 278		927 518	2 659 344			3 586 862	2 728 261	8 277 535			11 005 796	2 659 344
Library Municipal Replacement Funding	WC: Cult. Affairs	390 102		1 554 667	1 554 667	1 554 667		4 664 001	936 440	1 098 147	929 877	1 834 679	4 799 142	254 961
Municipal Capacity Building Grant	WC: Local Gov	120 000				240 000		240 000					-	360 000
Slangrivier Land Reform	WC: Land Affairs	8 725	8 725					-					-	-
Library Conditional Grant	WC: Cult. Affairs	-		1 066 666	1 066 667	1 066 667		3 200 000	690 939	780 132	723 005	1 005 923	3 200 000	-
Riversdale Thusong Centre	WC: Cult. Affairs	2 600	2 600					-					-	-
Proclaimed Roads	WC: Transport	-				111 000		111 000			111 000		111 000	-
Greenest Municipality Competition	WC: Environment	11 454				50 000		50 000				42 387	42 387	19 067
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.	97 500				330 000		330 000		26 040	170 624	218 168	414 832	12 668
Municipal Infrastructure Support Grant	WC:Pub Works	15 810	15 810					-					-	-
Mun Service Delivery and Capacity Bldg	WC:Local Govt.	20 244						-				16 020	16 020	4 224
Mun Drought Support Grant	WC:Local Govt.	1 000 000				7 500 000		7 500 000		133 467	18 139	848 394	1 000 000	7 500 000
Fire Service Capacity Building Grant	WC:Local Govt.	1 200 000						-			445 827	492 126	937 954	262 046
LG Graduate Internship Grant	WC:Local Govt.	45 000				66 000		66 000	15 000	4 817	21 000	34 060	74 878	36 122
Municipal Electrical Master Plan	WC:Local Govt.					600 000		600 000				600 000	600 000	-
District Municipality		373 388	-	-	-	-	-	-	-	-	-	35 000	35 000	338 388
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 786.91						-				35 000	35 000	43 787
Alternative Electricity	Eden Distr. Mun.	273 533.43						-					-	273 533
Housing Consumer Educations	Eden Distr. Mun.	21 067.75						-					-	21 068
Other		1 148 182	-	63 623	178 991	70 911	98 421	411 946	49 600	45 512	26 391	236 016	357 519	1 202 609
Skills Development	Seta	258 317		63 623	178 991	50 911	78 421	371 946	39 600	45 512	26 391	22 800	134 303	495 961
National Lottery Fund		303 227						-					-	303 227
Absa							20 000	20 000				20 000	20 000	-
Tourism		101 819				20 000		20 000	10 000			10 000	20 000	101 819
Africana Centre		23 314						-				23 000	23 000	314
National Heritage Council		-						-					-	-
Asla Devco - Water meters Slangrivier		273 400						-				56 090	56 090	217 310
Business Engineering		-						-					-	-
Public Participation Strategy		60 000						-					-	60 000
Arbor Day Award	Total S A	128 105						-				104 126	104 126	23 978
TOTAL - CONDITIONAL GRANTS		21 250 875	2 511 752	23 622 474	26 242 669	37 208 245	98 421	87 171 809	18 232 183	22 852 886	18 137 779	34 007 746	93 230 594	12 680 337

An amount of R2 461 224 from the National Government for the National Electricity Programme was paid back during 2017/18

An amount of R50 528 for various grants from the Provincial Government were paid back during 2017/18