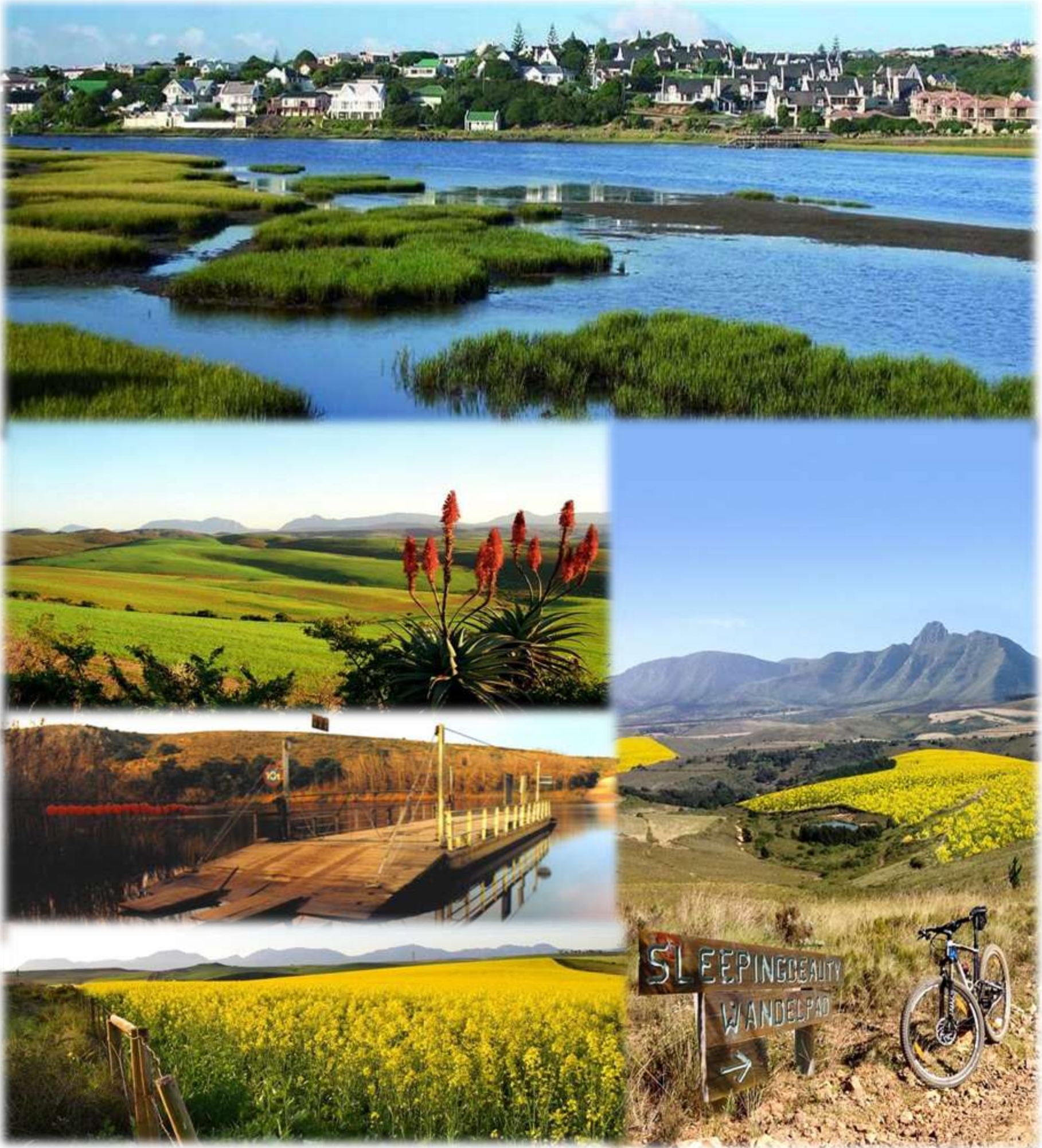


# HESSEQUA MUNICIPALITY

# 2018/2019





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# HESSEQUA MUNICIPALITY

## GENERAL INFORMATION

EXECUTIVE MAYOR  
DEPUTY MAYOR  
SPEAKER

Councillor G Riddles  
Councillor Mr J Hartnick  
Councillor A Stroebel

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson  
Member  
Member  
Member  
Member

Councillor G Riddles  
Councillor Johannes Hartnick  
Councillor M Jakobs  
Councillor SM Odendaal  
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 SM Odendaal

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson  
Member  
Member  
Member  
Member

Prof JA Döckel  
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 JA Döckel  
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  
GL Boezak  
M Fielies  
L Pieterse  
S Odendaal  
J Gelderbloem  
Johannes Hartnick  
G Riddles  
A Stroebel  
M Jakobs  
T van Rensburg  
ME Daymani  
NA Joseph

POSITION

Councillor, Garden Route DM Rep  
Councillor  
Councillor, Executive Mayoral Committee  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor  
Councillor, Executive Mayoral Committee  
Councillor  
Deputy Executive Mayor  
Executive Mayor  
Speaker, Councillor  
Councillor, Executive Mayoral Committee  
Councillor, Garden Route DM Rep  
Councillor  
Councillor

# HESSEQUA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED

### 30 JUNE 2019

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 - 100, 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 2019

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 2019.

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

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.

3.17 2.78

#### Revenue Management

Actual income vs Budgeted income

101.20% 98.96%

Level of government grants to own income

19.65% 25.71%

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

#### Expenditure management

Actual expenditure vs Budgeted expenditure

89.69% 93.68%

Personnel costs to total expenditure

36.92% 35.49%

Interest paid as percentage of total expenditure

3.94% 4.61%

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 resources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

Creditors, unspent grants and VAT to Cash and Investments

19.62% 25.74%

#### Asset management

Acquisition of PPE - Actual vs budgeted

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %
<b>Land</b>				
Land & Buildings	537 916	1 156 334	(618 418)	-53.48
	<b>537 916</b>	<b>1 156 334</b>	<b>(618 418)</b>	<b>-53.48</b>
<b>Infrastructure</b>				
Sewerage	22 874 377	28 843 213	(5 968 836)	-20.69
Water	19 561 196	22 916 345	(3 355 149)	-14.64
Electricity	4 445 444	5 775 033	(1 329 589)	-23.02
Solid Waste	173 461	250 000	(76 539)	-30.62
Roads and Stormwater	9 710 243	12 216 148	(2 505 905)	-20.51
Information And Communication Infrastructure	794 016	983 000	(188 984)	-19.23
	<b>57 558 738</b>	<b>70 983 739</b>	<b>(13 425 001)</b>	<b>-128.71</b>

Statement from the Chief Financial Officer -(continued)

<b>Intangible Assets</b>				
<b>Computer Software And Applications</b>	65 600	315 600	(250 000)	-79.21
	<b>65 600</b>	<b>315 600</b>	<b>(250 000)</b>	<b>-79.21</b>
<b>Community Assets</b>				
<b>Public Convenience</b>	507 681	2 230 000	(1 722 319)	-77.23
<b>Sportfields</b>	2 093 691	3 097 595	(1 003 904)	-32.41
<b>Libraries</b>	266 535	266 535	(0)	-0.00
<b>Cemeteries</b>	979 136	1 270 000	(290 864)	-22.90
	<b>3 847 043</b>	<b>6 864 130</b>	<b>(3 017 087)</b>	<b>-43.95</b>
<b>Other Assets</b>				
<b>Plant &amp; Equipment</b>	1 179 623	1 883 050	(703 427)	-37.36
<b>Trucks</b>	1 500 000	7 300 000	(5 800 000)	-79.45
<b>LDV's</b>	1 556 773	1 880 000	(323 228)	-17.19
<b>Computer Equipment</b>	816 504	1 006 641	(190 137)	-18.89
<b>Furniture &amp; Office Equipment</b>	605 164	687 663	(82 499)	-12.00
<b>Other</b>	397 803	400 000	(2 197)	-0.55
	<b>6 055 866</b>	<b>13 157 354</b>	<b>(7 101 488)</b>	<b>-53.97</b>
<b>Total</b>	<b>68 065 162</b>	<b>92 477 157</b>	<b>(24 411 995)</b>	<b>-26.40</b>

Budget Spent 73.60%

*Consumer debtors and rates 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 - (levies for the year less receipts)

**Debt management**

*Total liabilities/Total assets*

The ratio remained mainly unchanged from the previous year.

*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*

The municipality pay their creditors within 30 days as per the required by the MFMA. The reason for the long payment period, is due to the high amounts of creditors, which occur at yearend. The higher the creditors, the longer the payment period.

	2018/19	2017/18
Consumer debtors and rates collection period	67.78 days	67.59 days
Collection rate - (levies for the year less receipts)	96.69%	96.94%
Total liabilities/Total assets	29.00%	28.91%
Long term debt to Total operating revenue (Excl grants and transfers)	30.05%	30.75%
Percentage of Total annual repayment of long term debt to operating expenditure	4.84%	4.21%
Trade creditors payment period	63.49 days	69.04 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.

	2018/19		2017/18	Growth
	Actual	Budget	Actual	
<b>Revenue</b>				
Agency services	2 408 309	2 031 680	2 218 473	8.56%
Fines	58 699 669	67 871 713	37 997 075	54.48%
Gains on disposal of PPE	387 452	2 500 000	101 615	281.29%
Donated PPE	4 722 091	5 500 000	141 699	3232.49%
Interest Earned - External investments	18 188 992	5 528 100	17 958 842	1.28%
Interest Earned - Outstanding debtors	2 367 953	1 572 649	1 950 423	21.41%
Licenses and permits	1 445 420	1 474 532	1 420 287	1.77%
Property rates	86 657 328	84 864 620	78 148 577	10.89%
Rental of facilities and equipment	2 905 927	1 951 506	2 607 264	11.46%
Services Charges	218 878 708	213 928 430	201 488 590	8.63%
Transfers Recognised	80 271 674	86 893 360	93 230 593	-13.90%
Gain on revaluation of Investment Property	1 968 633	-	453 509	334.09%
Other revenue	16 916 651	15 808 152	18 898 201	-10.49%
	<b>495 818 807</b>	<b>489 924 742</b>	<b>456 615 148</b>	<b>8.59%</b>

Statement from the Chief Financial Officer -(continued)

	2018/19		2017/18	Growth
	Actual	Budget	Actual	
<b>Expenses</b>				
Bulk purchases	97 204 702	94 197 457	89 362 014	8.78%
Contracted services	26 290 317	36 360 957	32 192 657	-18.33%
Debt impairment	45 999 258	59 530 298	38 691 945	18.89%
Depreciation and impairment	27 794 207	35 959 608	29 101 245	-4.49%
Employee related cost	161 733 545	165 475 148	151 287 185	6.90%
Remuneration of councillors	7 588 445	8 050 309	7 202 030	5.37%
Finance charges	16 899 034	21 179 799	18 822 055	-10.22%
Inventory consumed	21 844 488	26 532 061	19 235 516	13.56%
Transfers and subsidies	1 133 147	1 206 500	1 054 803	7.43%
Other expenditure	22 919 693	30 249 708	21 026 644	9.00%
	<b>429 406 837</b>	<b>478 741 845</b>	<b>407 976 092</b>	<b>5.25%</b>
<b>Net operating Surplus</b>	<b>66 411 970</b>	<b>11 182 897</b>	<b>48 639 055</b>	

### 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:

	2018/19	2017/18
Service Charges	44.36%	44.18%
Property rates	17.56%	17.14%
Grants and subsidies	16.27%	20.44%
Other	21.82%	18.24%
	<b>100.00%</b>	<b>100.00%</b>

### 3.2 Operating expenditure

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

	2018/19	2017/18
Bulk purchases	22.84%	21.60%
Employee related cost/Council Remuneration	39.04%	36.74%
Depreciation and impairment	6.53%	7.04%
Finance cost	3.97%	4.55%
Other	27.61%	30.07%
	<b>100.00%</b>	<b>100.00%</b>

### 4. Debtors

Total outstanding net debtors increased by R1 324 668 to a balance of R47 773 120 at 30 June 2019. Income from traffic fines increased to R58 699 669 and outstanding traffic receivables amounted to R67 818 339 at 30 June 2019. A provision for impairment of traffic fines of R55 177 000 was made at year end.

### 5. Borrowings, Investments and Cash

Interest bearing debt increase to R124 147 892 in the financial year ended 30 June 2019. Cash and cash equivalents increased by R37 648 467 to close the year at R258 million.

### 6. Expression of appreciation

I am grateful to the Mayor, members of the Executive Committee, Councilors, 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 2019**



## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	2019 R	2018 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>308 578 738</b>	<b>271 264 020</b>
Inventory	2	2 842 014	2 810 521
Trade receivables from exchange transactions	3	23 481 985	23 983 095
Trade receivables from non-exchange transactions	4	24 291 135	22 465 357
VAT Receivable	5	-	1 689 073
Bank, Cash and Cash Equivalents	6	257 508 767	219 860 299
Operating Lease Assets	7	451 756	452 826
Current Portion of Long-term Receivables	12	3 082	2 849
<b>Non-Current Assets</b>		<b>911 365 695</b>	<b>853 355 042</b>
Property, Plant and Equipment	8	829 153 099	772 882 452
Intangible Assets	9	277 366	298 911
Investment Property	10	73 606 414	71 841 781
Heritage Assets	11	8 321 875	8 321 875
Long-term Receivables	12	6 940	10 022
<b>Total Assets</b>		<b>1 219 944 433</b>	<b>1 124 619 061</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>97 238 851</b>	<b>97 482 387</b>
Consumer Deposits	13	9 224 987	8 399 605
Current Employee Benefits	14	16 790 400	14 931 103
Creditors	15	42 605 658	43 914 899
Unspent Conditional Grants and Receipts	16	6 918 935	12 680 337
Operating Lease Liabilities	17	129 042	135 495
VAT Payable	6	990 510	-
Current Portion of Long-term Liabilities	18	20 579 320	17 420 948
<b>Non-Current Liabilities</b>		<b>256 491 897</b>	<b>227 632 366</b>
Long-term Liabilities	18	103 568 572	94 133 984
Retirement Benefit Liabilities	19	48 160 000	51 622 000
Non-current Provisions	20	102 614 814	79 843 805
Trust Fund	48	2 148 511	2 032 577
<b>Total Liabilities</b>		<b>353 730 748</b>	<b>325 114 754</b>
<b>Total Assets and Liabilities</b>		<b>866 213 685</b>	<b>799 504 308</b>
<b>NET ASSETS</b>		<b>866 213 685</b>	<b>799 504 308</b>
Statutory Funds	21	543 103	245 695
Accumulated Surplus	22	865 670 582	799 258 613
<b>Total Net Assets</b>		<b>866 213 685</b>	<b>799 504 308</b>

## HESSEQUA LOCAL MUNICIPALITY

### STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2019

Revenue	Note	2019 R Actual	2018 R Restated
<b>Revenue from non-exchange transactions</b>		<b>234 921 899</b>	<b>213 627 945</b>
Property Rates	23	86 657 328	78 148 577
Fines		58 699 669	37 997 075
Licences and permits		1 445 420	1 420 287
Income from Agency Services		2 408 309	2 218 473
Interest earned - outstanding receivables		717 408	471 240
Donated Property, Plant and Equipment		4 722 091	141 699
Transfers recognised - Operational	25 + 26	56 568 366	60 345 573
Transfers recognised - Capital	25 + 26	23 703 308	32 885 020
<b>Revenue from exchange transactions</b>		<b>258 540 823</b>	<b>242 432 078</b>
Service Charges	24	218 878 708	201 488 590
Rental of facilities and equipment		2 905 927	2 607 264
Interest earned - external investments		18 188 992	17 958 842
Interest earned - outstanding receivables		1 650 545	1 479 183
Other income	27	16 916 650	18 898 200
<b>Total Revenue</b>		<b>493 462 722</b>	<b>456 060 023</b>

<b>Expenditure</b>			
Employee related costs	28	158 556 001	144 786 954
Remuneration of Councillors	29	7 588 445	7 202 030
Bad debts written off	30	45 999 258	51 878 620
Depreciation and Amortisation	31	27 794 207	29 101 245
Finance Charges	32	16 899 034	18 822 055
Bulk purchases	33	97 204 702	89 362 014
Inventory Consumed	57	21 844 488	19 235 516
Transfers and Subsidies		1 133 147	1 054 803
Contracted services	56	26 290 317	32 192 657
General expenses	34	22 248 639	20 018 955
<b>Total Expenditure</b>		<b>425 558 239</b>	<b>413 654 850</b>

<b>Operating Surplus/(Deficit) for the Year</b>			
Actuarial Gains/(Losses)	28	8 646 180	(6 500 230)
Inventories: (write-down)/Reversal of write-down to Net Realisable value		-	(121 430)
Gains/(Loss) on Sale of Fixed Assets		387 452	101 615
Reversal of Impairment Loss/(Impairment Loss) on receivables	30	(11 823 724)	13 186 675
Water losses	51	(671 054)	(886 257)
Profit/(Loss) on Fair Value Adjustments	10	1 968 633	453 509
<b>NET SURPLUS FOR THE YEAR</b>		<b>66 411 970</b>	<b>48 639 055</b>

Refer to note 46 for details regarding restatements

## HESSEQUA LOCAL MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

**30 JUNE 2019**

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance 1 July 2017</b>		245 695	-	752 280 205	752 525 900
Correction of prior year error	46			(1 660 647)	(1 660 647)
<b>Restated balance 1 July 2017</b>		245 695	-	750 619 558	750 865 253
Surplus for the year - restated	46			48 639 055	48 639 055
<b>Restated balance at 30 JUNE 2018</b>		245 695	-	799 258 613	799 504 309
Transfer to Housing Reserve		297 409			297 409
Surplus for the year				66 411 970	66 411 970
<b>Balance at 30 JUNE 2019</b>		543 104	-	865 670 582	866 213 687

**HESSEQUA LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019/06/30	2018/06/30
		R	R
		Actual	Restated
<b>Cash Flow from Operating Activities</b>			
<b>Receipts</b>		<b>405 471 989</b>	<b>388 928 543</b>
Property rates		83 660 259	76 164 765
Fines		8 372 293	8 741 649
Government grants and subsidies		74 510 271	84 660 054
Service Charges		215 294 877	194 872 288
Income from agency services		2 408 309	2 218 473
Rental of facilities and equipment		2 905 927	2 607 264
Licences and permits		1 445 420	1 420 287
Other receipts		16 874 633	18 243 762
<b>Payments</b>		<b>(323 338 686)</b>	<b>(306 645 673)</b>
Employee related cost		(151 357 524)	(133 350 855)
Remuneration of councillors		(7 588 445)	(7 202 030)
Transfers and Subsidies		(1 133 147)	(1 054 802)
Suppliers paid		(142 584 590)	(145 971 292)
Other payments		(20 674 978)	(19 066 694)
<b>Cash generated from operations</b>	<b>36</b>	<b>82 133 303</b>	<b>82 754 110</b>
Interest received		20 556 945	19 438 025
Interest paid	<b>32</b>	(16 899 034)	(18 822 055)
<b>Net Cash from Operating Activities</b>		<b>85 791 214</b>	<b>83 370 081</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment	<b>8</b>	(63 343 071)	(62 158 081)
Sale of property, plant and equipment		1 365 791	538 544
Decrease in non-current receivables		2 849	2 633
<b>Net Cash flows from Investing Activities</b>		<b>(61 974 430)</b>	<b>(61 616 904)</b>
<b>Cash flows from Financing Activities</b>			
New loans raised/(repaid)		12 592 960	(15 739 178)
Increase in consumer deposits		825 382	1 955 980
Increase in Housing Reserve		297 408	-
Increase in Trust Funds		115 934	111 231
<b>Net Cash from Financing Activities</b>		<b>13 831 684</b>	<b>(13 671 968)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>37 648 468</b>	<b>8 081 209</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>219 860 299</b>	<b>211 779 090</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>257 508 767</b>	<b>219 860 299</b>



## HESSEQUA LOCAL MUNICIPALITY

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019

#### Statement of Financial Performance

Figures in Rand

Revenue	Final approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue from non-exchange transactions</b>	<b>249 145 905</b>	-	<b>249 145 905</b>	<b>234 921 899</b>	<b>(14 224 006)</b>	<b>Note 55</b>
Property Rates	84 864 620	-	84 864 620	86 657 328	1 792 708	
Fines	67 871 713	-	67 871 713	58 699 669	(9 172 044)	Rev 1
Licences and permits	1 474 532	-	1 474 532	1 445 420	(29 112)	
Income from agency services	2 031 680	-	2 031 680	2 408 309	376 629	Rev 2
Interest earned - outstanding receivables	510 000	-	510 000	717 408	207 408	
Donated Property, Plant and Equipment	5 500 000	-	5 500 000	4 722 091	(777 909)	Rev 9
Transfers Recognised - Operational	62 367 617	-	62 367 617	56 568 366	(5 799 251)	Rev 3
Transfers Recognised - Capital	24 525 743	-	24 525 743	23 703 308	(822 435)	Rev 4
<b>Revenue from exchange transactions</b>	<b>240 778 837</b>	-	<b>240 778 837</b>	<b>260 896 907</b>	<b>20 118 070</b>	
Service Charges	213 928 430	-	213 928 430	218 878 708	4 950 278	
Rental of facilities and equipment	1 951 506	-	1 951 506	2 905 927	954 421	Rev 5
Interest earned - external investments	5 528 100	-	5 528 100	18 188 992	12 660 892	Rev 6
Interest earned - outstanding receivables	1 062 649	-	1 062 649	1 650 545	587 896	Rev 7
Other Revenue	15 808 152	-	15 808 152	16 916 650	1 108 498	Rev 8
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	2 356 085	(143 915)	
<b>Total Revenue</b>	<b>489 924 742</b>	-	<b>489 924 742</b>	<b>495 818 806</b>	<b>5 894 064</b>	
<b>Expenditure</b>						
Employee related costs	165 196 148	279 000	165 475 148	149 909 821	(15 565 327)	Exp1
Remuneration of Councillors	8 050 309	-	8 050 309	7 588 445	(461 864)	
Bad debts	59 530 298	-	59 530 298	57 822 982	(1 707 316)	
Depreciation and Asset Impairment	35 959 608	-	35 959 608	27 794 207	(8 165 401)	Exp2
Inventory Consumed	27 201 535	(669 474)	26 532 061	22 515 542	(4 016 519)	Exp3
Finance Charges	21 179 799	-	21 179 799	16 899 034	(4 280 765)	Exp4
Bulk purchases	94 197 457	-	94 197 457	97 204 702	3 007 245	Exp7
Transfers and Subsidies	1 154 600	51 900	1 206 500	1 133 147	(73 353)	
Contracted services	35 872 010	488 947	36 360 957	26 290 317	(10 070 640)	Exp5
General expenses	30 400 081	(150 373)	30 249 708	22 248 639	(8 001 069)	Exp6
<b>Total Expenditure</b>	<b>478 741 845</b>	-	<b>478 741 845</b>	<b>429 406 837</b>	<b>(49 335 008)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>11 182 897</b>	-	<b>11 182 897</b>	<b>66 411 970</b>	<b>55 229 073</b>	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019**

<b>Statement of Financial Position</b>	<b>Final approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						
<b>ASSETS</b>						<b>Note 55</b>
<b>Current Assets</b>	<b>197 954 967</b>	<b>46 360 000</b>	<b>244 314 967</b>	<b>308 578 738</b>	<b>64 263 771</b>	
Inventory	3 218 000	-	3 218 000	2 842 014	(375 986)	
Trade receivables from exchange transactions	27 684 645	5 976 000	33 660 645	23 481 985	(10 178 660)	Fp1
Trade receivables from non-exchange transactions	20 344 322	-	20 344 322	24 291 135	3 946 813	Fp1
Bank, Cash and Cash Equivalents	146 705 000	40 384 000	187 089 000	257 508 767	70 419 767	Fp2
Operating Lease Assets	-	-	-	451 756	451 756	
Current Portion of Long-term Receivables	3 000	-	3 000	3 082	82	
<b>Non-Current Assets</b>	<b>931 198 330</b>	<b>-20 051 395</b>	<b>911 146 935</b>	<b>911 365 695</b>	<b>218 760</b>	
Property, Plant and Equipment	853 831 000	-23 098 995	830 732 005	829 153 099	(1 578 906)	
Intangible assets	540 455	315 600	856 055	277 366	(578 689)	
Investment Property	68 495 000	2 732 000	71 227 000	73 606 414	2 379 414	
Heritage Assets	8 321 875	-	8 321 875	8 321 875	-	
Long-term Receivables	10 000	-	10 000	6 940	(3 060)	
<b>Total Assets</b>	<b>1 129 153 297</b>	<b>26 308 605</b>	<b>1 155 461 902</b>	<b>1 219 944 433</b>	<b>64 482 531</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>99 841 713</b>	<b>2 411 801</b>	<b>102 253 514</b>	<b>97 238 851</b>	<b>-5 014 663</b>	
Consumer Deposits	5 341 000	3 058 605	8 399 605	9 224 987	825 382	Fp3
Current Employee Benefits	7 972 000	-	7 972 000	16 790 400	8 818 400	Fp6
Creditors	70 790 713	-2 329 752	68 460 961	42 605 658	(25 855 303)	Fp4
Unspent Conditional Grants and Receipts	-	-	-	6 918 935	6 918 935	Fp4
Operating Lease Liabilities	-	-	-	129 042	129 042	
VAT Payable	-	-	-	990 510	990 510	
Current Portion of Long-term Liabilities	15 738 000	1 682 948	17 420 948	20 579 320	3 158 372	Fp5
<b>Non-Current Liabilities</b>	<b>297 251 221</b>	<b>-30 651 869</b>	<b>266 599 352</b>	<b>256 491 897</b>	<b>(10 107 455)</b>	
Long-term Liabilities	150 774 514	-26 640 967	124 133 547	103 568 572	(20 564 975)	Fp7
Retirement Benefit Liabilities	49 670 206	-	49 670 206	48 160 000	(1 510 206)	
Non-current Provisions	96 806 501	-4 010 902	92 795 599	102 614 814	9 819 215	Fp8
Trust Fund	-	-	-	2 148 511	2 148 511	Fp8
<b>Total Liabilities</b>	<b>397 092 934</b>	<b>-28 240 068</b>	<b>368 852 866</b>	<b>353 730 748</b>	<b>(15 122 118)</b>	
<b>Total Assets and Liabilities</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	
<b>NET ASSETS</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	
Statutory Funds	246 000	-	246 000	543 103	297 103	
Accumulated Surplus	731 814 363	54 548 673	786 363 036	865 670 582	79 307 546	Fp9
<b>Total Net Assets</b>	<b>732 060 363</b>	<b>54 548 673</b>	<b>786 609 036</b>	<b>866 213 685</b>	<b>79 604 649</b>	

**HESSEQUA LOCAL MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2019**

<b>Cash Flow from Operating Activities</b>	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
Figures in Rand						<b>Note 55</b>
<b>Receipts</b>						
Property rates	83 167 328	-	83 167 328	83 660 259	492 931	
Service charges	209 649 861	-	209 649 861	215 294 877	5 645 016	Cf1
Other revenue	35 186 930	-	35 186 930	32 006 582	(3 180 348)	Cf2
Government grants and subsidies	72 275 000	20 318 000	92 593 000	74 510 271	(18 082 729)	Cf3
<b>Payments</b>						
Suppliers and employees	(357 148 000)	(3 770 000)	(360 918 000)	(322 205 538)	38 712 462	Cf4
Transfers and grants	(987 000)	(118 000)	(1 105 000)	(1 133 147)	(28 147)	
<b>Cash generated from operations</b>	<b>42 144 119</b>	<b>16 430 000</b>	<b>58 574 119</b>	<b>82 133 303</b>	<b>23 559 185</b>	
Interest received	7 069 296	-	7 069 296	20 556 945	13 487 649	Cf5
Interest paid	(14 679 000)	(6 501 000)	(21 180 000)	(16 899 034)	4 280 966	Cf6
<b>Net Cash from Operating Activities</b>	<b>34 534 415</b>	<b>9 929 000</b>	<b>44 463 415</b>	<b>85 791 214</b>	<b>41 327 800</b>	
<b>Cash flows from Investing Activities</b>						
Purchase of property, plant and equipment	(94 366 000)	1 889 000	(92 477 000)	(63 343 071)	29 133 929	Cf7
Sale of property, plant and equipment	2 500 000	-	2 500 000	1 365 791	(1 134 209)	
(Increase)/decrease in non-current receivables	2 000	-	2 000	2 849	849	
<b>Net Cash flows from Investing Activities</b>	<b>(91 864 000)</b>	<b>1 889 000</b>	<b>(89 975 000)</b>	<b>(61 974 430)</b>	<b>28 000 570</b>	
<b>Cash flows from Financing Activities</b>						
New loans raised/(repaid)	54 955 585	(42 377 299)	12 578 286	12 592 960	14 674	
(Decrease)/increase in consumer deposits	210 000	-	210 000	825 382	615 382	
Increase in Housing Reserve				297 408	297 408	
Increase in Trust Funds	-	-	-	115 934	115 934	
<b>Net Cash from Financing Activities</b>	<b>55 165 585</b>	<b>(42 377 299)</b>	<b>12 788 286</b>	<b>13 831 684</b>	<b>1 043 398</b>	
<b>Net Increase / (decrease) in Cash and Cash Equivalents</b>	<b>(2 164 000)</b>	<b>(30 559 299)</b>	<b>(32 723 299)</b>	<b>37 648 468</b>	<b>70 371 767</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>149 869 000</b>	<b>69 991 299</b>	<b>219 860 299</b>	<b>219 860 299</b>	<b>-</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>147 705 000</b>	<b>39 432 000</b>	<b>187 137 000</b>	<b>257 508 767</b>	<b>70 371 767</b>	Cf8

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

#### **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).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2018) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

#### **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 2018 and 30 June 2019 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.



# **HESSEQUA LOCAL MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

### **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 2019**

#### **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 52 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

The provision for rehabilitation of landfill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the **best estimate or net present value of the expected future cash flows** to rehabilitate landfill sites at year end. 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 is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- \* Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- \* Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### **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 presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

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 01/07/2018 to 30/06/2019.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period are disclosed separately 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 MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

**HESSEQUA LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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

**1. 7 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 2018/19 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:

Reference	Topic	Effective date
GRAP 20 (Original June 2011)	<b>Related party disclosures (Revised)</b> 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.  The Municipality adopted some of the disclosure requirements of GRAP 20. The information is included in the financial statements.	1 April 2019
GRAP 32 (Original August 2013)	<b>Service Concession Arrangement Grantor - issued December 2009</b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2019
GRAP 34 (Revised April 2019)	<b>Separate financial statements</b> The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 35 (Revised April 2019)	<b>Consolidated financial statements</b> The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 36 (Revised April 2019)	<b>Investments in associates and joint ventures</b> The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 37 (Revised April 2019)	<b>Joint arrangements</b> The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).  No significant impact is expected as no such transactions or events are expected in the foreseeable future.	1 April 2020

**HESSEQUA LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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

Reference	Topic	Effective date
GRAP 38 (Revised April 2019)	<p><b>Disclosure of interests in other entities</b></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and</p> <p>(b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 104 (Revised April 2019)	<p><b>Financial instruments</b></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</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 108 (Original September 2013)	<p><b>Statutory Receivables - issued December 2009</b></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><b>Accounting by Principals and Agents</b></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><b>Living and Non-Living Resources</b></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><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></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>	1 April 2019



**HESSEQUA LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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

Reference	Topic	Effective date
IGRAP 18	<p><b>Recognition and derecognition of land</b></p> <p>This Interpretation provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements based on "control". Control includes, but is not limited to, legal title to land. Other rights are also considered in assessing whether land is controlled.</p> <p>The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.</p>	1 April 2019
IGRAP 19	<p><b>Liabilities to pay levies</b></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019
IGRAP 20	<p><b>Accounting for adjustments to revenue</b></p> <p>Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the municipality, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process.</p>	1 April 2020
	<p><b>Guideline Accounting for Housing Arrangements Undertaken in terms of the National Housing Programme</b></p> <p>The Guideline indicates how municipalities should account for the activities they undertake for the department of Human Settlements in terms of the National Housing Programme.</p>	1 April 2019

## HESSEQUA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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:

## HESSEQUA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**4. Heritage Assets**

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

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

**4. 1 Initial Recognition**

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

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

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

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

**4. 2 Subsequent Measurement**

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

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

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

**4. 3 Derecognition of Heritage assets**

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

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

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



## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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**  
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**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**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**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 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

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 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.

# HESSEQUA LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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 49.8 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.



## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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.

## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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.



## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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 43 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 43. 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**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 2019**

#### **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 2019**

**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 2019**

**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.



## **HESSEQUA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2019**

#### **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 mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA V 6.2, on which the municipality was required to transacted for periods after 1 July 2018. The result of this process was a reclassification and naming of items in 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 2018 to 30 June 2019.

#### **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 2019**

**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 2019****2019**  
**R****2018**  
**R****1. GENERAL INFORMATION**

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

**2. INVENTORY****2.1 Stores, water and paving**

Stilbaai Store - at cost	663 076	635 092
Store Heidelberg - Electrical - at cost	124 759	69 044
Public Works - Heidelberg - at cost	9 474	7 994
Riversdal Electrical Store	1 793 423	1 877 916
Waterworks - Heidelberg - at cost	14 462	6 883
Water Inventory - at cost	229 878	205 967
	<b>2 835 071</b>	<b>2 802 895</b>

**2.2 Other**

Stilbaai Books	316	863
Refuse Bins	2 010	2 010
Hessequa Book: Albertinia Municipal Office	1 358	1 358
Slangrivier - Office	679	679
Stilbaai - Office	136	136
Stilbaai Tourism Office	136	136
Witsand - Office	950	950
Heidelberg - Office	1 358	1 358
Mayoral Office	-	136

**Total****2 842 014**      **2 810 521****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 R0 during the current year (2018: 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 R21 844 487 (2018: R19 235 516).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**

3. Trade receivables from exchange transactions	30 JUNE 2018			30 JUNE 2019		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	16 604 680	7 619 721	8 984 959	17 428 171	6 575 829	10 852 343
Water	8 564 204	3 404 691	5 159 513	10 109 084	4 811 247	5 297 837
Sewerage	6 160 202	2 159 499	4 000 703	7 049 740	3 713 343	3 336 397
Waste Management	3 545 134	1 242 770	2 302 364	4 871 083	2 565 769	2 305 315
Other	5 443 978	1 908 422	3 535 556	3 571 134	1 881 041	1 690 093
	<b>40 318 198</b>	<b>16 335 103</b>	<b>23 983 095</b>	<b>43 029 212</b>	<b>19 547 227</b>	<b>23 481 985</b>

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

Current (0 - 30 days)		19 981 387	19 257 852
<b>Past due</b>			
31 - 60 days		2 859 361	2 552 409
60 days +		1 464 636	1 314 461
90 days +		15 152 694	11 749 498
<b>Total</b>		<b>39 458 079</b>	<b>34 874 220</b>

**Other**

Current (0 - 30 days)		691 892	804 876
<b>Past due</b>			
31 - 60 days		186 349	405 565
60 days +		159 726	172 680
90 days +		2 533 167	4 060 857
<b>Total</b>		<b>3 571 134</b>	<b>5 443 978</b>

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

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

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

**Summary of Debtors by Customer Classification**

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

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 JUNE 2019</b>				
<b>Current:</b>				
0 - 30 days	15 424 991	4 131 164	697 587	419 537
<b>Past Due:</b>				
31 - 60 Days	2 348 639	484 627	175 335	37 110
61 - 90 Days	1 206 788	210 435	76 071	131 068
+ 90 Days	15 650 605	810 720	177 573	1 046 963
<b>Sub-total</b>	<b>34 631 023</b>	<b>5 636 946</b>	<b>1 126 565</b>	<b>1 634 678</b>
Less: Provision for Impairment	(16 155 077)	(2 629 587)		(762 563)
<b>Total Debtors by Customer Classification</b>	<b>18 475 946</b>	<b>3 007 359</b>	<b>1 126 565</b>	<b>872 114</b>

**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
<b>As at 30 JUNE 2018</b>				
<u>Current:</u>				
0 - 30 days	14 916 909	4 162 911	687 006	295 902
<u>Past Due:</u>				
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
<b>Sub-total</b>	<b>32 334 804</b>	<b>5 975 494</b>	<b>1 552 221</b>	<b>455 680</b>
Less: Provision for Impairment	(13 625 152)	(2 517 938)		(192 013)
<b>Total Debtors by Customer Classification</b>	<b>18 709 652</b>	<b>3 457 556</b>	<b>1 552 221</b>	<b>263 667</b>

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

Restated

Balance at beginning of year	67 581 117	80 923 408
Impairment Losses recognised	57 822 982	38 691 945
Impairment -Vat movement	361 737	(155 616)
Amounts written off as uncollectable	(45 999 258)	(51 878 620)
<b>Balance at end of year</b>	<b>79 766 578</b>	<b>67 581 117</b>

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

Consumer -and other debtors	24 589 578	20 627 395
Traffic Fines	55 177 000	46 953 722
	<b>79 766 578</b>	<b>67 581 117</b>

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 2019 consumer debtors of R4,670,072 (2018: R4,445,115) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	3 045 710	2 957 973
61 - 90 Days	1 624 362	1 487 142
91 Days +	-	-
<b>Total</b>	<b>4 670 072</b>	<b>4 445 115</b>

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

**4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Restated

Assessment rates debtors	13 709 025	11 463 869
Prepaid Expenses	2 155 839	1 956 411
Employees PAYE & Salary control	23 639	26 405
Traffic Fines	67 818 339	59 307 467
Other	803 645	957 220
	84 510 487	73 711 372
Less: Provision for Impairment	(60 219 352)	(51 246 015)
<b>Total Trade Receivables from non-exchange transactions</b>	<b>24 291 135</b>	<b>22 465 357</b>

**Analysis of traffic fines receivable**

Traffic Fines receivable at beginning of the year	59 307 467	76 094 766
Movement of fines during the year	8 510 872	(16 787 299)
Fines outstanding at the end of the year before provision for impairment	67 818 339	59 307 467
Less: Provision for Impairment of traffic fines	(55 177 000)	(46 953 722)
Fines outstanding at the end of the year	<b>12 641 339</b>	<b>12 353 745</b>



**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)	5 601 601	5 060 958
<b>Past due</b>		
31 - 60 days	1 477 153	1 424 165
60 days +	478 455	418 495
90 days +	6 151 816	4 560 250
<b>Total</b>	<b>13 709 025</b>	<b>11 463 869</b>

**Summary of Debtors by Customer Classification**

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 JUNE 2019</b>				
<u>Current:</u>				
0 - 30 days	5 278 963	307 964	7 024	7 650
<u>Past Due:</u>				
31 - 60 Days	1 374 920	92 260	7 114	2 859
61 - 90 Days	449 608	20 258	7 012	1 577
+ 90 Days	5 060 924	173 863	787 197	129 832
<b>Sub-total</b>	<b>12 164 415</b>	<b>594 345</b>	<b>808 347</b>	<b>141 918</b>
Less: Provision for Impairment	(4 754 576)	(232 305)	-	(55 470)
<b>Total Debtors by Customer Classification</b>	<b>7 409 839</b>	<b>362 040</b>	<b>808 347</b>	<b>86 448</b>

**As at 30 JUNE 2018**

<u>Current:</u>				
0 - 30 days	4 780 630	271 925	2 935	5 468
<u>Past Due:</u>				
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
<b>Sub-total</b>	<b>10 344 688</b>	<b>549 479</b>	<b>525 016</b>	<b>44 686</b>
Less: Provision for Impairment	(4 059 148)	(215 610)	-	(17 534)
<b>Total Debtors by Customer Classification</b>	<b>6 285 539</b>	<b>333 869</b>	<b>525 016</b>	<b>27 152</b>

At 30 June 2019 receivables from non-exchange transactions of R3,065,073 (2018: R2,110,618) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	1 477 153	1 424 165
61 - 90 Days	478 455	418 495
91 Days +	1 109 464	267 957
<b>Total</b>	<b>3 065 073</b>	<b>2 110 618</b>

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

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

**5. VAT**

VAT payable	(2 960 774)	(2 477 477)
VAT receivable	1 970 265	4 166 550
<b>Net VAT (payable)/receivable</b>	<b>(990 510)</b>	<b>1 689 073</b>

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The VAT amount on outstanding debtors amounts to R4,434,850 (2018: R3,951,553) 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.

**6. CASH AND CASH EQUIVALENTS**

Current Investments	254 166 308	216 414 954
Cash and Cash Equivalents	60 460	50 530
Bank	3 281 998	3 394 815
<b>Total Bank, Cash and Cash Equivalents</b>	<b>257 508 767</b>	<b>219 860 299</b>

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

**6.1 Current Investment Deposits**

Call Deposits	<b>254 166 308</b>	<b>216 414 954</b>
---------------	--------------------	--------------------

**Summary of Investments**

ABSA	5 057 770	-
FNB	20 093 261	1 576 869
Investec	71 448 837	61 717 419
Standard Bank	35 036 147	50 628 205
Nedbank	122 530 294	102 492 460
	<b>254 166 308</b>	<b>216 414 954</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 7.175% to 8.431% (2018: 7,175% to 8.81%) per annum.

**Allocations of investments**

- Repayment of Long-term Liabilities as set out in Note 18	20 579 320	17 420 948
- Attributable to Unspent Conditional Grants as set out in Note 16	6 918 935	12 680 337
- Attributable to Housing Reserve as set out in Note 21	543 103	245 695
- Attributable to Trust Funds - see note 48	2 148 511	2 032 577
- Provision made for 40% (2018: 40%) of provision for rehabilitation of land-fill sites	37 483 526	28 437 122
- Available for Operational Account	186 492 914	155 598 274
	<b>254 166 308</b>	<b>216 414 954</b>

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	<b>3 352 587</b>	11 296 052
Cash book balance at end of year	<b>3 237 345</b>	3 352 587

Bank statement balance at beginning of year	<b>3 368 893</b>	11 316 905
Bank statement balance at end of year	<b>3 268 465</b>	3 368 893

**Current Account**

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

Cash book balance at beginning of year	<b>42 228</b>	<b>76 283</b>
Cash book balance at end of year	<b>44 653</b>	<b>42 228</b>

Bank statement balance at beginning of year	<b>42 228</b>	<b>76 283</b>
Bank statement balance at end of year	<b>44 653</b>	<b>42 228</b>

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	452 826	392 126
Operating Lease expenses recorded	(2 281 164)	(1 589 345)
Operating Lease payments effected	2 280 093	1 650 045
<b>Total Operating Lease Assets</b>	<b>451 756</b>	<b>452 826</b>

**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	1 455 699	1 779 046
2 to 5 years	3 849 013	3 319 751
More than 5 years	1 257 087	908 895
<b>Total Operating Lease Arrangements</b>	<b>6 561 799</b>	<b>6 007 692</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a reduction in current year income of R1,070 (2018: Increase of R60,700). No restrictions have been imposed on the municipality in terms of the lease agreements.

**8. PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2019**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infrastructure	Community	Other	Total
<b>Carrying values at 1 JULY 2018</b>	<b>147 222 528</b>	<b>27 682 313</b>	<b>499 925 973</b>	<b>17 388 972</b>	<b>80 662 665</b>	<b>772 882 452</b>
<b>Cost</b>	<b>165 394 047</b>	<b>58 351 506</b>	<b>611 867 935</b>	<b>29 362 545</b>	<b>127 945 136</b>	<b>992 921 170</b>
- Completed Assets	165 394 047	58 347 431	580 344 640	28 795 947	127 937 086	960 819 151
- Under Construction	-	4 075	31 523 295	566 599	8 050	32 102 019
<b>Accumulated Depreciation:</b>	<b>18 171 519</b>	<b>30 669 193</b>	<b>111 941 962</b>	<b>11 973 573</b>	<b>47 282 471</b>	<b>220 038 718</b>
- Cost	18 171 519	30 669 193	111 941 962	11 973 573	47 282 471	220 038 718
Transfer to cost of completed assets due to projects completed	-	4 075	19 550 772	458 287	8 050	20 021 184
Transfer from cost under construction due to projects completed	-	(4 075)	(19 652 747)	(458 287)	(8 050)	(20 123 159)
Disposals	-	-	(493 589)	-	(1 064 452)	(1 558 042)
Depreciation on disposals	-	-	58 853	-	724 849	783 702
IGRAP 2 adjustment	-	-	-	-	16 854 461	16 854 461
<b>Total acquisitions</b>	<b>168 880</b>	<b>783 239</b>	<b>56 862 577</b>	<b>3 308 778</b>	<b>6 941 688</b>	<b>68 065 162</b>
Acquisitions	168 880	751 192	36 296 906	2 900 351	6 941 688	47 059 017
Capital under Construction - Additions	-	32 047	20 565 671	408 427	-	21 006 145
<b>Depreciation:</b>	<b>-</b>	<b>1 871 819</b>	<b>15 320 146</b>	<b>1 221 023</b>	<b>9 359 675</b>	<b>27 772 662</b>
- Based on cost	-	1 871 819	15 320 146	1 221 023	9 359 675	27 772 662
<b>Impairment:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Based on cost	-	-	-	-	-	-
<b>CARRYING VALUES AT 30 JUNE 2019</b>	<b>147 391 408</b>	<b>26 593 734</b>	<b>540 931 694</b>	<b>19 476 728</b>	<b>94 759 537</b>	<b>829 153 099</b>
<b>Cost</b>	<b>165 562 927</b>	<b>59 134 745</b>	<b>668 134 948</b>	<b>32 671 323</b>	<b>150 676 833</b>	<b>1 076 180 777</b>
- Completed Assets	165 562 927	59 102 698	635 698 730	32 154 584	150 676 833	1 043 195 772
- Under Construction	-	32 047	32 436 219	516 739	-	32 985 005
<b>Accumulated Depreciation and impairment:</b>	<b>18 171 519</b>	<b>32 541 012</b>	<b>127 203 254</b>	<b>13 194 596</b>	<b>55 917 296</b>	<b>247 027 677</b>
- Cost	18 171 519	32 541 012	127 203 254	13 194 596	55 917 296	247 027 677



8. PROPERTY, PLANT AND EQUIPMENT (continued)

30 JUNE 2018

Reconciliation of Carrying Value

Description	Land Restated	Buildings Restated	Infrastructure Restated	Community Restated	Other Restated	Total Restated
<b>Carrying values at 1 JULY 2017</b>	<b>147 402 528</b>	<b>28 473 210</b>	<b>469 033 407</b>	<b>15 950 590</b>	<b>89 349 728</b>	<b>750 209 463</b>
<b>Cost</b>	<b>165 574 047</b>	<b>56 662 720</b>	<b>566 316 936</b>	<b>26 808 604</b>	<b>126 197 941</b>	<b>941 560 250</b>
- 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
- Completed assets - Correction of error	1 000	(229 073)	-	-	-	(228 073)
<b>Accumulated Depreciation:</b>	<b>18 171 519</b>	<b>28 189 510</b>	<b>97 283 530</b>	<b>10 858 014</b>	<b>36 848 213</b>	<b>191 350 786</b>
- Cost	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
- Correction of errors	-	(91 629)	2 138 475	-	-	2 046 846
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)
<b>Total acquisitions</b>	<b>8 000</b>	<b>1 688 786</b>	<b>45 271 174</b>	<b>2 869 857</b>	<b>12 461 962</b>	<b>62 299 779</b>
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
<b>Depreciation:</b>	<b>-</b>	<b>2 479 683</b>	<b>14 658 432</b>	<b>1 151 629</b>	<b>10 789 956</b>	<b>29 079 701</b>
- Based on cost as restated	-	3 025 857	15 043 162	1 163 649	10 789 956	30 022 625
- Correction of error	-	(546 174)	(384 730)	(12 019)	-	(942 924)
<b>Impairment:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Based on cost	-	-	-	-	-	-
<b>CARRYING VALUES AT 30 JUNE 2018</b>	<b>147 222 528</b>	<b>27 682 313</b>	<b>499 925 973</b>	<b>17 388 972</b>	<b>80 662 665</b>	<b>772 882 452</b>
<b>Cost</b>	<b>165 394 047</b>	<b>58 351 506</b>	<b>611 867 935</b>	<b>29 362 545</b>	<b>127 945 136</b>	<b>992 921 170</b>
- Completed Assets	165 393 047	58 576 504	580 344 640	28 795 947	127 937 086	961 047 224
- Completed assets - Correction of error	1 000	(229 073)	-	-	-	(228 073)
- Under Construction	-	4 075	31 523 295	566 599	8 050	32 102 019
<b>Accumulated Depreciation and impairment:</b>	<b>18 171 519</b>	<b>30 669 193</b>	<b>111 941 962</b>	<b>11 973 573</b>	<b>47 282 471</b>	<b>220 038 718</b>
- Cost	18 171 519	31 306 997	110 188 217	11 985 592	47 282 471	218 934 795
- Correction of error	-	(637 804)	1 753 745	(12 019)	-	1 103 922

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	32 047	4 075
- Infrastructure	32 436 219	31 523 295
- Community	516 739	566 599
- Other assets	-	8 050
	<b>32 985 005</b>	<b>32 102 019</b>

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	68 065 162	62 299 779
- Less: Donated Assets	(4 722 091)	(141 699)
	<b>63 343 071</b>	<b>62 158 081</b>

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.

**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:

		Restated
Employee related costs	54 651 313	51 249 866
Contractors	10 474 653	8 892 902
Materials	4 533 767	7 685 418
Other	1 074 576	1 326 099
	<b>70 734 310</b>	<b>69 154 285</b>

**9. INTANGIBLE ASSETS****At Cost less Accumulated Amortisation and Accumulated Impairment Losses**

277 366

298 911

The movement in Intangible Assets is reconciled as follows:

	2019	2018
<b>Carrying value at 1 JULY 2018</b>	<b>298 911</b>	<b>320 455</b>
Cost	457 480	457 480
Accumulated Amortisation	(158 569)	(137 025)
Acquisitions during the Year:	-	-
Amortisation during the Year:	(21 545)	(21 545)
<b>Carrying value at 30 JUNE 2019</b>	<b>277 366</b>	<b>298 911</b>
Cost	457 480	457 480
Accumulated Amortisation	(180 114)	(158 569)

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**

Restated

	2019	2018
<b>At fair value</b>	<b>73 606 414</b>	<b>71 841 781</b>

The movement in Investment Property is reconciled as follows:

	2019	2018
<b>Carrying values at 1 JULY 2018</b>	<b>71 841 781</b>	<b>71 609 372</b>
Fair value as previously reported	71 841 781	70 995 100
Correction of error	-	614 272
Disposals	(204 000)	(221 100)
Fair value adjustments due to revaluation	1 968 633	453 509
	-	-
<b>Carrying values at 30 JUNE 2019</b>	<b>73 606 414</b>	<b>71 841 781</b>
Fair value	73 606 414	71 841 781
Accumulated impairment loss	-	-

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

Rental Revenue earned from Investment Property	646 660	144 932
Direct Operating expenses arising from investment property that generated rental revenue - Repairs and maintenance	93 071	-

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. (2018: 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.



**11. HERITAGE ASSETS**

30 JUNE 2019

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
<b>Carrying value at 1 JULY 2018</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
Impairment losses	-	-	-
Disposals	-	-	-
<b>CARRYING VALUE AT 30 JUNE 2019</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
	-	-	-

30 JUNE 2018

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
<b>Carrying value at 1 JULY 2017</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
Impairment losses	-	-	-
Disposals	-	-	-
<b>CARRYING VALUE AT 30 JUNE 2018</b>	<b>30 000</b>	<b>8 291 875</b>	<b>8 321 875</b>
<b>Cost</b>			
- Completed Assets	30 000	8 291 875	8 321 875
<b>Accumulated Impairment losses</b>			
	-	-	-

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

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

**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	10 022	12 871
<b>Less: Current portion transferred to current receivables</b>	<b>(3 082)</b>	<b>(2 849)</b>
Car Loans	-	-
Sport clubs/Pre-primary school	(3 082)	(2 849)
Other	-	-
Housing - Stilbaai	-	-
<b>Total</b>	<b>6 940</b>	<b>10 022</b>

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

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

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

**Sport clubs and other**

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

- Pikkewouter Pre-primary school - Stilbaai
- Heidelberg Gholfklub

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**13. CONSUMER DEPOSITS**

Electricity, Water and Other	9 224 987	8 399 605
<b>Balance 30 JUNE 2019</b>	<b>9 224 987</b>	<b>8 399 605</b>

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.

**14. CURRENT EMPLOYEE BENEFITS**
**Reclassified**

Performance Bonus	1 005 568	841 190
Staff bonuses	4 175 172	3 887 857
Staff Leave	7 987 659	7 028 056
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19.1 below)	2 521 000	2 280 000
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 19.2 below)	6 000	4 000
Current portion of Provision for long-service Awards (See note 20 below)	1 095 000	890 000
<b>Total current employee benefits</b>	<b>16 790 400</b>	<b>14 931 103</b>

**Performance bonuses**

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

**Staff leave**

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

**The movement in current employee benefits are reconciled as follows:-**

	Staff leave	Staff bonuses	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus
Balance at 1 JULY 2018	7 028 056	3 887 857	2 280 000	890 000	4 000	841 190
Contribution to provisions	959 603	4 175 172	2 476 010	1 010 810	2 000	1 005 568
Expenditure incurred	-	(3 887 857)	(2 235 010)	(805 810)	-	(841 190)
<b>Balance at 30 JUNE 2019</b>	<b>7 987 659</b>	<b>4 175 172</b>	<b>2 521 000</b>	<b>1 095 000</b>	<b>6 000</b>	<b>1 005 568</b>
Balance at 1 JULY 2017	6 433 171	3 710 174	2 015 885	1 022 375	10 878	714 752
Transfer from non-current	-	-	-	-	(6 878)	-
Contribution to provisions	594 885	3 887 857	2 345 427	855 127	-	791 883
Expenditure incurred	-	(3 710 174)	(2 081 312)	(987 502)	-	(665 445)
<b>Balance at 30 JUNE 2018</b>	<b>7 028 056</b>	<b>3 887 857</b>	<b>2 280 000</b>	<b>890 000</b>	<b>4 000</b>	<b>841 190</b>

**15. CREDITORS**
**Reclassified**

Trade Creditors	29 152 460	30 416 499
Payments received in advance	3 566 235	3 482 993
Retentions	4 332 216	5 932 347
Other Creditors	5 554 747	4 083 061
<b>Total</b>	<b>42 605 658</b>	<b>43 914 899</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, No interest is charged for the first 30 days from the date of receipt of the invoice/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**

National Government Grants  
 Provincial Government Grants  
 District Municipality Grants

2019	2018
R	R
<b>5 563 830</b>	<b>11 477 728</b>
34 681	30 907
5 203 971	11 108 433
325 177	338 388

**16.2 Other Conditional Receipts - Appendix F**

Tourism Note 26.5  
 Skills Development Note 26.1  
 National Lottery Fund Note 26.3  
 ASLA Devco - Water meters Slangrivier Note 26.4  
 Africana Centre Note 26.2  
 Public Participation Strategy Note 26.6  
 Arbor Day Award Note 26.7

2019	2018
R	R
<b>1 355 105</b>	<b>1 202 609</b>
1 820	101 819
728 456	495 961
303 227	303 227
217 310	217 310
20 314	314
60 000	60 000
23 978	23 978
<b>6 918 935</b>	<b>12 680 337</b>

**Total conditional grants and receipts**

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-cancelable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	135 495	130 220
Operating Lease expenses recorded	(1 001 384)	936 641
Operating Lease payments effected	994 931	(931 366)
<b>Total Operating Lease Liabilities</b>	<b>129 042</b>	<b>135 495</b>

**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:

<b>Buildings:</b>	<b>1 031 158</b>	<b>1 770 246</b>
Up to 1 year	680 548	758 507
2 to 5 years	350 610	1 011 739
More than 5 years	-	-
<b>Computer software:</b>	<b>614 016</b>	<b>887 384</b>
Up to 1 year	295 200	273 344
2 to 5 years	318 816	614 040
More than 5 years	-	-
<b>Equipment:</b>	<b>1 187 828</b>	<b>1 310 998</b>
Up to 1 year	1 187 828	1 310 998
2 to 5 years	-	-
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>2 833 002</b>	<b>3 968 628</b>

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

Minimum lease payments	(994 931)	(931 366)
<b>Total Operating Lease Expenses</b>	<b>(994 931)</b>	<b>(931 366)</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**  
**R**

**2018**  
**R**

**18. LONG-TERM LIABILITIES**

Annuity Loans	124 147 892	111 554 932
Finance Lease Liabilities	-	-
	124 147 892	111 554 932
<b>Less: Current portion transferred to current liabilities</b>		
Annuity Loans	20 579 320	17 420 948
<b>Total long-term liabilities (Neither past due nor impaired)</b>	<b>103 568 572</b>	<b>94 133 984</b>

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 8.90% to 11.56% per annum. Annuity loans are not secured.

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	48 041 000	51 516 000
Ex-gratia Pension Benefit Liability	119 000	106 000
<b>Total</b>	<b>48 160 000</b>	<b>51 622 000</b>
<b>19.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	53 796 000	44 021 033
Contributions to Provision	7 126 000	5 721 664
Expenditure incurred	(2 235 010)	(2 081 312)
Actuarial (gains)/loss	(8 124 990)	6 134 615
Balance at end of Year	50 562 000	53 796 000
Transfer to Current Provisions	(2 521 000)	(2 280 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>48 041 000</b>	<b>51 516 000</b>

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Members	50 562 000	53 796 000	44 021 033	44 668 000	44 603 000
<b>Total Liability</b>	<b>50 562 000</b>	<b>53 796 000</b>	<b>44 021 033</b>	<b>44 668 000</b>	<b>44 603 000</b>
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	(8 124 990)	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 2019 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)	156	161
Continued Members (Retirees, widowers and orphans)	56	54
<b>Total members</b>	<b>212</b>	<b>215</b>

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

In-service Members	24 009 000	28 011 000
Continued Members	26 553 000	25 785 000
<b>Total liability</b>	<b>50 562 000</b>	<b>53 796 000</b>

**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 2019 is estimated to be R1,804,000 and R5,322,000 respectively, whereas the cost for the ensuing year is estimated to be R1,479,000 and R5,024,000 respectively.

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

Discount Rate	10.42%	9.72%
Consumer Price inflation	7.15%	7.97%
Health Care Cost Inflation Rate (1% above Consumer price inflation)	8.15%	8.97%
Net Effective Discount Rate	2.1%	0.69%
Average retirement age	63	63

The main reasons for the actuarial gain over the past year were as follows:

- Changes in economic variables resulted in a decrease in the liability of R4 873 000.
- Changes in membership data over the year resulted in the number of members increasing, which resulted in a decrease in the liability of R3 152 000.

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	53 796 000	44 021 033
Current service costs	1 804 000	1 623 513
Interest cost	5 322 000	4 098 151
Benefits paid	(2 235 010)	(2 081 312)
Actuarial gains	(8 124 990)	6 134 615
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>50 562 000</b>	<b>53 796 000</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>50 562 000</b>	<b>53 796 000</b>

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

Present value of fund obligations	50 562 000	53 796 000
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
<b>Total Benefit Liability</b>	<b>50 562 000</b>	<b>53 796 000</b>

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

Current service cost	1 804 000	1 623 513
Interest cost	5 322 000	4 098 151
Actuarial (gains) / loss	(8 124 990)	6 134 615
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>(998 990)</b>	<b>11 856 279</b>

**Sensitivity analysis**

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	7 495 000	8 347 000
Effect on the defined benefit obligation	57 235 000	61 680 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	5 686 000	6 137 000
Effect on the defined benefit obligation	44 982 000	47 289 000

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

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	5 956 000	5 732 000
Effect on the defined benefit obligation	46 509 000	40 891 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	7 184 000	6 976 000
Effect on the defined benefit obligation	55 632 000	49 461 000

The municipality expects to make a contribution of R6 503 000 to the provision during the next year.

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



19. RETIREMENT BENEFIT LIABILITIES (continued)

19.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year	110 000	122 640
Contributions to Provision	10 000	10 409
Expenditure incurred	-	-
Decrease due to Re-measurement	5 000	(23 049)
Balance at end of Year	125 000	110 000
Transfer to Current Provisions	(6 000)	(4 000)
<b>Total Ex-Gratia Pensioners Benefits Liability</b>	<b>119 000</b>	<b>106 000</b>

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Members	125 000	110 000	122 640	134 000	138 000
<b>Total Liability</b>	<b>125 000</b>	<b>110 000</b>	<b>122 640</b>	<b>134 000</b>	<b>138 000</b>

Experience adjustments were calculated as follows:

	2019	2018	2017	2016	2015
Liabilities: (Gain)/Loss	5 000	(23 049)	(22 360)	(9 000)	(58 918)

The Ex-Gratia Pension Benefit Plan is a defined benefit plan. As at 30 June 2019, 51 (2018: 51) 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 R9 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	7.79%	9.16%
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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	110 000	122 640
Interest cost	10 000	10 409
Benefits paid	-	-
Actuarial losses / (gains)	5 000	(23 049)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>125 000</b>	<b>110 000</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>125 000</b>	<b>110 000</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	125 000	110 000
Actuarial gains / (losses) not recognised	-	-
<b>Total Benefit Liability</b>	<b>125 000</b>	<b>110 000</b>
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Interest cost	10 000	10 409
Actuarial gains	5 000	(23 049)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>15 000</b>	<b>(12 640)</b>

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

Increase:

Effect on the interest cost	9 000	10 000
Effect on the defined benefit obligation	119 000	104 000

Decrease:

Effect on the interest cost	9 000	9 000
Effect on the defined benefit obligation	131 000	117 000

**20. NON-CURRENT PROVISIONS**

Provision for Long Service Awards	8 906 000	8 751 000
Land-fill Sites	93 708 814	71 092 805
<b>Total non-current provisions</b>	<b>102 614 814</b>	<b>79 843 805</b>

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

	30 JUNE 2019 Land-fill sites	30 JUNE 2019 Long Service Awards
Balance at beginning of year	71 092 805	9 641 000
Increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	16 854 461	1 692 000
Expenditure incurred	-	(805 810)
Interest charge due to the unwinding of discount	5 761 548	
Increase due to re-measurement	-	(526 190)
	93 708 815	10 001 000
Transfer to current provisions	-	(1 095 000)
<b>Balance at end of year</b>	<b>93 708 815</b>	<b>8 906 000</b>

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Members	10 001 000	9 641 000	8 799 175	8 226 000	7 460 000
<b>Total Liability</b>	<b>10 001 000</b>	<b>9 641 000</b>	<b>8 799 175</b>	<b>8 226 000</b>	<b>7 460 000</b>

Experience adjustments were calculated as follows:

	2019	2018	2017	2016	2015
Liabilities: (Gain)/Loss	(526 190)	403 162	(365 825)	(297 017)	84 714

**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 valuation of the present value of the defined benefit obligation was carried out at 30 June 2019 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, 516 (2018: 521) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2019 is estimated to be R775,000 and R917,000 respectively, whereas the cost for the ensuing year is estimated to be R789,000 and R1,001,000 respectively.

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

	Long Service	
	2019	2018
Discount Rate	9.10%	8.93%
General salary inflation	6.94%	7.43%
Net Effective Discount Rate	2.04%	1.40%
Average retirement age	63	63

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

Balance at the beginning of the year	9 641 000	8 799 175
Current service costs	775 000	726 589
Interest cost	917 000	714 074
Benefits paid	(805 810)	(987 502)
Actuarial (gains) / losses	(526 190)	388 664
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>10 001 000</b>	<b>9 641 000</b>
Actuarial (gains) / losses unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>10 001 000</b>	<b>9 641 000</b>

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

Present value of fund obligations	10 001 000	9 641 000
Actuarial (gains) / losses not recognised	-	-
<b>Total Benefit Liability</b>	<b>10 001 000</b>	<b>9 641 000</b>

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

Current service cost	775 000	726 589
Interest cost	917 000	714 074
Actuarial (gains) / losses	(526 190)	388 664
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>1 165 810</b>	<b>1 829 327</b>

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	1 948 000	1 846 000
Effect on the defined benefit obligation	10 794 000	10 422 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 649 000	1 555 000
Effect on the defined benefit obligation	9 291 000	8 943 000

The municipality expects to make a contribution of R1 790 000 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 licencing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Management referred to the following when making assumptions regarding provisions:

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

**21. STATUTORY FUNDS**

**Housing Reserve**

Balance 1 July	245 694	245 695
Sale of land	297 409	-
	543 103	245 695
Less: Expenses	-	-
<b>Total at 30 June</b>	<b>543 103</b>	<b>245 695</b>
<u>The Housing reserve is represented by the following:</u>		
Investment (included in investments note 6)	543 103	245 695
<b>Total Housing Reserve Assets</b>	<b>543 103</b>	<b>245 695</b>

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

**22. ACCUMULATED SURPLUS**

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

		Restated
Opening balance as restated	799 258 613	750 619 558
Surplus for the year as restated (refer note 46)	66 411 970	48 639 055
Transfer to Housing Reserve	-	-
<b>Total Accumulated Surplus</b>	<b>865 670 582</b>	<b>799 258 613</b>

**23. PROPERTY RATES**

Actual

Residential, Commercial & State	94 613 781	85 124 471
Less: Income Forgone	(7 956 453)	(6 975 894)
<b>Total Assessment Rates</b>	<b>86 657 328</b>	<b>78 148 577</b>

Valuations

	R000's	R000's
Residential, Commercial & State	10 190 764	10 031 556
Agriculture	3 989 708	3 932 614
Municipal	313 628	320 799
Churches	119 995	118 895
<b>Total Property Valuations</b>	<b>14 614 095</b>	<b>14 403 864</b>

Assessment Rates are levied on the market value of properties, which valuation must be performed every four years. The Municipality however obtained approval by the MEC for 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 0.007678 c/R (2017/2018: 0.007109 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 2018/2019 financial year were as follows:

	2018/19	2017/18
<b>Residential</b>	.007678c/R	.007109c/R
<b>Vacant Land</b>	.015355c/R	.012387c/R
<b>Agriculture</b>	.001919c/R	.001777c/R
<b>State</b>	.015696c/R	.015092c/R
<b>Business</b>	.007858c/R	.007276c/R

A rebate of R50 000 on the value of the property (2017/2018: 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 2019**
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**24. SERVICE CHARGES**

Sale of electricity		139 736 726	131 783 398
Sale of water		37 621 783	33 829 899
Connection Fees - Geysers load control		285 264	369 879
Refuse removal fees		19 407 531	15 263 905
Sewerage and sanitation charges		21 827 404	20 241 509
<b>Total Service Charges</b>		<b>218 878 708</b>	<b>201 488 590</b>

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

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

<b>National:</b>		<b>44 199 335</b>	<b>40 132 920</b>
Equitable Share	25.1	40 885 000	37 497 000
Financial Management Grant	25.2	1 540 185	1 550 000
MIG Projects	25.10	673 100	690 650
Expanded Public Works Programme	25.4	1 022 226	395 270
Integrated National Electricity Program	25.11	78 824	-

<b>Provincial:</b>		<b>12 186 141</b>	<b>19 934 226</b>
Human Settlement Development	25.5	3 160 165	11 005 796
Library Conditional Grant	25.7	3 424 000	3 200 000
Libraries Municipal Replacement Funding	25.14	4 537 741	4 469 313
Municipal Service Delivery and Capacity Building	25.19	150 650	16 020
LG Graduate Internship Grant	25.20	66 000	74 878
Greenest Municipality	25.16	-	42 387
Subsidy - Proclaimed Roads	25.13	110 000	111 000
Municipal Capacity Building Grant	25.15	352 903	-
Municipal Electrical Master Plan	25.25	-	600 000
Financial Management Support Grant	25.17	384 682	414 832

**Capital Projects**

<b>National:</b>		<b>15 719 891</b>	<b>30 503 147</b>
Financial Management Grant	25.2	9 815	-
Integrated National Electricity Program	25.11	2 921 176	1 000 000
MIG Allocations	25.10	12 788 900	17 346 418
Disaster Recovery Grant	25.18	-	11 519 000
Extended Public Works Programme	25.4	-	637 730

<b>Provincial:</b>		<b>7 983 417</b>	<b>2 302 783</b>
Fire Service Capacity Building Grant	25.24	233 703	937 954
Municipal Drought Support Grant	25.23	7 320 518	1 000 000
Greenest Municipality	25.16	18 844	-
Financial Management Support Grant	25.17	65 600	-
Libraries Municipal Replacement Funding	25.14	331 541	329 829
Vermaaklikheid Land Reform	25.26	13 211	35 000

<b>Total Government Grants &amp; Subsidy - Operational</b>		<b>56 385 475</b>	<b>60 067 145</b>
<b>Total Government Grants &amp; Subsidy - Capital</b>		<b>23 703 308</b>	<b>32 805 930</b>

Government - Operating Grants		56 385 475	60 067 145
Government - Capital Grants		23 703 308	32 805 930

<b>TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F</b>		<b>80 088 783</b>	<b>92 873 075</b>
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Other grants note 26		182 890	357 518
		<b>80 271 674</b>	<b>93 230 594</b>

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

**25.1 Equitable Share**

Current Year Receipts	40 885 000	37 497 000
Conditions met - transferred to revenue	(40 885 000)	(37 497 000)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

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

**Level of Income:**

- R0.00 - R3 430

- R3 431 - R3 800

**Subsidy**

- free basic services plus 100% rebate on rates
- 6kl free water
- 50kwh free electricity
- 100% rebate on rates up to a market value of R800 000
- 50% free basic services plus 50% rebate on rates
- 6kl free water
- 50kwh free electricity
- 50% rebate on rates up to a market value of R800 000

**25.2 Financial Management Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	1 550 000	1 550 000
Conditions met - transferred to revenue: Operating Expenses	(1 540 185)	(1 550 000)
Conditions met - transferred to revenue: Capital Expenses	(9 815)	-
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

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

**25.3 Riversdale Thusong Centre**

Balance unspent at beginning of year	-	2 600
Current Year Receipts	-	-
Revert back to Provincial Department	-	(2 600)
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

This grant is used for social and economic development.

**25.4 Extended Public Works Programme**

Balance unspent at beginning of year	-	-
Current Year Receipts	1 026 000	1 033 000
Conditions met - transferred to revenue: Operating Expenses	(1 022 226)	(395 270)
Conditions met - transferred to revenue: Capital Expenses	-	(637 730)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>3 774</b>	<b>-</b>

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

**25.5 Human Settlement Development**

Balance unspent at beginning of year	2 659 344	10 078 278
Current Year Receipts	4 016 821	3 586 862
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	(3 160 165)	(11 005 796)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>3 516 000</b>	<b>2 659 344</b>

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

This grant is earmarked for environmental projects.

**25.7 Library Conditional Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	3 424 000	3 200 000
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	(3 424 000)	(3 200 000)
<b>Conditions still to be met - transferred to liabilities (refer note 16.1)</b>	<b>-</b>	<b>-</b>

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**  
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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	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>30 907</b>	<b>30 907</b>

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	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>21 068</b>	<b>21 068</b>

This grant is earmarked for consumer awareness projects.

**25.10 MIG Infrastructure allocations**

Balance unspent at beginning of year	-	4 224 067
Current Year Receipts	13 462 000	13 813 000
Conditions met - transferred to Revenue: Capital Expenses	(12 788 900)	(17 346 418)
Conditions met - transferred to revenue: Operating Expenses	(673 100)	(690 650)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>(0)</b>

This grant was used to construct roads, labour intensive side-walks, sewerage and water infrastructure as part of the upgrade of informal settlement areas.

**25.11 Integrated National Electricity Program**

Balance unspent at beginning of year	-	2 461 224
Current Year Receipts	3 000 000	1 000 000
Conditions met - transferred to Revenue: Capital Expenses	(2 921 176)	(1 000 000)
Conditions met - transferred to Revenue: Operating Expenses	(78 824)	-
Repaid to National Revenue Fund	-	(2 461 224)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

The INEP grant was used for electrification of housing schemes.

**25.12 Slangrivier Land Reform**

Balance unspent at beginning of year	-	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	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

**25.13 Proclaimed Roads**

Balance unspent at beginning of year	-	-
Current Year Receipts	110 000	111 000
Conditions met - transferred to Revenue: Operating Expenses	(110 000)	(111 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

This grant was used for Provincial road projects.

**25.14 Libraries Municipal Replacement Funding**

Balance unspent at beginning of year	254 961	390 102
Current Year Receipts	5 300 000	4 664 001
Conditions met - transferred to Revenue: Operating Expenses	(4 537 741)	(4 469 313)
Conditions met - transferred to Revenue: Capital Expenses	(331 541)	(329 829)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>685 679</b>	<b>254 961</b>

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

**25.15 Municipal Capacity Building Grant**

Balance unspent at beginning of year	360 000	120 000
Revert to Provincial Government	(360 000)	-
Current Year Receipts	360 000	240 000
Conditions met - transferred to revenue: Operating Expenses	(352 903)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>7 097</b>	<b>360 000</b>

This grant was used for external bursaries.

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

**25.16 Subsidy - Greenest Municipality**

Balance unspent at beginning of year	19 067	11 454
Current Year Receipts	-	50 000
Conditions met - transferred to Revenue: Operating Expenses	-	(42 387)
Conditions met - transferred to revenue: Capital Expenses	(18 844)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>223</b>	<b>19 067</b>

This grant was a prize.

**25.17 Financial Management Support Grant**

Balance unspent at beginning of year	12 669	97 500
Current Year Receipts	630 000	330 000
Revert to Provincial Government	(12 668)	-
Conditions met - transferred to revenue: Operating Expenses	(384 682)	(414 832)
Conditions met - transferred to revenue: Capital Expenses	(65 600)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>179 719</b>	<b>12 669</b>

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

**25.18 Disaster Recovery Grant**

Balance unspent at beginning of year	-	-
Current Year Receipts	-	11 519 000
Revert to National Government	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	-	(11 519 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>-</b>	<b>-</b>

The grant was used for the rehabilitation of infrastructure damaged by floods.

**25.19 Municipal Service Delivery and Capacity Building**

Balance unspent at beginning of year	4 224	20 244
Revert to Provincial Government	(4 224)	-
Current Year Receipts	715 957	-
Conditions met - transferred to revenue: Operating Expenses	(150 650)	(16 020)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>565 307</b>	<b>4 224</b>

For youth development and IT governance.

**25.20 LG Graduate Internship Grant**

Balance unspent at beginning of year	36 122	45 000
Current Year Receipts	72 000	66 000
Conditions met - transferred to revenue: Operating Expenses	(66 000)	(74 878)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>42 122</b>	<b>36 122</b>

For an internship

**25.21 Municipal Infrastructure Support Grant**

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

**25.22 Housing Consumer Education**

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

This grant is earmarked for consumer awareness projects.

**25.23 Municipal Drought Support Grant**

Balance unspent at beginning of year	7 500 000	1 000 000
Current Year Receipts	-	7 500 000
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(7 320 518)	(1 000 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>	<b>179 482</b>	<b>7 500 000</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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

**25.24 Fire Service Capacity Building Grant**

Balance unspent at beginning of year		262 046	1 200 000
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(233 703)	(937 954)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>28 343</b>	<b>262 046</b>

**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)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>-</b>	<b>-</b>

**25.26 Vermaaklikheid Land Reform**

Balance unspent at beginning of year		43 787	78 787
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(13 211)	(35 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.1)</b>		<b>30 576</b>	<b>43 787</b>

**25.27 Alternative Electricity**

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

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

<b>Operating</b>		<b>182 890</b>	<b>278 428</b>
Seta	26.1	45 500	134 302
Arbor Day Award	26.7	-	104 126
MM forum	26.8	-	20 000
Speakers forum	26.9	17 391	-
Tourism	26.5	119 999	20 000
<b>Capital</b>		<b>-</b>	<b>79 090</b>
Africana Centre	26.2	-	23 000
Asla Devco - Water meters Slangrivier	26.4	-	56 090
<b>Total Operating Grants</b>		<b>182 890</b>	<b>278 428</b>
<b>Total Capital Grants</b>		<b>-</b>	<b>79 090</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019

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

**26.1 Seta**

Balance unspent at beginning of year	495 962	258 318
Current Year Receipts	277 995	371 946
Conditions met - transferred to revenue: Operating Expenses	(45 500)	(134 302)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>728 457</b>	<b>495 962</b>

This grant is utilised for various staff skills development programmes.

**26.2 Africana Centre**

Balance unspent at beginning of year	315	23 315
Current Year Receipts	20 000	-
Conditions met - transferred to revenue: Capital Expenses	-	(23 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>20 315</b>	<b>315</b>

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	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>303 227</b>	<b>303 227</b>

This grant is earmarked for projects in previously disadvantaged areas.

**26.4 Asla Devco - Water Meters Slangrivier**

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

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	20 000
Conditions met - transferred to revenue: Operating Expenses	(119 999)	(20 000)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>1 820</b>	<b>101 819</b>

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	-	-
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>60 000</b>	<b>60 000</b>

This grant is used for public participation initiatives

**26.7 Arbor Day Award**

Balance unspent at beginning of year	23 978	128 104
Current Year Receipts	-	-
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions met - transferred to revenue: Operating Expenses	-	(104 126)
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>23 978</b>	<b>23 978</b>

This grant was used for greenery

**26.8 Absa - MM forum**

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

This grant was used to finance catering for the MM forum

**26.9 FNB - Speakers forum**

Balance unspent at beginning of year	-	-
Current Year Receipts	17 391	-
Conditions met - transferred to revenue: Operating Expenses	(17 391)	-
<b>Conditions still to be met - transferred to liabilities (refer note16.2)</b>	<b>-</b>	<b>-</b>

This grant was used to finance catering for the speakers forum



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
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**27. OTHER INCOME**

Included in other income is the following:

Capital Contribution: Water and electricity	821 581	2 135 844
Capital Contribution: Sewerage	267 868	399 940
Capital Contribution: Parking areas	57 033	-
Building plans	1 119 476	1 253 492
Camping fees	12 289 328	12 315 918
Commission	92 379	86 040
Entrance fees	85 872	84 438
Other Income	1 789 301	2 205 914
Roadworthy Certificates	393 813	416 615
<b>Total</b>	<b>16 916 650</b>	<b>18 898 200</b>

**28. EMPLOYEE RELATED COSTS**

Salaries and wages	109 793 419	99 786 448
Contributions for UIF, pensions and medical aids	23 263 793	21 647 756
Workmens Compensation	833 014	828 687
Travel, motor car,accomodation, subsistence and other allowance	9 715 510	8 972 913
Housing benefits and allowance	1 079 156	1 159 439
Overtime payments	5 043 108	5 218 976
Contribution to provision for post-retirement medical aid benefits	7 126 000	5 721 664
Contribution to long-service provision	1 692 000	1 440 663
Contribution to provision for post-retirement ex-gratia	10 000	10 409
<b>Total Employee Related Costs</b>	<b>158 556 001</b>	<b>144 786 954</b>

Included in Comparison of budget statements are the following actuarial gains or losses:

Post-retirement Health Care Benefits (gain) / loss	(8 124 990)	6 134 615
Ex-Gratia Pensioners Defined Benefit Liability	5 000	(23 049)
Long service awards	(526 190)	388 664
<b>Total actuarial (gains) / loss</b>	<b>(8 646 180)</b>	<b>6 500 230</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	1 118 716	981 249
Performance Bonus	163 717	128 830
Travel Allowance	36 000	36 000
Other (telephone,bargaining council etc)	38 724	48 055
Contributions to UIF, Medical and Pension Fund	194 153	169 409
<b>Total</b>	<b>1 551 310</b>	<b>1 363 543</b>

**Remuneration of the Director Community Services**

Annual Remuneration	879 253	684 390
Performance Bonus	132 427	96 916
Travel Allowance	80 000	80 000
Other (telephone, bargaining council etc)	21 142	37 560
Contributions to UIF, Medical and Pension Fund	223 537	181 515
<b>Total</b>	<b>1 336 359</b>	<b>1 080 381</b>

**Remuneration of the Director Technical Services**

Annual Remuneration	968 805	672 719
Performance Bonus	172 057	16 622
Travel Allowance	132 000	122 000
Other (telephone, bargaining council etc)	51 409	35 956
Leave	-	13 496
Contributions to UIF, Medical and Pension Fund	1 785	55 416
<b>Total</b>	<b>1 326 056</b>	<b>916 209</b>

**Remuneration of the Director Planning Services**

Annual Remuneration	927 911	863 611
Performance Bonus	154 758	144 148
Travel Allowance	60 000	60 000
Other (telephone, bargaining council etc)	7 305	17 478
Contributions to UIF, Medical and Pension Fund	194 880	181 801
<b>Total</b>	<b>1 344 854</b>	<b>1 267 038</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**  
**R**
**2018**  
**R**
**28. EMPLOYEE RELATED COSTS (continued)**
**Remuneration of the Director Financial Services**

Annual Remuneration	836 653	774 482
Performance Bonus	154 758	144 148
Travel Allowance	180 000	180 000
Long Service bonus	-	88 788
Other (telephone, bargaining council etc)	16 843	21 597
Contributions to UIF, Medical and Pension Fund	166 138	150 929
<b>Total</b>	<b>1 354 392</b>	<b>1 359 944</b>

**Remuneration of the Director Corporate Services**

Annual Remuneration	956 683	834 065
Performance bonus	144 701	134 781
Long Service bonus	-	62 264
Other (telephone, bargaining council etc)	16 193	18 237
Contributions to UIF, Medical and Pension Fund	226 107	199 516
<b>Total</b>	<b>1 343 684</b>	<b>1 248 863</b>

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

**Post-employment Benefits:-**

Chief Financial Officer	680 989	612 531
Director: Corporate Services	619 840	497 979
Director: Planning	310 510	185 321
Director: Community Services	264 363	198 190
<b>Total</b>	<b>1 875 701</b>	<b>1 494 021</b>

**Other Long-term Benefits:-**

Director: Corporate Services	56 711	45 362
Director: Planning	117 787	100 279
Director: Community Services	282 005	204 352
<b>Total</b>	<b>456 502</b>	<b>349 993</b>

**Staff Leave Benefits:-**

Municipal Manager	63 007	63 244
Chief Financial Officer	55 830	55 528
Director: Corporate Services	41 084	30 829
Director: Planning	25 725	23 488
Director: Community Services	125 489	99 391
<b>Total</b>	<b>311 135</b>	<b>272 479</b>

**29. REMUNERATION OF COUNCILLORS**

Executive Mayor	872 149	829 513
Deputy Executive Mayor	706 336	670 331
Speaker	706 379	670 331
Mayoral Committee Members	1 988 738	1 891 608
Chief Whip	306 352	285 477
Councillors	3 008 491	2 854 770
	<b>7 588 445</b>	<b>7 202 030</b>
Ward committee's - see other expenses	-	-
<b>Total Councillors' Remuneration</b>	<b>7 588 445</b>	<b>7 202 030</b>

**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	11 823 724	(13 186 675)
Bad debts written off	45 999 258	51 878 620
<b>Total</b>	<b>57 822 982</b>	<b>38 691 945</b>

**The contribution consist of the following:**

Rates and service debtors	7 783 198	4 288 467
Traffic fines	50 039 784	34 403 478
<b>Total</b>	<b>57 822 982</b>	<b>38 691 945</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**  
**R**
**2018**  
**R**
**31. DEPRECIATION AND AMORTISATION**
**Restated**

PPE (Note 8)	27 772 662	29 079 701
Intangible assets (Note 9)	21 545	21 545
<b>Total</b>	<b>27 794 207</b>	<b>29 101 245</b>

**32. FINANCE CHARGES**

Long-term liabilities	11 137 486	12 802 688
Other	5 761 548	6 019 367
<b>Total</b>	<b>16 899 034</b>	<b>18 822 055</b>

**33. BULK PURCHASES**

Electricity	97 065 542	89 170 107
Water	139 161	191 907
<b>Total</b>	<b>97 204 702</b>	<b>89 362 014</b>

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

"Refer to note 57 - inventory consumed for the bulk purchase of water"

**34. GENERAL EXPENSES**

Audit Fees - External	3 871 318	3 327 477
Commission	457 456	452 555
Insurance	1 145 313	1 212 439
Other	5 485 627	5 455 333
SALGA membership	1 559 129	1 368 357
Skills Development	1 231 496	1 116 965
Software license	1 729 569	1 645 368
Operational Leases: Office Machines	245 963	-
Machinery and equipment	233 061	-
Investment properties	765 697	-
Postage & Telephone	1 371 944	1 916 460
Printing & Stationery	109 756	121 475
Software assistance	1 883 493	1 635 552
Travelling & Subsistence	1 290 307	991 259
Vehicle Costs	868 510	775 717
<b>Total</b>	<b>22 248 639</b>	<b>20 018 955</b>

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

**35. CASH AND CASH EQUIVALENTS**

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

Bank and Cash on Hand	60 460	50 530
Bank, cash and cash equivalents	257 448 307	219 809 769
<b>Total</b>	<b>257 508 767</b>	<b>219 860 299</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019	2019 R	2018 R
<b>36. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	66 411 970	48 639 055
<b>Adjustments for:</b>		<b>Restated</b>
Depreciation and amortisation	27 794 207	29 101 245
Gain on disposal of assets	(387 452)	(101 615)
Decrease in Property, plant and equipment due to transfer between assets under construction and completed assets	101 975	-
Gain on revaluation of investment property	(1 968 633)	(453 509)
Donated property, plant and equipment	(4 722 091)	(141 699)
Contribution to provision for impairment of debtors	57 822 982	38 691 945
(Decrease)/increase in Retirement Benefit Liabilities	(3 462 000)	9 505 090
Increase in Non-current Provisions	5 916 548	6 993 567
(Decrease)/increase in operating lease liabilities	(6 453)	5 275
(Increase)/decrease in operating lease assets	1 070	(60 700)
Investment & Debtors Interest	(20 556 945)	(19 438 025)
Interest paid	16 899 034	18 822 055
<b>Operating surplus before working capital changes:</b>	<b>143 844 211</b>	<b>131 562 684</b>
(Increase)/Decrease in inventories	(31 493)	375 086
(Increase)/Decrease in debtors	(9 138 923)	(8 144 702)
(Increase)/Decrease in other debtors	(50 370 464)	(29 849 162)
Increase/(Decrease) in current employee benefits	1 859 297	7 457 039
(Decrease)/Increase in conditional grants and receipts	(5 761 402)	(8 570 539)
(Decrease)/Increase in creditors	(1 309 241)	(10 093 521)
(Increase)/Decrease in VAT	3 041 320	17 225
<b>Cash generated by operations</b>	<b>82 133 303</b>	<b>82 754 110</b>

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

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

Opening Balance	-	-
Council Subscriptions	1 559 129	1 368 357
Amount paid - current year	(1 559 129)	(1 368 357)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

#### 37.2 PAYE and UIF

Opening Balance	-	-
Current year payroll deductions	19 748 790	17 621 449
Amount paid - current year	(19 748 790)	(17 621 449)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

#### 37.3 Pension and Medical Aid deductions

Opening Balance	-	-
Current year payroll deductions	35 771 855	33 251 208
Amount paid - current year	(35 771 855)	(33 251 208)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

#### 37.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	3 871 318	3 327 477
Amount paid - current year	(3 871 318)	(3 327 477)
<b>Balance at 30 JUNE 2019</b>	<b>-</b>	<b>-</b>

#### 37.5 VAT

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

#### 37.6 Councillor's arrear Consumer Accounts

No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019

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

No known matters existed at reporting date.

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**  
**R**

**2018**  
**R**

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

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

	<b>30 JUNE 2019</b>	<b>30 JUNE 2019</b>
	<b>Number of Cases</b>	<b>R</b>
<b>&lt;R2 000</b>	<b>226</b>	<b>222 104</b>
Sole supplier	2	2 962
Emergency	41	35 593
Exceptional Circumstances	183	183 548
Impractical	-	-
<b>R2 000 - R30 0000</b>	<b>209</b>	<b>1 855 242</b>
Sole supplier	8	148 336
Emergency	54	560 627
Exceptional Circumstances	147	1 146 279
Impractical	-	-
<b>R30 000 - R200 000</b>	<b>48</b>	<b>3 214 270</b>
Sole supplier	3	241 797
Emergency	3	185 506
Exceptional Circumstances	42	2 786 966
Impractical	-	-
<b>&gt; R200 000</b>	<b>7</b>	<b>4 990 267</b>
Sole supplier	0	-
Emergency	0	-
Exceptional Circumstances	7	4 990 267
Impractical	-	-
<b>Total</b>	<b>490</b>	<b>10 281 883</b>

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.

<b>Department</b>	<b>Service</b>	<b>Provider</b>	<b>Reason for deviation</b>	<b>Amount</b>
Corporate Services	The design, supply and management of a wide area network	Wispernet Pty Ltd	1. On 06 June 2014 tender HES-ICT 02/1314 was awarded to Wispernet (Pty) Ltd for a contract period of three years from 1 July 2014 to 30 June 2017. 2. On 30 June 2017 contract HES-ICT 02/1314 was extended in terms of S116 of the MFMA to 30 June 2018 to complete a network assessment on the current infrastructure. 3. On 15 February 2018 a new tender HES-ICT 03/1718 was approved for advertising by the Bid Specification Committee and advertised on 22 and 23 February to invite new bidder to tender for the implementation and management of a wide-area network for Hessequa Municipality. 4. On 19 March 2018 the tender advert was cancelled following an executive decision by the ICT Steering Committee to complete an in-depth ICT strategic review. 5. Consequently, the current contract had to be amended to allow sufficient time for the indept ICT strategic review to be finalised and completed. 6. On 22 March 2018 a public notice was published to give the local public reasonable notice as to the intension to amend the contract and to submit representations to the municipality. 7. No objection was received and consequently an item was tabled to the BAC for approval of the contract extension for another 12 months from 1 July 2018 to 30 June 2019. 8. On 26 June 2018, the service provider indicated that they are not willing to extend the contract for a further 12 months due to certain contract conditions that are too stringent on the part of the municipality. 9. The municipality agreed to negotiate more lenient terms in terms of the contract and to establish a month to month agreement to a maximum of 12 months. 10. Approval is therefore requested in terms of section 36 (1)(v) to deviate from the official procurement process and to appoint Wispernet (Pty) Ltd. 11. An extension of the current contract is not feasible as the extension may only incur on the same terms and conditions as the original contract and because the current contract has lapsed on 30 June 2018.	524 327
Corporate Services	Book detection services for Riversdale, Duivenhok and Protea Library	Metrofile Pty Ltd	Book detection systems have been installed in Riversdale, Duivenhoks and Protea Libraries and need to be maintained. This requires two preventative services per year to ensure accurate data which is used for statistical reporting. The supplier is the sole supplier of the 3M library book detection system.	108 000
Technical Services	Repair and upgrading of existing telemetric system in Still Bay	Specialist Sysstem Engineering Pty Ltd	The municipality is currently making use of the current service provider's software and system, it will therefore not make practical sense to appoint another service provider to assist with the repair and upgrading of the current telemetry software programme. Currently the existing telemetry system is not in full operation and must be upgraded to monitor the performance of different reservoirs and pump stations in the Still Bay area.	209 731
Technical Services	Repair D4E Dozer HB 0095 5A	WS Forestry Equipment Repairs CC T/A Fluid Air Hydraulics	Repair on Rotation Register. The engine had to be repaired as it overheated. The head of the cylinder is faulty and needed to be repaired.	127 011
Technical Services	Tender Hes-Tech 08/1718 Upgrading of sewerage infrastructure in the Hessequa municipal area	Urhwebo e-Transand Pty Ltd	During the construction period of the tender a request was received to construct the sewer line in Strand street. The consulting engineer was requested by the Technical Department to design and survey the additional works. The additional works was partly made possible due to cost saving in the Still Bay portion of the contract. Regular sewerage blokages occurred which had a direct negative impact on the environment and the surrounding residents of Aalwyn avenue. The Hostel and school made use of septic tanks and needed a sewerage reticulation system. The contractor was approached and given instructions, which reduced the cost of site establishment.	879 385
Technical Services	Tender Hes-Tech 08 17/18 Upgrading of sewerage infrastruture in the Hessequa Municipal Area	Neil Lyners and Associates	During the construction period of the tender a request was received to construct the sewer line in Strand street. The consulting engineer was requested by the Technical Department to design and survey the additional works. The additional works was partly made possible due to cost saving in the Still Bay portion of the contract. Regular sewerage blokages occurred which had a direct negative impact on the environment and the surrounding residents of Aalwyn avenue. The Hostel and school made use of septic tanks and needed a sewerage reticulation system. The contractor was approached and given instructions, which reduced the cost of site establishment.	112 900
Technical Services	Service Level Agreement: Consideration of unsolicited proposal from Turnkey water solutions to construct an osmosun desalination plant in Witsand	TWS Turnkey Water Solutions	Turnkey Water Solutions was appointed for the design and construction of the Witsand Desalination Plant in Witsand. The monitoring cost was only identified after the environmental management plan was submitted and was outlined in the approval conditions. The MOU included this resolution. The monitoring permit will only be required until the discharge permit is permanently approved and amended.	1 586 955
Technical Services	Repair to sewerage pump Jongensfontein	Hidro-Tech Systems Pty Ltd	Repair on Rotation Register. As a result of the distance between pump stations, one pumpstation cannot function with one pump at a time for extended periods. The pump was regularly send for repairs and maintenance.	185 630
Technical Services	Unsolicited proposal from Turnkey Water Solutions to construct an Osmosun Desalination plant in Witsand: Contract extension/deviation	TWS Turnkey Water Solutions	Turnkey Water Solutions was appointed for the design and construction of the Witsand Desalination Plant in Witsand. Turnkey Water Solutions was already in the process to complete the Desalination plant and it would not make practical sense to complete the additional works at a later stage, since this could lead to additional establishment / de-establishment costs. The goods and services as needed to complete the project . The additional cost to be financed from saving on the Driling and borehole contract.	493 658
Corporate Services	Deviation: Extending Wispernet Agreement	WISPERNET PTY LTD	The strategic decision to combine supporting contract with reference to tele-communication in one agreement brings certain complexity with reference to compiling the required technical specifications. The shortage of internal skills and capacity to compile a full specification to ultimately secure a successful procurement process was raised i.to consequence management. As a result, internal ICT requested shared support from the Provincial Department of Local Government (DLG) and the Premiers Office (DOP) to assist the Municipality with compiling specifications for an integrated tele-communication service by combining network and telephony in a long-term (5-year) agreement with one service provider. Similar to what the abovementioned State departments did on the broadband initiative ICT also engaged with SITA to provide a possible solution. By deviating and extending the current agreement the Municipality will have ample time to procure a suitable service with support from the abovementioned Provincial structures. It's critical to ensure a capable network environment that can effectively respond to business needs and provide a platform for a fully integrated financial solution as determined by mSCOA.	524 327

**39. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF THE PROCUREMENT PROCESS - (continued)**

**30 June 2018**

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

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
3	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

**40. RELATED PARTY TRANSACTIONS**

**40.1 Services rendered to Related Parties**

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

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel.. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.



**40. RELATED PARTY TRANSACTIONS - (continued)**

**40.2 Loans granted to Related Parties**

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

**40.3 Interest of Related Parties**

With the exception of Councilor Stroebel, no councilors and/or management of the municipality had any relationships with businesses during the financial period.

**40.4 Compensation of Related Parties**

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

**40.5 Purchases from Related Parties**

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

Service Provider	Related Person	Capacity	Municipal Capacity	2019 R	2018 R
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman: Technical Services	29 676	26 659
Seasons Find 982 CC	YJ Daniels	Owner	Admin Clerk	12 700	118 000
Henna's Catering	E du Preez	Owner	Cashier/Clerk	75 020	121 955
HAH Motors T/A Pro Motors	A Stroebel	Owner	Councillor	433 129	379 101
Silverstar Construction	J. Michaels	Owner	Clerk: Preekstoel	280 413	-
Garnion Industries CC	M. Swartbooi	Owner	Nelson Mandela Bay Municipality	86 250	-
Story Team	B.J. Loristou	Director	Western Cape Department of	29 998	-
A.F.G. Muller	Charlene Muller	Nurse	Riversdal - Department of Health	14 739	-
CRR General Dealers	CJ Riddles	Owner	Handyman	82 268	10 500
N Cronje t/a WG Pompe	M Cronje	Owner	Head: Employee relations	153 320	543 130
<b>Total</b>				<b>1 197 513</b>	<b>1 199 345</b>

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

**41. COMMITMENTS FOR EXPENDITURE**

**Capital Commitments**

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

16 221 423	23 774 400
-	898 549

Community

**Total Capital Commitments**

<b>16 221 423</b>	<b>24 672 949</b>
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This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

16 221 423	24 672 949
<b>16 221 423</b>	<b>24 672 949</b>

(Including VAT)

**42. AFTER BALANCE SHEET EVENTS**

No events having financial implications requiring disclosure occurred subsequent to 30 JUNE 2019.

**43. RETIREMENT BENEFIT INFORMATION**

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

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

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

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

**43.1 DEFINED BENEFIT SCHEMES**

**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%).

**43. RETIREMENT BENEFIT INFORMATION (continued)****43.2 DEFINED CONTRIBUTION SCHEMES****Cape Joint Pension Fund**

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

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with a 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 (2018: R16,200 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.



**44. GUARANTEES**

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

**45. IN-KIND DONATIONS AND ASSISTANCE**

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

**46. 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:

**46.1 Property, Plant and Equipment**

<b>Balances as published as at 30 June 2018</b>	<b>774 214 448</b>
Roads and Stormwater infrastructure improved unbundling - Infrastructure accumulated depreciation - Opening balance	(2 138 475)
Roads and Stormwater infrastructure improved unbundling - Infrastructure accumulated depreciation - Prior year	318 591
Land incorrectly recognised as Investment Property	1 000
Depreciation incorrectly recognised on assets with change in estimate in the previous year	612 879
Investment property incorrectly previously recognised as buildings - Cost - Opening balance	(229 073)
Investment property incorrectly previously recognised as buildings - Accumulated depreciation - Opening balance	91 629
Investment property incorrectly previously recognised as buildings - Accumulated depreciation - Opening balance	11 454
<b>Restated balance as at 30 June 2018</b>	<b>772 882 452</b>

**46.2 Investment property**

<b>Balances as published as at 30 June 2018</b>	<b>71 227 509</b>
Land incorrectly recognised as Investment Property	(200 000)
Investment property incorrectly previously recognised as buildings	814 272
<b>Restated balance as at 30 June 2018</b>	<b>71 841 781</b>

**46.3 Trade receivables from non-exchange transactions**

The prior year income from traffic fines was adjusted due to fines issued in prior years that should have been reduced and withdrawn during the prior year. The provision for impairment for the prior year was also recalculated and adjusted.

<b>Balances as published as at 30 June 2018</b>	<b>27 231 760</b>
Traffic fines received - adjusted	(19 233 749)
Provision for impairment of traffic fines - adjusted	14 467 346
<b>Restated balance as at 30 June 2018</b>	<b>22 465 357</b>

**46.4 Accumulated Surplus**

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

Details of the appropriations are as follows:

<b>Balance as published as at 30 June 2018</b>	<b>804 742 739</b>
Correction of accumulated depreciation due to Roads and Stormwater improved unbundling	(2 138 475)
Correction of land incorrectly recognised as Investment Property	(199 000)
Investment property incorrectly previously recognised as buildings	676 828
<b>Effect of changes in the surplus for the previous financial year</b>	<b>(3 823 479)</b>
<b>Restated balance as at 30 June 2018 - Refer to note 22</b>	<b>799 258 613</b>

**46.5 Appropriations to the 2017/2018 surplus/deficit**

Corrections were made to certain profit and loss accounts which affected the 2017/2018 year.

<b>Surplus for the year as previously stated:</b>	<b>52 462 535</b>
Reduction of impairment loss on receivables	14 467 346
Traffic fines	(19 233 749)
Depreciation and amortisation Roads and Stormwater infrastructure improved unbundling	318 592
Depreciation and amortisation Depreciation incorrectly recognised on assets with change in estimate in the previous year	612 879
Depreciation and amortisation Investment property incorrectly previously recognised as buildings	11 454
<b>Restated balance as at 30 June 2018</b>	<b>48 639 056</b>

**46. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3 - (continued)**

**46.6 Reclassification**

Provision for staff leave have been reclassified from creditors to Current employee benefits to comply to the requirements of GRAP 25.

Current employee benefits as previously stated	7 903 047
Staff leave reclassified from creditors	7 028 056
<b>Restated balance as at 30 June 2018</b>	<b>14 931 103</b>
Creditors as previously stated	50 942 955
Staff leave reclassified to current employee benefits	(7 028 056)
<b>Restated balance as at 30 June 2018</b>	<b>43 914 899</b>

**47. CHANGE IN ACCOUNTING ESTIMATES**

**47.1 Property, Plant and Equipment**

Change in estimate resulted in decreased depreciation charge for the 2019 year and an increase to the following years amounting to R589,193

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 R589,193.

**48. TRUST FUNDS**

Nature Development - Stilbaai	1 878 317	1 782 397
Elsje Koorts Tuberculosis Fund	270 194	250 180
<b>Total Trust Funds</b>	<b>2 148 511</b>	<b>2 032 577</b>

**49. FINANCIAL INSTRUMENTS**

**49.1 Classification of Financial Instruments**

**FINANCIAL ASSETS**

Financial Assets	Classification
------------------	----------------

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

Long-term Receivables					
Sport clubs/Pre-primary School	Note 12	Amortised cost	6 940	10 022	
Consumer Debtors					
Rates	Note 4	Amortised cost	13 709 025	11 463 869	
Electricity	Note 3	Amortised cost	17 428 171	16 604 680	
Water	Note 3	Amortised cost	10 109 084	8 564 204	
Sewerage	Note 3	Amortised cost	7 049 740	6 160 202	
Waste Management	Note 3	Amortised cost	4 871 083	3 545 134	
Other	Note 3	Amortised cost	3 571 134	5 443 978	
Less: Provision for Impairment	Note 3	Amortised cost	(24 589 578)	(20 627 395)	
Current Portion of Long-term Receivables					
Sport clubs/Pre-primary School	Note 12	Amortised cost	3 082	2 849	
Cash and Cash Equivalents					
Call Deposits	Note 6	Amortised cost	254 166 308	216 414 954	
Bank balances and Cash Floats	Note 6	Amortised cost	3 342 458	3 445 345	
			<b>289 667 448</b>	<b>251 027 842</b>	

**SUMMARY OF FINANCIAL ASSETS**

Loans and Receivables:					
Long-term Receivables	Note 12	Sport clubs/Pre-primary School	6 940	10 022	
Consumer Debtors	Note 4	Rates	13 709 025	11 463 869	
Consumer Debtors	Note 3	Electricity	17 428 171	16 604 680	
Consumer Debtors	Note 3	Water	10 109 084	8 564 204	
Consumer Debtors	Note 3	Sewerage	7 049 740	6 160 202	
Consumer Debtors	Note 3	Waste Management	4 871 083	3 545 134	
Consumer Debtors	Note 3	Other	3 571 134	5 443 978	
Consumer Debtors		Less: Provision for Impairment	(24 589 578)	(20 627 395)	
Current Portion of Long-term Receivables	Note 12	Sport clubs/Pre-primary School	3 082	2 849	
Bank, Cash and Cash Equivalents	Note 6	Bank Balances, Cash Floats and Advances	257 508 767	219 860 299	
			<b>289 667 448</b>	<b>251 027 842</b>	
<b>TOTAL FINANCIAL ASSETS</b>			<b>289 667 448</b>	<b>251 027 842</b>	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019			2019	2018
			R	R
<b>49. FINANCIAL INSTRUMENTS - (continued)</b>				
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Liabilities</b>	<b>Classification</b>			
<b>Long-term Liabilities</b>				
Annuity Loans	Note 18	Amortised cost	103 568 572	94 133 984
<b>Consumer Deposits</b>				
Electricity, Water and Other	Note 13	Amortised cost	9 224 987	8 399 605
<b>Creditors</b>				
Trade Creditors	Note 15	Amortised cost	29 152 460	30 416 499
Retentions	Note 15	Amortised cost	4 332 216	5 932 347
Other Creditors	Note 15	Amortised cost	5 554 747	4 083 061
<b>Current Portion of Long-term Liabilities</b>				
Annuity Loans	Note 18	Amortised cost	20 579 320	17 420 948
			<b>172 412 302</b>	<b>160 386 443</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>				
Long-term Liabilities	Note 18	Annuity Loans	103 568 572	94 133 984
Consumer Deposits	Note 13	Electricity, Water and Other	9 224 987	8 399 605
Creditors	Note 15	Trade Creditors	29 152 460	30 416 499
Creditors	Note 15	Retentions	4 332 216	5 932 347
Creditors	Note 15	Other Creditors	5 554 747	4 083 061
Current Portion of Long-term Liabilities	Note 18	Annuity Loans	20 579 320	17 420 948
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>172 412 302</b>	<b>160 386 443</b>

#### 49.2 Fair Value of Financial Instruments

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

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

	30 JUNE 2019		30 JUNE 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS</b>				
<b>Loans and Receivables</b>				
Long-term Receivables	6 940	6 940	10 022	10 022
Call Deposits	254 166 308	254 166 308	216 414 954	216 414 954
Consumer Debtors	32 148 659	32 148 659	31 154 671	31 154 671
Bank Balances and Cash	3 342 458	3 342 458	3 445 345	3 445 345
Current Portion of Long-term Receivables	3 082	3 082	2 849	2 849
<b>Total Financial Assets</b>	<b>289 667 448</b>	<b>289 667 448</b>	<b>251 027 842</b>	<b>251 027 842</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Loans and receivables:</b>				
<u>Unsecured Bank Facilities:</u>				
- Annuity Loans	124 147 892	124 147 892	111 554 932	111 554 932
<b>Trade and Other Payables:</b>	<b>48 264 410</b>	<b>48 264 410</b>	<b>48 831 511</b>	<b>48 831 511</b>
Consumer Deposits	9 224 987	9 224 987	8 399 605	8 399 605
Creditors	39 039 423	39 039 423	40 431 906	40 431 906
<b>Cash and Cash equivalents</b>				
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>172 412 302</b>	<b>172 412 302</b>	<b>160 386 443</b>	<b>160 386 443</b>

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

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

**49.3 Capital Risk Management**

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

**49.4 Significant Accounting Policies**

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

**49.5 Financial Risk Management Objectives**

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

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

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

**49.6 Market risk**

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

**49.7 Interest Rate Risk Management**

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

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

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

**49.8 Liquidity Risk Management**

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

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

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

Description	Average effective interest rate	Within 1 year	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R
<b>30 JUNE 2019</b>					
Development Bank	8.90% - 11.56%	15 808 703	47 135 828	18 798 970	81 743 500
ABSA	10.20%	3 236 975	12 947 899	9 710 924	25 895 798
Nedbank	9.01%	3 769 142	7 538 283	-	11 307 425
First National Bank	11.40%	2 520 900	-	-	2 520 900
Standard Bank	11.26%	7 274 239	29 096 956	14 548 478	50 919 674
Trade Creditors	0%	29 152 460			29 152 460
Retentions	0%	4 332 216			4 332 216
Other Creditors	0%	5 554 747			5 554 747
		<b>71 649 381</b>	<b>96 718 967</b>	<b>43 058 372</b>	<b>211 426 720</b>
<b>30 JUNE 2018</b>					
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%	4 083 061			4 083 061
		<b>68 979 837</b>	<b>89 140 218</b>	<b>38 775 749</b>	<b>196 895 803</b>

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.

**49.9 Credit Risk Management**

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

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

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

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

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

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

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

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

Long-term Receivables	10 022	12 872
Consumer Debtors	23 481 985	23 983 095
Other Debtors	8 666 672	7 171 575
Bank and Cash Balances	257 508 767	219 860 299
<b>Maximum interest and credit risk exposure</b>	<b>289 667 446</b>	<b>251 027 840</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**
**2019**
**2018**
**R**
**R**
**50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
**50.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	862 201	2 774 641
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year due to budget exceeded - operating	3 007 245	862 201
Approved by Council on 30 January 2019	(862 201)	(2 774 641)
<b>Unauthorised expenditure awaiting authorisation:</b>	<b>3 007 245</b>	<b>862 201</b>

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

**Operating budget - Expenditure by type**

	2019 R Budget	2019 R Actual	2019 R Variance	2019 R Unauthorised
Employee related costs	165 475 148	149 909 821	(15 565 327)	
Remuneration of Councillors	8 050 309	7 588 445	(461 864)	
Bad debts	59 530 298	57 822 982	(1 707 316)	
Depreciation and Asset Impairment	35 959 608	27 794 207	(8 165 401)	
Inventory Consumed	26 532 061	22 515 542	(4 016 519)	
Finance Charges	21 179 799	16 899 034	(4 280 765)	
Bulk purchases	94 197 457	97 204 702	3 007 245	3 007 245
Transfers and Subsidies	1 206 500	1 133 147	(73 353)	
Contracted services	36 360 957	26 290 317	(10 070 640)	
General expenses	30 249 708	22 248 639	(8 001 069)	
<b>Total</b>	<b>478 741 845</b>	<b>429 406 837</b>	<b>(49 335 008)</b>	<b>3 007 245</b>

**30 June 2018**
**Operating budget - Expenditure by GFS classification**

	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)	
<b>Total</b>	<b>435 961 868</b>	<b>404 572 962</b>	<b>(31 388 906)</b>	<b>862 201</b>

**50.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	261 879
Transport	1 750	-
Vehicle license of Compactor	22 406	-
Telkom switchboard and subscription not used	-	409 029
Electricity losses above the threshold (Refer note 51)	-	-
Water losses above the threshold (Refer note 51)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<b>24 156</b>	<b>670 908</b>
Less: Condoned by Council on 28 August 2019	(24 156)	(670 908)
<b>Fruitless and wasteful expenditure awaiting authorisation:</b>	<b>-</b>	<b>-</b>

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R24 156 be certified as irrecoverable and be written off.

**50.3 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	1 516 763	-
Irregular expenditure current year:		
- Not applying the applicable taxes when determining "price" in the award of quotations	491 872	-
- Vanguard fire and safety Cape - PPPFA, Regulation 8(5)	-	79 220
- Mubesko Africa - Interpretation of Municipal Supply Chain Management Regulation 32	1 253 604	1 437 543
- Ground Water Solutions CC T/A AB Pumps (yield testing services) - Interpretation of Municipal Supply Chain Management Regulation 32	702 708	
- Steyns Drilling Trust CC - Interpretation of Municipal Supply Chain Management Regulation 32	1 973 182	
- Administrative irregularities in the award of tender	-	1 150 976
- Adopting alternative solution from Vox	-	377 842
- Payment of acting allowance	-	79 514
Less: Condoned by Council on 30 January 2019 and 28 February 2019	(571 092)	(1 608 332)
<b>Irregular expenditure awaiting council approval</b>	<b>5 367 037</b>	<b>1 516 763</b>

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R571 092 be certified as irrecoverable and be written off.

With reference to MFMA circular 68, we are of the opinion that the municipality acted in good faith in all these Regulation 32 appointments. Comparison was also adjusted.

**51. MATERIAL LOSSES**



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2019**

**2018**

**R**

**R**

**Electricity distribution losses**

- Units purchased (Kwh)	92 425 838	91 314 146
- Units lost during distribution (Kwh)	6 290 027	9 770 776
<b>- Percentage lost during distribution</b>	<b>6.81%</b>	<b>10.70%</b>

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

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

Non-Technical losses are due to:

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

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

**Water Inventory**

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

**Riversdale**

Kiloliters purchased	826 973	870 135
Movement in stock	-	-
Kiloliters sold	811 476	812 042
Kiloliters lost in distribution	15 497	58 093
Percentage loss in distribution	1.87%	6.68%
Cost per kiloliter	R 0.65	R 0.57
Total cost in Rand	10 073	33 113

**Heidelberg and Witsand**

Kiloliters purchased	493 190	549 901
Movement in stock	-	-
Kiloliters sold	444 842	457 668
Kiloliters lost in distribution	48 348	92 233
Percentage loss in distribution	10%	17%
Cost per kiloliter	R 9.84	R 8.08
Total cost in Rand	475 744	745 240

**Slangrivier**

Kiloliters purchased	101 231	85 689
Movement in stock	-	-
Kiloliters sold	79 566	73 272
Kiloliters lost in distribution	21 665	12 417
Percentage loss in distribution	21%	14%
Cost per kiloliter	R 8.55	R 8.69
Total cost in Rand	185 236	107 905

**Total amount of water losses**

**671 054      886 257**

Water losses will be considered to be distribution losses and have been written off in the Statement of Financial Performance.

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

**52. CONTINGENT LIABILITIES**

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

Case	Evaluation	R	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 has already been paid but further costs will be incurred.	40 000	20 000
S Pain v HM	Applicant is claiming damages from the Municipality.	40 000	30 000
Breedezicht Home Owners Association / HM	High Court Application with regards to maintenance of roads in a private estate. The legal advisors are of the view that the claim will not be successful and that damages will not be granted in favour of the Claimant.	100 000	
Minister of Water & Sanitation / HM	Dispute with regards to water sources. The legal advisors are of the view that the claim will not be successful and that damages will not be granted in favour of the Claimant.	2 541 903	
J Pieters / HM	High Court Application – Injury on Duty. We are waiting for the Executor of the estate to confirm whether he will proceed with the application. The legal advisors are of the opinion that the application will not be successful and will be dismissed by the High Court.	30 000	
Mockson v HM	Unfair dismissal claim - individual labour relations dispute awaiting final arbitration in the South African Local Government Bargaining Council (SALGBC). Partly heard. The applicant's prospect of success is unlikely.	328 307	
Flores v HM	Unfair dismissal claim - individual labour relations disputes relating to contract termination. Awaiting final arbitration in the South African Local Government Bargaining Council (SALGBC). The applicant's prospect of success is undetermined as the merits of the case is still to be heard.	78 000	
T Joubert v HM	Third parties fencing damaged during fire breakout - We are currently waiting for feedback from attorney, whether the settlement will be made out of court or not. The outcome at this stage cannot be determined.	30 000	

**53. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors and reclassifications (Note 46).

**54. GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- On 30 May 2018 the Council adopted the 2018/19 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.
- 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.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an on going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

**55. BUDGET COMPARATIVE NOTES**

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

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

- Rev1 Fines issued are less than envisaged.
- Rev2 More vehicle registrations than anticipated.
- Rev3 Unspent Grants : Library, Housing Transfer Costs, ICT project, SETA training
- Rev4 Unspent Grants: Water Meters Hessequa, Installation of Rooftop PV
- 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 Main reasons for the excess revenue over budget are camping fees and development charges.
- Rev9 Business Hub Heidelberg (R1 000 000) - Project not started by donor.

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

- Exp1 Vacant posts not filled (R7 mil), actuarial gain on the Retirement Benefit Liability (R8.5 mil)
- Exp2 Savings due to excessive amount of roll overs of 2018/19 capital budget to 2019/20.
- Exp3 Less spent on Water, Stationery, Fuel, Materials & Supplies and Various Materials required for Repairs & Maintenance.
- Exp4 No external loan was taken up in the 2017/18 financial year. The budget for 2018/19 provide for finance charges on the loan.
- Exp5 Overspending traffic fines management, underspending housing schemes, master planning, collection cost etc.
- Exp6 Less spent on Telephone, Insurance, SETA training & Remuneration of Ward Committes,
- Exp7 Overspending is due to an increase in consumption, which increased sales and were used internally.

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

- Fp1 The budget schedules do not provide for exchange and non-exchange, hence the differences. The total outstanding receivables at year end is approximately R6 million less than budgeted. The main reason is due to lower than expected income from traffic fines.
- Fp2 More cash available due to underspending on the capital budget.

**Liabilities**

- Fp3 Deposits more than anticipated.
- Fp4 The budget includes conditional grants and staff leave. The latter has been reclassified to Current Employee Benefits.
- Fp5 The budget is understated because of uncertainty of the spending of the capital budget.
- Fp6 The budget is understated due to the reclassification of staff leave provision. This was done after the approval of the adjustment budget.
- Fp7 Council did not raise the full budgeted amount.
- Fp8 The actual amount is more than the budget as a result of the increase in provision for land-fill sites. Trust funds are included in the non-current provision since there is not a line item for this in the schedules.
- Fp9 Accumulated surplus is more than expected because of more revenue collected than budgeted and actual expenditure less than budgeted for.

**Cash Flow**

- Cf1 More revenue received than expected.
- Cf2 Revenue from traffic fines less than expected.
- Cf3 The budget assumed that all budgeted grant funds would be received and spent. This did not realise.
- Cf4 Expenditure less than budget.
- Cf5 More investment funds available due to poor capital spending.
- Cf6 No external loan was taken up in the 2017/2018 financial year, although anticipated finance charges was included in the budget.
- Cf7 Capital budget underspent.
- Cf8 Underspending of the capital budget, resulted in more cash available for investment.

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

- Cap1 Underspending on Tidal pool, Office space/toilets, Budget Tool and Eating area. Donated PPE for business hub did not realise.
- Cap2 Underspending on community & social services - Thusong Centre & Slangrivier Cemetery.
- Cap3 Underspending on public conveniences and sport fields.
- Cap4 Underspending on roads and vehicles
- Cap5 Underspending on electricity projects - rooftop PV and transformer Stilbaai & cherry picker.
- Cap6 Underspending on bulk sewerage works & suction tanker.
- Cap7 Underspending on reservoir, sandfilters, water meters and boreholes.

**56. CONTRACTED SERVICES**

Outsource Services	4 397 256	2 634 048
Consultants and Professional Services	4 461 611	5 610 539
Contractors	17 431 450	23 948 070
<b>Total</b>	<b>26 290 317</b>	<b>32 192 657</b>

**57. INVENTORY CONSUMED**

Water	5 195 137	4 531 744
Fuel	7 459 583	6 189 843
Materials & Supplies	9 189 767	8 513 929
<b>Total</b>	<b>21 844 488</b>	<b>19 235 516</b>

**58. STATUTORY RECEIVABLES**

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

**Taxes**

VAT (Payable) / Receivable	(990 510)	1 689 073
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**Receivables from Non-Exchange Transactions**

	81 527 363	70 771 336
Rates	13 709 025	11 463 869
Fines	67 818 339	59 307 467

**Total Statutory Receivables (before provision)**

	<b>80 536 854</b>	<b>72 460 409</b>
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**Less: Provision for debt impairment**

	(60 219 352)	(51 246 014)
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**Total Statutory Receivables (after provision)**

	<b>20 317 502</b>	<b>21 214 394</b>
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**Appendix A - Unaudited**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

<b>EXTERNAL LOANS</b>	<b>Interest Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30-Jun-18 R</b>	<b>Received during the period R</b>	<b>Redeemed written off during the period R</b>	<b>Balance at 30-Jun-19 R</b>
<b>Annuity Loans</b>							
Development Bank	10.495%	12007420/61006812	2021	9 087 632	-	(2 723 622)	6 364 011
Absa Bank	10.20%	4068858722	2027	18 781 123	-	(1 357 725)	17 423 398
First National Bank	11.40%	4-000-019-445-833	2020	4 396 464	-	(2 076 675)	2 319 789
Development Bank	11.56%	103465	2019/06	1 494 987	-	(1 494 988)	0
Nedbank	9.01%	05/7831031707/000001	2022/06	12 430 452	-	(2 711 804)	9 718 648
Development Bank	8.90%	12007748/61007148	2023/06	9 869 391	-	(1 644 533)	8 224 858
Development Bank	9.98%	12007830/61007233	2024/06	17 791 479	-	(2 293 706)	15 497 773
Standard Bank	11.26%	280033036	2026/06	37 703 404	-	(3 126 674)	34 576 730
Development Bank	9.20%	12008175/61007562	2029/06		30 000 000	22 685	30 022 685
<b>Total External Loans</b>				<b>111 554 932</b>	<b>30 000 000</b>	<b>-17 407 041</b>	<b>124 147 891</b>



**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

	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
<b>Land and Buildings</b>													
Land	165 394 047	168 880	-	-	-	-	-	165 562 927	18 171 940	-	-	18 171 940	147 390 986
Buildings	58 351 506	751 192	-	-	32 047	0	-	59 134 746	30 668 770	1 871 819	-	32 540 589	26 594 157
	<b>223 745 554</b>	<b>920 072</b>	<b>-</b>	<b>-</b>	<b>32 047</b>	<b>0</b>	<b>-</b>	<b>224 697 672</b>	<b>48 840 710</b>	<b>1 871 819</b>	<b>-</b>	<b>50 712 529</b>	<b>173 985 143</b>
<b>Investment Property</b>													
Land and Buildings	71 841 781	-	-	1 968 633	-	-	(204 000)	73 606 414	-	-	-	-	73 606 414
	<b>71 841 781</b>	<b>-</b>	<b>-</b>	<b>1 968 633</b>	<b>-</b>	<b>-</b>	<b>(204 000)</b>	<b>73 606 414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 606 414</b>
<b>Intangible Assets</b>													
Water Rights	400 000	-	-	-	-	-	-	400 000	127 777	13 333	-	141 110	258 890
Software	57 480	-	-	-	-	-	-	57 480	30 793	8 211	-	39 004	18 476
	<b>457 480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>457 480</b>	<b>158 570</b>	<b>21 545</b>	<b>-</b>	<b>180 115</b>	<b>277 365</b>
<b>Infrastructure</b>													
<b>Sewerage</b>													
Purification	84 167 298	2 598 972	-	-	13 994 836	(1 670 710)	-	99 090 397	12 880 062	1 921 176	-	14 801 238	84 289 159
Outfall Sewerage	6 672 963	3 368 816	-	-	-	(3 483 500)	-	6 558 280	4 788 605	229 373	-	5 017 978	1 540 302
Reticulation	38 033 953	2 906 441	-	-	5 312	7 586 976	-	48 532 683	7 824 845	792 141	-	8 616 986	39 915 697
<b>Water</b>													
Water Meters	4 360 672	0	-	-	-	-	-	4 360 672	1 447 763	145 764	-	1 593 527	2 767 144
Reticulation Network	44 573 711	5 853 204	-	-	2 846 472	(5 906 998)	(2 866)	47 363 523	8 462 686	1 514 340	(2 920)	9 974 106	37 389 417
Pump Stations	2 528 076	0	-	-	-	(183 115)	-	2 344 961	1 523 871	103 678	-	1 627 549	717 412
Purification Works	2 992 449	9 831 931	-	-	-	(875 628)	-	11 948 752	1 781 050	156 919	-	1 937 969	10 010 783
Reservoirs/Tanks	32 383 162	1 029 589	-	-	-	4 532 974	-	37 945 725	7 766 903	812 817	-	8 579 720	29 366 005
<b>Electricity</b>													
Power Stations	277 073	0	-	-	-	-	-	277 073	170 792	20 646	-	191 438	85 635
Transformer Kiosks	5 914 574	0	-	-	-	-	-	5 914 574	1 046 580	125 777	-	1 172 357	4 742 217
Substations	49 622 502	1 593 964	-	-	-	3 004 480	-	54 220 947	3 623 463	1 202 292	23	4 825 778	49 395 169
Streetlights	10 456 490	0	-	-	-	-	-	10 456 490	2 734 411	339 832	-	3 074 243	7 382 247
Electricity Meters	643 930	0	-	-	-	(342 592)	-	301 338	12 054	12 054	-	24 107	277 231
Mains	47 957 295	2 851 480	-	-	-	(2 763 864)	-	48 044 911	8 250 614	995 534	-	9 246 148	38 798 763
<b>Solid Waste</b>													
	1 450 882	91 901	-	-	81 560	-	-	1 624 343	747 241	60 904	-	808 145	816 199

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

	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
<b>Roads and Stormwater</b>													
Motorways	162 764 604	6 170 608	-	-	3 637 491	436 510	(163 841)	172 845 371	35 474 379	5 419 726	(18 319)	40 875 786	131 969 586
Stormwater	112 159 510	0	-	-	-	(436 510)	(326 882)	111 396 118	13 149 930	1 394 908	(37 637)	14 507 200	96 888 917
Parking Areas	822 408	0	-	-	-	-	-	822 408	83 171	21 022	-	104 193	718 215
Footpaths	4 086 383	0	-	-	-	-	-	4 086 383	173 542	51 243	-	224 785	3 861 598
	<b>611 867 935</b>	<b>36 296 906</b>	<b>-</b>	<b>-</b>	<b>20 565 671</b>	<b>(101 975)</b>	<b>(493 589)</b>	<b>668 134 948</b>	<b>111 941 960</b>	<b>15 320 146</b>	<b>(58 853)</b>	<b>127 203 253</b>	<b>540 931 695</b>
<b>Community Assets</b>													
Cemeteries	2 938 053	701 431	-	-	277 705	-	-	3 917 189	577 225	102 402	-	679 627	3 237 562
Sport Grounds	15 573 579	657 278	-	-	130 722	-	-	16 361 579	7 408 634	623 114	-	8 031 748	8 329 831
Parks	7 439 747	938 265	-	-	-	(14 080)	-	8 363 933	3 690 111	319 455	-	4 009 567	4 354 366
Public Conveniences	3 411 166	603 376	-	-	-	-	-	4 014 543	297 603	176 051	-	473 654	3 540 889
	<b>29 362 546</b>	<b>2 900 351</b>	<b>-</b>	<b>-</b>	<b>408 427</b>	<b>(14 080)</b>	<b>-</b>	<b>32 657 244</b>	<b>11 973 572</b>	<b>1 221 023</b>	<b>-</b>	<b>13 194 595</b>	<b>19 462 649</b>
<b>Heritage Assets</b>													
Mayoral chains	30 000	-	-	-	-	-	-	30 000	-	-	-	-	30 000
Art Collections, antiquities and exhibits	8 291 875	-	-	-	-	-	-	8 291 875	-	-	-	-	8 291 875
	<b>8 321 875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 321 875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 321 875</b>

**Appendix B - Unaudited**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

	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
<b>Other Assets</b>													
<b>Emergency Equipment</b>													
Emergency	1 962 662	1 933 216	-	-	-	-	-	3 895 878	316 407	117 611	-	434 018	3 461 860
<b>Plant&amp;Equipment</b>													
Graders and Frontloaders	5 494 364	65 378	-	-	-	-	(29 396)	5 530 346	2 450 513	311 295	(22 158)	2 739 650	2 790 696
Tractors	3 101 739	-	-	-	-	-	(64 669)	3 037 070	1 401 470	219 682	(45 484)	1 575 668	1 461 401
Boats	40 000	-	-	-	-	-	-	40 000	19 978	2 667	-	22 644	17 356
Lawnmowers	1 600 876	108 595	-	-	-	2 220	-	1 711 691	672 278	90 141	-	762 419	949 273
Compressors	69 422	-	-	-	-	-	-	69 422	40 241	3 702	-	43 942	25 479
Other Plant and Equipment	11 690 253	556 498	-	-	-	8 598	(69 978)	12 185 371	3 218 455	661 920	(39 620)	3 840 755	8 344 616
<b>MotorVehicles</b>													
Sedans	1 862 164	397 803	-	-	-	-	(4 860)	2 255 107	497 928	161 345	(3 884)	655 389	1 599 718
Motor Cycles	100 421	-	-	-	-	-	-	100 421	57 266	5 251	-	62 517	37 904
Trailers	2 185 241	102 489	-	-	-	-	(999)	2 286 731	900 581	106 991	(720)	1 006 851	1 279 880
Trucks/LDV's	33 087 342	1 556 773	-	-	-	-	(671 803)	33 972 312	9 697 883	1 739 904	(502 260)	10 935 527	23 036 785
<b>Office Equipment</b>													
Computer Equipment	6 497 795	1 609 556	-	-	-	-	(117 990)	7 989 362	1 533 280	441 520	(66 770)	1 908 030	6 081 332
Other Equipment	930 623	-	-	-	-	-	(236)	930 387	312 325	46 945	(112)	359 158	571 230
Office Machines	2 996 314	-	-	-	-	-	(55 120)	2 941 195	1 111 260	174 843	(26 138)	1 259 965	1 681 229
Furniture and Fittings	7 547 712	611 380	-	-	-	3 262	(49 403)	8 112 951	1 856 383	310 211	(17 703)	2 148 891	5 964 060
<b>Security Equipment</b>													
Security	170 293	-	-	-	-	-	-	170 293	69 200	13 768	-	82 968	87 324
<b>Landfill site rehabilitation</b>													
Landfill site rehabilitation	48 607 915	-	16 854 461	-	-	-	-	65 462 376	23 127 026	4 951 879	-	28 078 905	37 383 472
	<b>127 945 135</b>	<b>6 941 688</b>	<b>16 854 461</b>	<b>-</b>	<b>-</b>	<b>14 080</b>	<b>(1 064 452)</b>	<b>150 690 912</b>	<b>47 282 472</b>	<b>9 359 675</b>	<b>(724 849)</b>	<b>55 917 298</b>	<b>94 773 615</b>
<b>TOTAL</b>	<b>1 073 542 305</b>	<b>47 059 017</b>	<b>16 854 461</b>	<b>1 968 633</b>	<b>21 006 145</b>	<b>(101 975)</b>	<b>(1 762 042)</b>	<b>1 158 566 545</b>	<b>220 197 285</b>	<b>27 794 207</b>	<b>(783 702)</b>	<b>247 207 790</b>	<b>911 358 755</b>

**Appendix C - Unaudited**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2019**

									Accumulated Depreciation			Carrying Value 30/06/2019 R	
	Opening Balance 1/7/2018 R	Additions R	Under Construction R	IGRAP 2 Adjustment	Fair Value Adjustment	Disposals R	Transfers due to unbundling	Closing Balance 30/06/2019 R	Opening Balance 1/7/2018 R	Additions R	Disposals R		Closing Balance 30/06/2018 R
Community & Social Services	26 776 176	1 612 091	282 705	-	-	(167 294)	-	28 503 678	6 911 696	632 848	(86 085)	7 458 459	21 045 220
Corporate Services	248 760 652	3 639 971	27 047	-	1 968 633	(264 112)	(14 080)	254 118 111	39 349 197	1 578 432	(31 529)	40 896 101	213 222 011
Electricity	122 144 640	5 368 040	-	-	-	(63 093)	(101 975)	127 347 611	18 243 192	2 954 825	(39 027)	21 158 990	106 188 621
Environmental Protection	83 283	24 724	-	-	-	-	-	108 007	26 833	5 765	-	32 598	75 409
Executive and Council	4 272 404	263 091	-	-	-	(85 650)	-	4 449 845	1 186 973	265 288	(47 204)	1 405 057	3 044 788
Other	364 572	-	-	-	-	(4 144)	-	360 428	142 573	16 532	(2 210)	156 895	203 533
Housing	15 512	56 925	-	-	-	-	-	72 437	958	1 874	-	2 833	69 604
Planning and Development	487 475	172 427	-	-	-	-	-	659 903	187 227	29 211	-	216 438	443 464
Public Safety	7 522 308	2 073 513	-	-	-	(13 403)	-	9 582 417	1 359 327	413 972	(6 251)	1 767 047	7 815 370
Road Transport	303 354 319	6 357 079	3 637 491	-	-	(1 067 533)	436 510	312 717 866	59 085 593	8 241 928	(519 130)	66 808 391	245 909 474
Sports and Recreation	78 339 521	3 558 285	130 722	-	-	(68 373)	14 080	81 974 235	19 248 236	2 088 937	(31 753)	21 305 420	60 668 815
Waste Management	193 178 768	6 511 247	14 081 708	16 854 461	-	(25 093)	1 996 257	232 597 349	52 944 947	8 760 149	(17 242)	61 687 853	170 909 496
Water	88 242 675	17 421 624	2 846 472	-	-	(3 670)	(2 432 767)	106 074 333	21 510 533	2 804 445	(3 294)	24 311 684	81 762 649
<b>TOTAL</b>	<b>1 073 542 305</b>	<b>47 059 017</b>	<b>21 006 145</b>	<b>16 854 461</b>	<b>1 968 633</b>	<b>(1 762 367)</b>	<b>-101 975</b>	<b>1 158 566 220</b>	<b>220 197 285</b>	<b>27 794 207</b>	<b>(783 726)</b>	<b>247 207 766</b>	<b>911 358 454</b>



**Appendix D - Unaudited**

**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

(including inter-departmental charges)

<b>2018</b>				<b>2019</b>		
<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus/ (Deficit)</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus/ (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
38 427 893	28 428 095	9 999 798	Executive And Council	41 439 621	15 348 225	26 091 396
-	1 271 580	(1 271 580)	Internal Audit	(2 035)	1 394 350	(1 396 385)
115 037 950	48 908 923	66 129 027	Finance And Administration	128 474 189	51 726 442	76 747 747
4 757 270	9 377 432	(4 620 161)	Planning And Development	3 685 729	9 979 435	(6 293 706)
8 493 645	16 244 443	(7 750 798)	Community And Social Services	8 615 032	17 118 764	(8 503 732)
11 081 202	12 058 341	(977 138)	Housing	3 244 801	4 713 426	(1 468 626)
981 836	4 861 679	(3 879 844)	Public Safety	278 713	5 178 197	(4 899 484)
474 821	1 556 886	(1 082 066)	Environmental Protection	441 659	1 962 104	(1 520 445)
11 817 460	21 659 111	(9 841 651)	Sport And Recreation	12 258 116	23 423 180	(11 165 065)
46 850 622	79 593 024	(32 742 402)	Road Transport	63 919 648	103 655 566	(39 735 919)
11 524 617	26 224 313	(14 699 696)	Waste Water Management	35 224 426	28 374 183	6 850 243
15 613 078	29 218 052	(13 604 974)	Waste Management	19 824 944	30 096 782	(10 271 838)
36 953 819	29 419 693	7 534 126	Water Management	53 486 757	33 792 564	19 694 193
185 681 413	129 070 632	56 610 781	Energy Sources	157 740 031	134 326 543	23 413 488
19 997	1 184 364	(1 164 367)	Other	118 077	1 247 973	(1 129 896)
<b>487 715 623</b>	<b>439 076 568</b>	<b>48 639 055</b>	<b>Sub total</b>	<b>528 749 707</b>	<b>462 337 737</b>	<b>66 411 970</b>
(31 100 476)	(31 100 476)	-	Less inter-departmental charges	(32 930 900)	(32 930 900)	-
<b>456 615 148</b>	<b>407 976 092</b>	<b>48 639 055</b>	<b>Total</b>	<b>495 818 806</b>	<b>429 406 836.57</b>	<b>66 411 970</b>

**Appendix D (i) - Unaudited**

**SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Approved Budget	Amendments	Final Budget	Actual	Variance	Approved Budget	Amendments	Final Budget	Actual	Variance
Executive And Council	42 199 193	-	42 199 193	41 374 021	(825 172)	25 641 270	-	25 641 270	15 348 225	(10 293 045)
Internal Audit	-	-	-	(2 035)	(2 035)	1 503 999	-	1 503 999	1 394 350	(109 649)
Finance And Administration	99 665 080	-	99 665 080	113 300 442	13 635 362	59 672 351	(2 336)	59 670 015	50 720 072	(8 949 943)
Planning And Development	4 994 982	-	4 994 982	3 751 329	(1 243 653)	11 164 017	52 500	11 216 517	9 979 435	(1 237 082)
Community And Social Services	9 720 279	-	9 720 279	8 615 032	(1 105 247)	18 333 404	5 000	18 338 404	15 923 729	(2 414 675)
Housing	6 631 630	-	6 631 630	3 244 801	(3 386 829)	8 177 015	-	8 177 015	4 713 426	(3 463 589)
Public Safety	71 875 910	-	71 875 910	62 862 260	(9 013 650)	74 663 435	120 604	74 784 039	70 022 865	(4 761 174)
Environmental Protection	537 612	-	537 612	441 659	(95 953)	1 964 463	(6 163)	1 958 300	1 962 104	3 804
Sport And Recreation	12 182 974	-	12 182 974	12 258 116	75 142	21 050 084	(55 105)	20 994 979	17 856 832	(3 138 147)
Road Transport	703 000	-	703 000	1 153 640	450 640	41 584 658	(134 248)	41 450 410	38 627 017	(2 823 393)
Waste Water Management	31 736 325	-	31 736 325	34 998 091	3 261 766	23 564 619	(106 473)	23 458 146	21 995 051	(1 463 096)
Waste Management	18 320 082	-	18 320 082	19 567 364	1 247 282	31 678 485	(33 012)	31 645 473	29 429 858	(2 215 615)
Water Management	49 584 866	-	49 584 866	50 745 257	1 160 391	31 696 310	161 753	31 858 063	28 503 659	(3 354 404)
Energy Sources	141 762 809	-	141 762 809	143 390 752	1 627 943	126 560 081	(2 520)	126 557 561	121 682 238	(4 875 323)
Other	10 000	-	10 000	118 077	108 077	1 487 654	-	1 487 654	1 247 973	(239 681)
<b>Total</b>	<b>489 924 742</b>	<b>-</b>	<b>489 924 742</b>	<b>495 818 806</b>	<b>5 894 064</b>	<b>478 741 845</b>	<b>-</b>	<b>478 741 845</b>	<b>429 406 837</b>	<b>(49 335 008)</b>

**APPENDIX E (1) - Unaudited**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>Explanation of Significant Variances</b>
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>greater than 5% versus Budget and material</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
<b>Revenue</b>					
Property Rates	86 657 328	84 864 620	1 792 708	2.11	
Service charges	218 878 708	213 928 430	4 950 278	2.31	
Rental of facilities and equipment	2 905 927	1 951 506	954 421	48.91	Excess revenue over budget on investment property (R699 399), machinery and equipment (R188 959) & rental - residential (R98 138)
Interest earned - external investments	18 188 992	5 528 100	12 660 892	229.03	More funds available for investment due to poor capital spending & projects rolled over to the 2019/20 financial year
Interest earned - outstanding debtors	2 367 953	1 572 649	795 304	50.57	Increase in outstanding debtors year to year contribute to the higher interest income
Fines	58 699 669	67 871 713	(9 172 044)	(13.51)	Revenue is lower than expected. Council had a meeting with the service provider to clear up this decrease. The meeting was positive, and the results should improve in 2019/20.
Licences and permits	1 445 420	1 474 532	(29 112)	(1.97)	
Donated property, plant and equipment	4 722 091	5 500 000	(777 909)	(14.14)	Business Hub Heidelberg - donation by mine company not received (R1 000 000)
Income for agency services	2 408 309	2 031 680	376 629	18.54	More vehicle registrations than anticipated
Government grants and subsidies - Operational	56 568 366	62 367 617	(5 799 251)	(9.30)	1. Capacity building - ITC (R466 000) - tender for IT project not awarded by year end - application for roll over 2. Housing scheme transfer fees(R3 516 000) - transfer of title deeds will only commence in the 2019/20 financial year - application for roll over 3. Libraries (R682 219) - application for roll over 4. SETA training - will roll over to the 2019/20 financial year
Government grants and subsidies - Capital	23 703 308	24 525 743	(822 435)	(3.35)	1. Water meter (R217 310) - project not implemented - application for roll over 2. Installation of rooftop on PV municipal (R273 533) - project not implemented - application for roll over 3. Drought support boreholes Albertinia/Still Bay (R179 482 - project incomplete - application for roll over 4. MSI - budget tool (R250 000) - application for roll over
Gain on revaluation of investment property	-	-	-		
Other Income	16 916 650	15 808 152	1 108 498	7.01	1. Excess revenue collected over budget - camping fees (R1 310 082), development charges (R336 481), valuation fees (R116 996).
Gains/(Loss) on Sale of Fixed Assets	2 356 085	2 500 000	(143 915)	(5.76)	
<b>Total Income</b>	<b>495 818 806</b>	<b>489 924 742</b>	<b>5 894 064</b>	<b>1.20</b>	

**APPENDIX E (1) - Unaudited**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
<b>Expenditure</b>					
Employee related costs	149 909 821	165 475 148	(15 565 327)	(9.41)	
Remuneration of councillors	7 588 445	8 050 309	(461 864)	(5.74)	
Bad Debts	57 822 982	59 530 298	(1 707 316)	(2.87)	
Depreciation and impairment	27 794 207	35 959 608	(8 165 401)	(22.71)	Depreciation budgeted as if the full budget will be spent
Interest - External borrowings	16 899 034	21 179 799	(4 280 765)	(20.21)	No external loan was taken up in the 2017/18 financial year, although finance charges on the loan was included in the budget.
Bulk Purchases	97 204 702	94 197 457	3 007 245	3.19	Overspending is due to an increase in consumption, including internal usage.
Contracted Services	26 290 317	36 360 957	(10 070 640)	(27.70)	Savings on budget- Consultant & Professional services (R5 221 209), Housing transfer of title deeds (R3 548 000) & Contractors (R2 113 107)
Inventory Consumed	22 515 542	26 532 061	(4 016 519)	(15.14)	Savings on budget - Water (R1 961 797), Electricity (R160 605), Streets (R251 008), Municipal Buildings R67 757), Vehicle maintenance R54 662), Fuel (R803 264), Oil (R58 401), Material and supplies (R217 298) & Stationary (R258 093)
Transfers and Subsidies	1 133 147	1 206 500	(73 353)	(6.08)	
General Expenses	22 248 639	30 249 708	(8 001 069)	(26.45)	Savings on budget - telephone & postage (R1 649 442), insurance (R715 228), learnerships & SETA (R1 031 082), remuneration of ward committees (R327 410), Vehicles (R698 027), IT & Software (R948 724), advertising, bank fees and travelling & subsistence.
<b>Total Expenditure</b>	<b>429 406 837</b>	<b>478 741 845</b>	<b>(49 335 008)</b>	<b>(10.31)</b>	
<b>Operating Surplus/(Deficit) for the Year</b>	<b>66 411 970</b>	<b>11 182 897</b>	<b>55 229 073</b>	<b>493.87</b>	



APPENDIX E (2) - Unaudited

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
<b>Land</b>					
Land & Buildings	537 916	1 156 334	(618 418)	(53.48)	(1) Upgrading of office space Riversdale (R80 409) - Project cancelled due to non-responsive tenders received (2) Eating area for workers Slangrivier (R322 953) - Project cancelled due to construction not completed by year end 3 Building of additional toilet Civic Centre Riversdale (R50 000) - Contractor cancelled due to unforeseen circumstances
	<b>537 916</b>	<b>1 156 334</b>	<b>(618 418)</b>	<b>(53.48)</b>	
<b>Infrastructure</b>					
<u>Sewerage</u>	22 874 377	28 843 213	(5 968 836)	(20.69)	(1) Upgrading of sewerage works Phase 2 Riversdale (R1 192 836) - Multi-year project where funds were made available to continue the project during the 2019/20 financial year 2. Upgrading of sewerage works Gouritsmond (R1 229 547), Service of municipal property Hessequa (R97 134), Pump for pumpstation Stilbaai (R85 852), Extension of existing sewerage Albertinia (R352 309), Extension of flow sewer Heidelberg (R168 379). Bulk sewer upgrade phase 1 Stilbaai (R1 818 246) and Bulk Sewer upgrade phase 2 Stilbaai (R975 749) was completed and the balance can be seen as a saving.
<u>Water</u>	19 561 196	22 916 345	(3 355 149)	(14.64)	(1) Water Meters Hessequa - (R217 310) & Upgrading of sandfilters Riversdale (R208 059) - Closed quotation process were followed for these projects and prices received was more than the budgeted amount 2. Boreholes Albertinia/Stilbaai (R179 482) 3. Riversdale low level reservoir rehabilitation (R1 500 000) - Multi-year project. Funds were rolled over and added to the funds available in the 2019/20 financial year 4. Sandfilters Gouritsmond (R750 000) - Technical investigation indicated that alternative technology would be more efficient. Project cancelled & funds rolled over to the 2019/20 financial year 5. Desalination plant Witsand (+ R 222 091) - Grant-in-kind by the French Government. Project completed. The capital value of the asset is more than the budgeted amount.
<u>Electricity</u>	4 445 444	5 775 033	(1 329 589)	(23.02)	1. Installation of rooftop PV on municipal (R273 533) - Tender price too high for available budget and project temporarily cancelled 2. Installation of new transformer Stilbaai (R500 000) - Due to delivery period, the transformer could not be installed before year end and project was transferred to 2019/20 budget 3. Informal settlement development Kwanokathula (R 150 000) - Funds were reallocated 4. Upgrading streetlights Jongensfontein (R13 432), Upgrading 11 KV Main sub-station Albertinia (R107 603), Upgrading & service of erven Preekstoel (R60 408), Service of municipal property Hessequa (R150 000), Electrification of low cost houses Hessequa (R176 586) was completed and the balance can be seen as savings.
<u>Solid Waste</u>	173 461	250 000	(76 539)	(30.62)	Reloading station & additional cells - Witsand (R68 440)
<u>Roads and Stormwater</u>	9 710 243	12 216 148	(2 505 905)	(20.51)	1. Westerly Road bypass Stilbaai (R2 279 736) The estimated programme for implementation will be later than originally expected. Funding for the project will be provided at a later stage according to the revised programme for implementation
<u>Information And Communication Infrastructure</u>	794 016	983 000	(188 984)	(19.23)	1. Fibre recabling Hessequa - Fibre became available via the current Wispernet agreement. Funds on the initial project was reallocated.
	<b>57 558 738</b>	<b>70 983 739</b>	<b>(13 425 001)</b>	<b>(128.71)</b>	

**APPENDIX E (2) - Unaudited**

**ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019 Actual R</b>	<b>2019 Budget R</b>	<b>2019 Variance R</b>	<b>2019 Variance %</b>	<b>Explanation of <i>Significant</i> Variances greater than 5% versus Budget</b>
<b>Intangible Assets</b>					
<u>Computer Software And Applications</u>	65 600	315 600	(250 000)	(79.21)	1. Software budget tool Hessequa (R250 000) - Project cancelled. Funds provided in the 2019/20 financial year.
	<b>65 600</b>	<b>315 600</b>	<b>(250 000)</b>	<b>(79.21)</b>	
<b>Community Assets</b>					
<u>Public Convenience</u>	507 681	2 230 000	(1 722 319)	(77.23)	1. Building on Thusong Centre (R245 000) and Upgrading of tidal pool floor - Gouritsmond (R430 000) was cancelled due to non-performance of the contractors 2. Business Hub - Heidelberg - grant in kind - (R1000 000) not started by year end
<u>Sportfields</u>	2 093 691	3 097 595	(1 003 904)	(32.41)	1. Upgrading of Swimming pool - De Mist (R200 000) was advertised twice resulting in no responsive tenders, (2) Upgrading of sportfields Stilbaai (R250 000) - Tender process was cancelled due to the tender price being higher than the available budget 3.Upgrading of ablution facilities Ellensrust Camp (R211 878) - phase 1 was completed and remaining funds will be rolled over to the next financial year and used with funds allocated in 2019/20 financial year to complete phase 2 4. New toilets at tennis club - Jongensfontein (R120 000) - Budgeted funds insufficient to complete the project and will the project be put on the budget at a later stage with co-funding from the tennis club 5. New ablution facilities Heidelberg sportsgrounds (R119 278) - Project was not completed by year end due to time limitations
<u>Libraries</u>	266 535	266 535	(0)	(0.00)	
<u>Cemeteries</u>	979 136	1 270 000	(290 864)	(22.90)	1. The fencing of the Cemetery (Slangrivier), was terminated due to the contractor being unable to complete the project (R208 945) due to financial constraints 2. Wall of remembrance Heidelberg, (R18 000) - Funds was transferred to pay the reallocation of additional plants (Requirements Dept of Enviromental Affairs)
	<b>3 847 043</b>	<b>6 864 130</b>	<b>(3 017 087)</b>	<b>(43.95)</b>	
<b>Other Assets</b>					
<u>Plant &amp; Equipment</u>	1 179 623	1 883 050	(703 427)	(37.36)	1. Double axle trailer with rails -public works- Riversdale (R150 000) - Tender cancelled 2. Plant & Equipment - Public Safety (R259 500) - Funds not spent
<u>Trucks</u>	1 500 000	7 300 000	(5 800 000)	(79.45)	1. Suction tanker sewerage (R1 100 000), Multi-purpose loader (R1 300 000), Double cab truck tipper (R600 000), Cherry Picker Electricity (R1 400 000), 2 x 5m3 Tippers (R1 400 000) - Tender was cancelled due to material irregularities. All the items were transferred to the 2019/20 financial year.
<u>LDV's</u>	1 556 773	1 880 000	(323 228)	(17.19)	Projects completed with savings.
<u>Computer Equipment</u>	816 504	1 006 641	(190 137)	(18.89)	Projects completed with savings.
<u>Furniture &amp; Office Equipment</u>	605 164	687 663	(82 499)	(12.00)	Projects completed with savings.
<u>Other</u>	397 803	400 000	(2 197)	(0.55)	
	<b>6 055 866</b>	<b>13 157 354</b>	<b>(7 101 488)</b>	<b>(53.97)</b>	
<b>Total</b>	<b>68 065 162</b>	<b>92 477 157</b>	<b>(24 411 995)</b>	<b>(26.40)</b>	

73.60% Of total Budget Spent

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

Name of Grant	Funder	Opening Balance 01/07/2018 R		Quarterly Receipts					Quarterly Expenditure					Closing Balance 30/06/2019 R	
				Revert back to Department	September	December	March	June	Total	September	December	March	June		Total
					R	R	R	R	R	R	R	R	R		R
<b>National Government</b>		<b>30 907</b>	<b>-</b>	<b>25 204 000</b>	<b>16 089 000</b>	<b>18 630 000</b>	<b>-</b>	<b>59 923 000</b>	<b>10 817 246</b>	<b>17 453 606</b>	<b>14 026 232</b>	<b>17 622 142</b>	<b>59 919 226</b>	<b>34 681</b>	
Equitable Share	COGTA	-	-	17 035 000	13 628 000	10 222 000	-	40 885 000	10 221 250	10 221 250	10 221 250	10 221 250	40 885 000	-	
MIG Projects	COGTA	-	-	5 361 000	-	8 101 000	-	13 462 000	168 275	5 343 056	1 484 481	6 466 188	13 462 000	-	
Financial Management Grant	COGTA	-	-	1 550 000	-	-	-	1 550 000	253 352	413 300	588 213	295 136	1 550 000	-	
National Electricity Program	DME	-	-	1 000 000	2 000 000	-	-	3 000 000	-	991 704	1 553 186	455 109	3 000 000	-	
Expanded Public Works Programme	DPW	-	-	258 000	461 000	307 000	-	1 026 000	174 370	484 296	179 102	184 459	1 022 226	3 774	
Accelerated Community Infrastr. Programme	DWA	30 907	-	-	-	-	-	-	-	-	-	-	-	30 907	
<b>Provincial Government</b>		<b>11 108 432</b>	<b>-376 892</b>	<b>3 339 999</b>	<b>3 898 000</b>	<b>6 739 780</b>	<b>651 000</b>	<b>14 628 778</b>	<b>6 250 233</b>	<b>4 071 826</b>	<b>3 750 550</b>	<b>6 083 737</b>	<b>20 156 346</b>	<b>5 203 972</b>	
Human Settlement Development	WC: Housing	2 659 344	-	431 998	-	2 933 824	651 000	4 016 821	1 309 747	479 595	1 370 824	-	3 160 165	3 515 999.80	
Library Municipal Replacement Funding	WC: Cult. Affairs	254 961	-	1 766 667	1 766 667	1 766 666	-	5 300 000	1 051 525	1 277 642	1 142 056	1 398 058	4 869 281	685 680	
Municipal Capacity Building Grant	WC: Local Gov	360 000	(360 000)	-	360 000	-	-	360 000	-	-	-	352 903	352 903	7 097	
Library Conditional Grant	WC: Cult. Affairs	-	-	1 141 334	1 141 333	1 141 333	-	3 424 000	783 603	669 279	659 108	1 312 010	3 424 000	-	
Proclaimed Roads	WC: Transport	-	-	-	-	110 000	-	110 000	-	26 716	83 284	-	110 000	(0)	
Greenest Municipality Competition	WC: Environment	19 067	-	-	-	-	-	-	-	-	-	18 844	18 844	223	
Financial Management Support Grant	WC: Local Govt.	12 668	(12 668)	-	630 000	-	-	630 000	-	83 040	60 172	307 070	450 282	179 718	
Mun Service Delivery and Capacity Bldg	WC:Local Govt.	4 224	(4 224)	-	-	715 957	-	715 957	-	-	-	150 650	150 650	565 307	
Mun Drought Support Grant	WC:Local Govt.	7 500 000	-	-	-	-	-	-	3 072 358	1 508 054	413 246	2 326 860	7 320 518	179 482	
Fire Service Capacity Building Grant	WC:Local Govt.	262 046	-	-	-	-	-	-	-	-	16 361	217 342	233 703	28 343	
LG Graduate Internship Grant	WC:Local Govt.	36 122	-	-	-	72 000	-	72 000	33 000	27 500	5 500	-	66 000	42 122	
<b>District Municipality</b>		<b>338 388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 211</b>	<b>13 211</b>	<b>325 177</b>	
Vermaaklikheid Land Reform	Eden Distr. Mun.	43 787.00	-	-	-	-	-	-	-	-	-	13 211	13 211	30 576	
Alternative Electricity	Eden Distr. Mun.	273 533.00	-	-	-	-	-	-	-	-	-	-	-	273 533	
Housing Consumer Educations	Eden Distr. Mun.	21 068.00	-	-	-	-	-	-	-	-	-	-	-	21 068	
<b>Other</b>		<b>1 202 610</b>	<b>-</b>	<b>10 000</b>	<b>131 656</b>	<b>28 305</b>	<b>165 426</b>	<b>335 386</b>	<b>155 559</b>	<b>23 831</b>	<b>3 500</b>	<b>-</b>	<b>182 890</b>	<b>1 355 105</b>	
Skills Development	Seta	495 961	-	-	114 265	18 305	145 426	277 995	21 000	21 000	3 500	-	45 500	728 456	
National Lottery Fund		303 227	-	-	-	-	-	-	-	-	-	-	-	303 227	
Tourism		101 819	-	10 000	-	10 000	-	20 000	119 999	-	-	-	119 999	1 820	
Africana Centre		314	-	-	-	-	20 000	20 000	-	-	-	-	-	20 314	
Asla Devco - Water meters Slangrivier		217 310	-	-	-	-	-	-	-	-	-	-	-	217 310	
FNB - Speakers forum		-	-	-	17 391	-	-	17 391	14 560	2 831	-	-	17 391	-	
Public Participation Strategy		60 000	-	-	-	-	-	-	-	-	-	-	-	60 000	
Arbor Day Award	Total S A	23 979	-	-	-	-	-	-	-	-	-	-	-	23 979	
<b>TOTAL - CONDITIONAL GRANTS</b>		<b>12 680 337</b>	<b>-376 892</b>	<b>28 553 999</b>	<b>20 118 656</b>	<b>25 398 084</b>	<b>816 426</b>	<b>74 887 164</b>	<b>17 223 038</b>	<b>21 549 263</b>	<b>17 780 282</b>	<b>23 719 091</b>	<b>80 271 674</b>	<b>6 918 936</b>	

An amount of R376 892 for various grants from the Provincial Government were paid back during 2018/19

**1 DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

*The information below, are not verified.*

**1.1 Ownership and Management Control as at 30 June 2019**

The municipality has no shareholding or directors. The categories are therefore excluded from the reporting below. There are also no dividends that were declared.

	Senior Management	Middle Management	Junior Management
<b>Race classification</b>			
African	0	0	4
Coloured	1	16	17
Indian	0	0	0
<b>Gender</b>			
Male	1	14	15
Female	0	2	6
<b>Age</b>			
Youth (Between the ages of 18 to 35)	0	6	12
Middle aged (Between the ages of 36 to 50)	1	8	8
Senior (Older than 50)	0	2	1
<b>Disability</b>			
Male	0	0	0
Female	0	0	0

	Target Score	Actual Score	Bonus Score
<b>Contribution to Scorecard</b>			

**1.2 Skills Development**

All skills developed was in the WSP period 1 May 2018 to 30 April 2019

	Black Employees	Black non-employees	Black People in Internships/ Learnerships	Unemployed Black People	Black People Absorbed
<b>Race classification</b>					
African	30	3	1	0	0
Coloured	297	4	15	0	0
Indian	0	0	0	0	0
<b>Gender</b>					
Male	294	6	9	0	0
Female	33	1	7	0	0
<b>Age</b>					
Youth (Between the ages of 18 to 35)	110	5	16	0	0
Middle aged (Between the ages of 36 to 50)	159	2	0	0	0
Senior (Older than 50)	58	0	0	0	0
<b>Disability</b>					
Male	0	0	0	0	0
Female	0	0	0	0	0

	Target Score	Actual Score	Bonus Score
<b>Contribution to Scorecard</b>			



1.3 Enterprise and Supplier Development		EME's	QSE's	Large
Enterprise Development				
Number of Beneficiaries		1	1	N/A
% Black Ownership		1	1	N/A
% Black Women Ownership		1	1	N/A
Value of Expenditure		250 000	50 000	N/A

Value of 2% of NPAT or 0.02% of Allocated Budget	6 982
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Supplier Development

Number of Beneficiaries	248	92	63
% Black Ownership	238	86	60
% Black Women Ownership	238	86	60
Value of Expenditure	29 894 801	R 19 666 556	R 11 932 476

Value of 1% of NPAT or 0.01% of Allocated Budget	1 824 367
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**Total: Enterprise and Supplier Development**

Number of Beneficiaries			N/A
% Black Ownership	%	%	N/A
% Black Women Ownership	%	%	N/A
Value of Expenditure			N/A

Contribution to Scorecard

Target Score	Actual Score	Bonus Score

1.4 Socio-Economic Development

		Race Classification			
		African	Coloured	Indian	Total
Number of all Participants	7682				
Gender					
Male					
Female					
Location (number of participants per province)					
Eastern Province					
Free State					
Gauteng					
Kwazulu-Natal					
Limpopo					
Mpumalanga					
Northern Cape					
Northwest					
Western Cape	7682				
Value of Expenditure	431 754				

Value of 1% of NPAT or 0.01% of Allocated Budget	4 816
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Contribution to Scorecard

Target Score	Actual Score	Bonus Score

\* Attendance registers did not make provision for race classification but will be updated for the 2020/21 reporting year.

**Appendix H - unaudited**

**APPROPRIATION STATEMENT AT 30 JUNE 2019**

**Statement of Financial Performance**

Figures in Rand

<b>Revenue</b>	<b>Original budget</b>	<b>Budget adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Virement (i.t.o. council approved policy)</b>	<b>Virement (not i.t.o. council approved policy)</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>% Variances on final budget</b>	<b>% Variances on original budget</b>
<b>Revenue from non-exchange transactions</b>	<b>229 027 345</b>	<b>20 118 560</b>	<b>249 145 905</b>	<b>-</b>	<b>-</b>	<b>249 145 905</b>	<b>234 921 899</b>		
Property Rates	84 864 620	-	84 864 620	-		84 864 620	86 657 328	2.11	2.11
Fines	67 871 713	-	67 871 713	-		67 871 713	58 699 669	(13.51)	(13.51)
Licences and permits	1 474 532	-	1 474 532	-		1 474 532	1 445 420	(1.97)	(1.97)
Income from agency services	2 031 680	-	2 031 680	-		2 031 680	2 408 309	18.54	18.54
Interest earned - outstanding receivables	510 000		510 000	-		510 000	717 408	40.67	40.67
Donated Property, Plant and Equipment	1 000 000	4 500 000	5 500 000	-		5 500 000	4 722 091	(14.14)	372.21
Transfers Recognised - Operational	55 750 900	6 616 717	62 367 617	-		62 367 617	56 568 365	(9.30)	1.47
Transfers Recognised - Capital	15 523 900	9 001 843	24 525 743	-		24 525 743	23 703 308	(3.35)	52.69
<b>Revenue from exchange transactions</b>	<b>240 778 837</b>	<b>-</b>	<b>240 778 837</b>	<b>-</b>	<b>-</b>	<b>240 778 837</b>	<b>260 896 907</b>		
Service Charges	213 928 430	-	213 928 430	-		213 928 430	218 878 708	2.31	2.31
Rental of facilities and equipment	1 951 506	-	1 951 506	-		1 951 506	2 905 927	48.91	48.91
Interest earned - external investments	5 528 100	-	5 528 100	-		5 528 100	18 188 992	229.03	229.03
Interest earned - outstanding receivables	1 062 649	-	1 062 649	-		1 062 649	1 650 545	55.32	55.32
Other Revenue	15 808 152	-	15 808 152	-		15 808 152	16 916 650	7.01	7.01
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	-		2 500 000	2 356 085	(5.76)	(5.76)
<b>Total Revenue</b>	<b>469 806 182</b>	<b>20 118 560</b>	<b>489 924 742</b>	<b>-</b>	<b>-</b>	<b>489 924 742</b>	<b>495 818 806</b>	<b>1.20</b>	<b>5.54</b>

**Expenditure**

Employee related costs	166 365 251	(1 169 103)	165 196 148	15 000	264 000	165 475 148	149 909 821	(9.41)	(9.89)
Remuneration of Councillors	8 050 309	-	8 050 309	-		8 050 309	7 588 445	(5.74)	(5.74)
Bad debts	59 530 298	-	59 530 298	-		59 530 298	57 822 982	(2.87)	(2.87)
Depreciation and Asset Impairment	35 959 608	-	35 959 608	-		35 959 608	27 794 207	(22.71)	(22.71)
Finance Charges	20 698 074	481 725	21 179 799	-		21 179 799	16 899 034	(20.21)	(18.35)
Bulk purchases	102 049 357	(7 851 900)	94 197 457	-		94 197 457	97 204 702	3.19	(4.75)
Inventory Consumed	19 459 199	7 742 336	27 201 535	(669 474)		26 532 061	22 515 541	(15.14)	15.71
Transfers and Subsidies	987 100	167 500	1 154 600	51 900		1 206 500	1 133 147	(6.08)	14.80
Contracted services	29 302 507	6 569 503	35 872 010	488 947		36 360 957	26 290 317	(27.70)	(10.28)
General expenses	30 573 365	(173 284)	30 400 081	(150 373)		30 249 708	22 248 640	(26.45)	(27.23)
<b>Total Expenditure</b>	<b>472 975 068</b>	<b>5 766 777</b>	<b>478 741 845</b>	<b>(264 000)</b>	<b>264 000</b>	<b>478 741 845</b>	<b>429 406 837</b>	<b>(10.31)</b>	<b>(9.21)</b>

<b>Operating Surplus/(Deficit) for the Year</b>	<b>(3 168 886)</b>	<b>14 351 783</b>	<b>11 182 897</b>	<b>264 000</b>	<b>(264 000)</b>	<b>11 182 897</b>	<b>66 411 969.58</b>	<b>493.87</b>	<b>(2 195.75)</b>
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\* Not in terms of virement policy, council however approved deviations, since the virement has no effect on the expense line

**Appendix H (i) - unaudited**

**APPROPRIATION STATEMENT AT 30 JUNE 2019**

**Capital Budget**

Figures in Rand

<b>FUNCTIONAL classification</b>	<b>Original budget</b>	<b>Budget adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Virement (i.t.o. council approved policy)</b>	<b>Virement (not i.t.o. council approved policy)</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>% Variances on final budget</b>	<b>% Variances on original budget</b>	<b>Reference</b>
<b>Governance and administration</b>	<b>5 557 420</b>	<b>1 040 334</b>	<b>6 597 754</b>	<b>-</b>	<b>(1 600 000)</b>	<b>4 997 754</b>	<b>2 335 200</b>	<b>-53.28</b>	<b>-57.98</b>	
Executive And Council	40 000	-	40 000	-	-	40 000	29 443	-26.39	-26.39	
Finance And Administration	5 517 420	1 040 334	6 557 754	-	(1 600 000)	4 957 754	2 305 757	-53.49	-58.21	Cap1
<b>Community and public safety</b>	<b>9 170 660</b>	<b>327 591</b>	<b>9 498 251</b>	<b>(125 954)</b>	<b>(800 000)</b>	<b>8 572 297</b>	<b>6 618 455</b>	<b>-22.79</b>	<b>-27.83</b>	
Community And Social Services	2 508 560	29 000	2 537 560	-	-	2 537 560	1 944 948	-23.35	-22.47	Cap2
Sport And Recreation	4 496 100	(80 409)	4 415 691	-	(800 000)	3 615 691	2 543 069	-29.67	-43.44	Cap3
Public Safety	2 098 000	388 000	2 486 000	(125 954)	-	2 360 046	2 073 513	-12.14	-1.17	
Housing	68 000	(9 000)	59 000	-	-	59 000	56 925	-3.52	-16.29	
<b>Economic and environmental services</b>	<b>15 311 200</b>	<b>673 561</b>	<b>15 984 761</b>	<b>125 954</b>	<b>-</b>	<b>16 110 715</b>	<b>10 035 159</b>	<b>-37.71</b>	<b>-34.46</b>	
Planning And Development	89 200	65 600	154 800	-	-	154 800	148 366	-4.16	66.33	
Road Transport	15 209 500	588 894	15 798 394	125 954	-	15 924 348	9 857 073	-38.10	-35.19	Cap4
Environmental Protection	12 500	19 067	31 567	-	-	31 567	29 719	-5.85	137.75	
<b>Trading Services</b>	<b>70 543 050</b>	<b>(10 146 659)</b>	<b>60 396 391</b>	<b>-</b>	<b>2 400 000</b>	<b>62 796 391</b>	<b>49 076 348</b>	<b>-21.85</b>	<b>-30.43</b>	
Energy Sources	20 386 800	(12 069 967)	8 316 833	-	-	8 316 833	5 393 018	-35.16	-73.55	Cap5
Waste Management	250 000	-	250 000	-	-	250 000	173 461	-30.62	-30.62	
Waste Water Management	32 767 700	(4 758 487)	28 009 213	-	2 400 000	30 409 213	23 241 774	-23.57	-29.07	Cap6
Water Management	17 138 550	6 681 795	23 820 345	-	-	23 820 345	20 268 096	-14.91	18.26	Cap7
<b>Total</b>	<b>100 582 330</b>	<b>(8 105 173)</b>	<b>92 477 157</b>	<b>-</b>	<b>-</b>	<b>92 477 157</b>	<b>68 065 162</b>	<b>-26.40</b>	<b>-32.33</b>	

Council approved the deviations from the virement policy. The transfers were done within the GFS classification, and did not increase the budget.