

**CAMDEBOO MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 6 AUGUST 2016  
INDEX**

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**CAMDEBOO MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 6 AUGUST 2016  
GENERAL INFORMATION**

**MAYOR**

Cllr Hanna Makoba

**SPEAKER**

Cllr Hanna Makoba

**OTHER MEMBERS OF THE MAYORAL COMMITTEE**

<u>COUNCILLORS</u>	<u>WARD</u>	<u>PROPORTIONAL COUNCILLORS</u>
Cllr. D.J. Coetzee	1	Cllr. H. Makoba
Cllr. F.E Sigonyela	2	Cllr. E. Ruiters
Cllr. A.F. Pannies	3	Cllr. T.J.C. Eksteen
Cllr. A.D. Gradwell	4	Cllr. A. Booysen
Cllr. G. Mackelina	5	Cllr. T. Nonnies
Cllr. M.B. Meishik	6	Cllr. S.J. Jankovich
Cllr. A.R Knott-Craig	7	Cllr. I.J. van Zyl

**ADDRESS OF THE CAMDEBOO LOCAL MUNICIPALITY**

12 - 14 Caledon Street  
Graaff - Reinet  
6280

P.O Box 71  
Graaff - Reinet  
6280

**GRADING OF THE LOCAL AUTHORITY**

Grade 3

**EXTERNAL AUDITORS**

Office of the Auditor General (East London)  
69 Frere Road  
Vincent  
East London

**PRIMARY BANKER**

First National Bank

**MUNICIPAL MANAGER**

Mr Noel Pietersen  
049 807 5900  
pieterssenmn@camdeboo.gov.za

**CAMDEBOO MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 6 AUGUST 2016  
GENERAL INFORMATION**

**CHIEF FINANCIAL OFFICER**

Mr Jimmy Joubert  
049 807 5736  
083 284 9807  
joubertj@camdeboo.gov.za

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 13 to 81, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

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**NOEL PIETERSEN**  
**MUNICIPAL MANAGER**  
**30 NOVEMBER 2016**

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**JIMMY JOUBERT**  
**CHIEF FINANCIAL OFFICER**  
**30 NOVEMBER 2016**

**CAMDEBOO MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 6 AUGUST 2016  
MEMBERS OF THE COUNCIL**

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<b>COUNCILLORS</b>	<b>WARD</b>	<b>PROPORTIONAL COUNCILLORS</b>
Cllr. D.J. Coetzee	1	Cllr. H. Makoba
Cllr. F.E Sigonyela	2	Cllr. E. Ruiters
Cllr. A.F. Pannies	3	Cllr. T.J.C. Eksteen
Cllr. A.D. Gradwell	4	Cllr. A. Booyesen
Cllr. G. Mackelina	5	Cllr. T. Nonnies
Cllr. M.B. Meishik	6	Cllr. S.J. Jankovich
Cllr. A.R Knott-Craig	7	Cllr. I.J. van Zyl

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**NOEL PIETERSEN**  
**MUNICIPAL MANAGER**  
**30 NOVEMBER 2016**

**CAMDEBOO MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 6 AUGUST 2016  
AUDIT REPORT**

The 2015/16 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as an Annexure when received after the completion of the statutory audit.

**CAMDEBOO MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 06 AUGUST 2016**

	Note	6 August 2016 R	30 June 2016 R
<b>ASSETS</b>			
<b>Current Assets</b>		-	<b>31 632 242</b>
Inventories	2	-	4 885 419
Receivables from Exchange Transactions	3	-	20 177 811
Receivables from Non-exchange Transactions	4	-	4 860 843
Cash and Cash Equivalents	5	-	1 708 169
<b>Non-Current Assets</b>		-	<b>643 774 088</b>
Property, Plant and Equipment	6	-	632 157 887
Intangible Assets	7	-	44 556
Investment Property	8	-	-
Heritage Assets	9	-	11 571 645
<b>TOTAL ASSETS</b>		-	<b>675 406 330</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		-	<b>37 291 144</b>
Consumer Deposits	10	-	2 144 581
Provisions	11	-	595 817
Payables from Exchange Transactions	12	-	25 937 965
Payables from Non-exchange Transactions	13	-	2 803 826
Unspent Conditional Grants and Receipts	14	-	4 435 805
VAT Payable	15	-	78 764
Current portion of Employee Benefit Liability	17	-	1 294 386
Provision for Rehabilitation of Land-fill Sites	18	-	-
<b>Non-Current Liabilities</b>		-	<b>34 700 612</b>
Non-current portion of Employee Benefit Liability	17	-	28 177 582
Provision for Rehabilitation of Land-fill Sites	18	-	6 523 030
<b>TOTAL LIABILITIES</b>		-	<b>71 991 756</b>
<b>NET ASSETS</b>		-	<b>603 414 574</b>
<b>NET ASSETS</b>		-	<b>603 414 572</b>
Accumulated Surplus	19	-	603 414 572
<b>TOTAL NET ASSETS</b>		-	<b>603 414 572</b>

**CAMDEBOO MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 06 AUGUST 2016**

	Note	Period ending 6 August 2016 R	Period ending 30 June 2016 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>9 766 318</b>	<b>90 772 384</b>
Property Rates	20	2 234 739	21 480 724
Fines		5 600	247 710
Licences and Permits		304 040	1 965 707
Government Grants and Subsidies Received	21	7 221 939	67 078 243
Donations Received		-	-
<b>Revenue from Exchange Transactions</b>		<b>21 494 959</b>	<b>114 644 173</b>
Service Charges	22	20 649 421	106 300 407
Rental of Facilities and Equipment	23	192 083	663 257
Interest Earned - External Investments	24	41 484	909 666
Interest Earned - Outstanding Debtors	24	411 744	5 290 102
Other Revenue	25	90 787	1 405 501
Gains on Disposal of Property, Plant and Equipment		109 440	75 240
<b>TOTAL REVENUE</b>		<b>31 261 277</b>	<b>205 416 557</b>
<b>LESS: EXPENDITURE</b>			
<b>Employee Related Costs</b>		<b>24 617 404</b>	<b>241 219 646</b>
Employee Related Costs	26	8 030 999	76 236 459
Remuneration of Councillors	27	428 142	4 285 582
Depreciation and Amortisation	28	4 277 096	41 081 278
Impairment Losses	29	119 878	8 974 834
Repairs and Maintenance		498 752	11 540 142
Bulk Purchases	30	7 990 989	55 662 777
Contracted Services	31	390 404	3 847 721
Grants and Subsidies Paid	32	1 500	18 000
General Expenses	33	2 879 644	39 336 526
Loss on Disposal of Property, Plant and Equipment		-	236 327
<b>DEFICIT FOR THE YEAR</b>		<b>6 643 873</b>	<b>(35 803 089)</b>

**CAMDEBOO MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 6 AUGUST 2016**

Description	Accumulated Surplus / (Deficit) Account			Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Self Insurance Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R	R
<b>2016</b>					
<b>Balance at 1 July 2015</b>	<b>5 000 000</b>	<b>5 537 484</b>	<b>628 680 177</b>	<b>639 217 661</b>	<b>639 217 661</b>
Deficit for the year	-	-	(35 803 089)	(35 803 089)	(35 803 089)
Insurance claims processed	-	(8 028)	8 028	-	-
<b>Balance at 30 June 2016</b>	<b>5 000 000</b>	<b>5 529 456</b>	<b>592 885 116</b>	<b>603 414 572</b>	<b>603 414 572</b>
Surplus for the year	-	-	6 643 873	6 643 873	6 643 873
Transferred during merger	(5 000 000)	(5 529 456)	(599 528 989)	(610 058 445)	(610 058 445)
<b>Balance at 6 August 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**CAMDEBOO MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 06 AUGUST 2016**

	Note	Period ending 6 August 2016	Period ending 30 June 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Ratepayers and other		16 796 772	200 651 290
Payments to suppliers and employees		(18 905 022)	(201 976 951)
Cash generated from operations	34	(2 108 250)	(1 325 661)
Interest received	24	453 228	6 199 768
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(1 655 022)</b>	<b>4 874 107</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(53 659)	(24 751 340)
Purchase of Intangible Assets	7	-	(44 867)
Proceeds on Disposal of Property, Plant and Equipment		-	239 712
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(53 659)</b>	<b>(24 556 495)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in consumer deposits	10	514	11 027
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>514</b>	<b>11 027</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>	5	<b>(1 708 167)</b>	<b>(19 671 361)</b>
Cash and Cash Equivalents at Beginning of Period		1 708 169	21 379 528
Cash and Cash Equivalents at End of Period		-	1 708 169

**CAMDEBOO MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 06 AUGUST 2016**

Description	Original Total Budget	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Variance %	Reason
	R	R	R	R	R	R	R		
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	25 860 646	25 860 646	25 860 646	2 234 739	(23 625 907)	8.64	8.64	-91%	N1
Fines	248 808	248 808	248 808	5 600	(243 208)	2.25	2.25	-98%	N1
Licences and Permits	3 578 497	3 578 497	3 578 497	304 040	(3 274 457)	8.50	8.50	-92%	N1
Government Grants and Subsidies Received	90 753 936	90 753 936	90 753 936	7 221 939	(83 531 997)	7.96	7.96	-92%	N1
<b>Revenue from Exchange Transactions</b>									
Service Charges	138 378 800	138 378 800	138 378 800	20 649 421	(117 729 379)	14.92	0.00	-85%	N1
Rental of Facilities and Equipment	841 134	841 134	841 134	192 083	(649 051)	22.84	0.00	-77%	N1
Interest Earned - External Investments	714 939	714 939	714 939	41 484	(673 455)	5.80	0.00	-94%	N1
Interest Earned - Outstanding Debtors	4 618 030	4 618 030	4 618 030	411 744	(4 206 286)	8.92	0.00	-91%	N1
Other Income	1 351 167	1 351 167	1 351 167	90 787	(1 260 380)	6.72	0.00	-93%	N1
Fair value adjustment on property	530 889	530 889	530 889	-	(530 889)	0.00	0.00	-100%	N1
Gains on Disposal of Property, Plant and Equipment	388 808	388 808	388 808	109 440	(279 368)	28.15	0.00	-72%	N1
<b>Total Revenue</b>	<b>267 265 654</b>	<b>267 265 654</b>	<b>267 265 654</b>	<b>31 261 277</b>	<b>(236 004 377)</b>	<b>11.70</b>	<b>11.70</b>		
<b>Expenditure</b>									
Employee Related Costs	98 064 095	98 064 095	98 064 095	8 030 999	(90 033 096)	8.19	8.19	-92%	N1
Remuneration of Councillors	6 053 902	6 053 902	6 053 902	428 142	(5 625 760)	7.07	7.07	-93%	N1
Depreciation and Amortisation	46 429 020	46 429 020	46 429 020	4 277 096	(42 151 924)	9.21	9.21	-91%	N1
Impairment Losses	4 671 167	4 671 167	4 671 167	119 878	(4 551 289)	2.57	2.57	-97%	N1
Repairs and Maintenance	12 934 444	12 934 444	12 934 444	498 752	(12 435 692)	3.86	3.86	-96%	N1
Bulk Purchases	60 615 098	60 615 098	60 615 098	7 990 989	(52 624 109)	13.18	13.18	-87%	N1
Contracted Services	2 407 022	2 407 022	2 407 022	390 404	(2 016 618)	16.22	16.22	-84%	N1
Grants and Subsidies Paid	38 000	38 000	38 000	1 500	(36 500)	3.95	3.95	100%	N1
General Expenses	57 951 213	57 951 213	57 951 213	2 879 644	(55 071 569)	4.97	4.97	-95%	N1
<b>Total Expenditure</b>	<b>289 163 961</b>	<b>289 163 961</b>	<b>289 163 961</b>	<b>24 617 404</b>	<b>(264 546 557)</b>	<b>8.51</b>	<b>8.51</b>		
<b>Surplus/(Deficit)</b>	<b>(21 898 307)</b>	<b>(21 898 307)</b>	<b>(21 898 307)</b>	<b>6 643 873</b>	<b>28 542 180</b>	<b>-</b>	<b>-</b>		
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>(21 898 307)</b>	<b>(21 898 307)</b>	<b>(21 898 307)</b>	<b>6 643 873</b>	<b>28 542 180</b>	<b>-</b>	<b>-</b>		
<b>Surplus/(Deficit for the Year)</b>	<b>(21 898 307)</b>	<b>(21 898 307)</b>	<b>(21 898 307)</b>	<b>6 643 873</b>	<b>28 542 180</b>	<b>-</b>	<b>-</b>		

**Note:** Budget adjustments during the Adjustment Budget period were effected in accordance with the spending as at January 2016. Savings were reallocated to votes that were overspending or close to being overspent. Capital projects were reallocated from Capital Budget to the Operating Budget due to the nature of work performed.

**N1** Since the current financial year was only for 37 days, the budget and actual is not comparable and thus a variance analysis cannot be performed.

**CAMDEBOO MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 6 AUGUST 2016**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are 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) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

**1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

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

For the year ended 30 June 2016 and period ending 6 August 2016 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(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 flow.

**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 relevant. 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, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1.2.1 Revenue Recognition**

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy 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, the 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 is concerned (see Basis of Preparation above). 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In terms of iGRAP 1 a municipality is required to recognise the full amount of revenue at the transaction date and a municipality may need to use estimates to determine the amount of revenue that it is entitled to collect. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

**1.2.2 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy 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*.

**CAMDEBOO MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 6 AUGUST 2016**

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

**1.2.3 Impairment of Financial Assets**

Accounting Policy 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 make 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.

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. Individually significant debtors were also reviewed as part of the assessment.

This was performed per service-identifiable categories across all classes of debtors.

**1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property**

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

**1.2.5 Impairment: Write down of Property, Plant and Equipment and Inventories**

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - 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).

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 Non-Cash generating Assets and GRAP 26: Impairment of 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. During the year no impairments were made to PPE, intangible assets or inventory.

**1.2.6 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 have been determined, which is then converted into volumes based on the total capacity of the reservoir.

**1.2.7 Defined Benefit Plan Liabilities**

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 the notes to the Annual Financial Statements.

**1.2.8 Provisions and contingent liabilities**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

**CAMDEBOO MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 6 AUGUST 2016**

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

**1.2.8 Provisions and contingent liabilities (continued)**

It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.

It is assumed that the general public have not requested a specific final shape or enduse for the landfill sites.

The estimate does not take into account post closure monitoring or maintenance costs as this is an item for the Municipality's OPEX budget.

It is assumed that there are no special influences that may affect the cap design.

It is assumed that existing ground water monitoring boreholes are in working order.

It is noted that no building infrastructure is required as part of the closure.

A construction period of 3.5, 4 and 6 months for the Nieu-Bethesda, Aberdeen and Graaff-Reinet sites respectively has been assumed. These construction periods are educated assumptions and are based on previous and current projects of a similar size.

**1.2.9 Budget information**

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

**1.3 PRESENTATION CURRENCY**

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

**1.4 GO GOING CONCERN ASSUMPTION**

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for atleast the next 12 months.

**1.5 OFFSETTING**

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

**1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

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

GRAP 18 Segment Reporting - issued February 2011  
GRAP 20 Related Party Disclosures - issued June 2011  
GRAP 32 Service Concession Arrangement: Grantor  
GRAP 106 Transfers between entities not under common control - issued November 2010  
GRAP 107 Mergers - issued November 2010  
GRAP 108 Statutory Receivables  
GRAP 109 Accounting by Principles and Agents  
iGRAP 17 Service Concession arrangements where a Grantor controls a significant residual interest in an Asset

GRAP 16 - Amendments effective 1 April 2016  
GRAP 17 - Amendments effective 1 April 2016  
GRAP 21 - Amendments effective 1 April 2017  
GRAP 26 - Amendments effective 1 April 2017

**CAMDEBOO MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 6 AUGUST 2016**

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

**1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**

All listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of 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 effective, the municipality may elect 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.

**GRAP 18 - Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the municipality. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

**GRAP 20 – Related party disclosures**

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

**GRAP 32 - Service Concession Arrangement: Grantor**

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector municipality.

**GRAP 108 - Statutory Receivables**

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

**GRAP 109 - Accounting by Principles and Agents**

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of Principles and Agents.

**iGRAP 17 Service Concession arrangements where a Grantor controls a significant residual interest in an Asset**

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of Service Concession arrangements where a Grantor controls a significant residual interest in an Asset.

**GRAP 16 - Investment property**

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of Investment Property.

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

**1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**

GRAP 17 - Property, Plant and Equipment

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of Property, Plant and Equipment.

GRAP 21 - Impairment of Non-cash-generating Assets

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of Impairment of Non-cash-generating Assets.

GRAP 26 - Impairment of Cash-generating Assets

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of Impairment of Cash-generating Assets.

**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 Other Reserves**

The municipality creates and maintains reserves in terms of specific requirements.

**2.1.1 Capital replacement reserve (CRR)**

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

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**2. ACCUMULATED SURPLUS (continued)**

**2.1 Other Reserves (continued)**

**2.1.2 Capitalisation Reserve (continued)**

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit. When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

**2.1.3 Insurance reserve**

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur which are not covered by the insurance contracts in place with the external service providers. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets. Reinsurance premiums paid to external reinsurers are regarded as an expense, and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance, and is transferred to the insurance reserve via the Statement of Changes in Net Assets as a contribution.

**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 during more than one year.

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

Property, plant and equipment are initially recognised at fair value 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 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 a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

**3.2 Subsequent 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.



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

**3.2 Subsequent Measurement (continued)**

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

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

**3.3 Depreciation**

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. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

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

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Buildings</b>	<i>30 - 100</i>
Roads and Paving	50		
Electricity	20 - 30	<b>Other</b>	
Water	15 - 20	Specialist Vehicles	10
Sewerage	15 - 20	Other Vehicles	5
Landfill Sites	30	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<b>Community</b>		Watercraft	15
Recreational Facilities	20 - 50	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other Plant and Equipment	2 - 5

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

**3.4 Incomplete Construction Work**

Incomplete construction work 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 PPE 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 & Buildings**

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their 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.

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

**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 are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2016 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

**4. INTANGIBLE ASSETS**

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, or 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. The cost of an intangible asset acquired in exchange for a 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. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**4.1 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.

**4.2 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 the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 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, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

<b>Intangible asset</b>	<b>Years</b>
Software	3

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**4. INTANGIBLE ASSETS (continued)**

**4.2 Subsequent Measurement, Amortisation and Impairment (continued)**

Intangible assets are only tested for impairment in instances where there is an indicator of impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

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

**4.3 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 disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5. HERITAGE ASSETS**

An 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, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

Disclosure of the assets for which no cost or value is available as at the balance sheet date is disclosed in the notes to the financial statements.

The following judgements were made in the assessment of whether assets should be classified as heritage assets:

- Management consulted widely to ensure completeness of the list of heritage assets. Through this process, Management considered the cultural, environmental, historical, natural, scientific, technological or artistic significance of list of assets collated and the preservation of such assets for future generations for classification as heritage assets. In Management's view the following items did not meet the definition of heritage assets: four mayoral chains, the Robert Sobukwe grave site, the canon in front of the grave site and several paintings and photos.
- Despite the fact that the Graaff- Reinet Town Hall and the Robert Sobukwe are classified as Historical Buildings as evidenced by the heritage site plaque affixed to the front door, Management has classified these buildings as Property, Plant and Equipment because the Municipality uses a significant portion of these buildings for administrative purposes.
- The Fonteinbos Nature Reserve has been classified as Property, Plant and Equipment because it forms part of commonage land.
- All Heritage Assets have been recognised and measured at cost.

**5.1 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 fair value 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.

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**5. HERITAGE ASSETS (continued)**

**5.1 Initial Recognition (continued)**

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 a 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.

The table below reflects the classes of heritage assets:

**Heritage Sites**

Victoria hall cutlery and crockery
Collections of rare books or manuscripts
Monuments, memorials & statues
Buildings of cultural significance
Museums
Other Assets

**5.2 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.

**5.3 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.

**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) 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.

Investment property is recognized as an asset where, and only where:

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

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**6. INVESTMENT PROPERTY (continued)**

**6.1 Initial Recognition (continued)**

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.

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory, 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 (among other things) 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 being constructed or developed for future use as investment property;
- 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.

**6.2 Subsequent Measurement**

**6.2.1 Subsequent Measurement - Cost Model**

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties have been assumed to be zero.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**6.2 Subsequent Measurement**

**6.2.2 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 are 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.

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**7. IMPAIRMENT OF ASSETS (continued)**

**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 it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

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

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.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**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 remaining service potential amount of the asset.

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

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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

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

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**7. IMPAIRMENT OF ASSETS (continued)**

**7.2 Impairment of Non-Cash generating assets (continued)**

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**8 FINANCIAL INSTRUMENTS**

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

**Initial recognition**

Financial assets and financial liabilities are recognised on 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 exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**The effective interest rate method**

The effective interest 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.

**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 method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

**8.1 Financial Assets - Classification**

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

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

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

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**8 FINANCIAL INSTRUMENTS (continued)**

**8.1 Financial Assets - Classification (continued)**

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:

<u>Type of Financial Asset</u>	<u>Classification in terms of GRAP 104</u>
▪ Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
▪ Bank Balances and Cash	Financial Instruments at Amortised Cost
▪ Long-term Receivables	Financial Instruments at Amortised Cost
▪ Consumer Debtors	Financial Instruments at Amortised Cost
▪ Other Debtors	Financial Instruments at Amortised Cost
▪ Investments in Fixed Deposits	Financial Instruments 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 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.

**8.2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes

<u>Type of Financial Asset</u>	<u>Classification in terms of GRAP 104</u>
▪ Long-term Liabilities	Financial liabilities measured at amortised cost
▪ Other Creditors	Financial liabilities measured at amortised cost
▪ Trade Creditors	Financial liabilities measured at amortised cost
▪ Accruals	Financial liabilities measured at amortised cost
▪ Consumer Deposits	Financial liabilities measured at amortised cost
▪ Retention	Financial liabilities measured at amortised cost
▪ Staff Leave Accrued	Financial liabilities measured at amortised cost

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

**8.3 Initial and Subsequent Measurement**

When a financial asset or financial liability is recognised initially, a municipality shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**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 at 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.



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**8 FINANCIAL INSTRUMENTS (continued)**

**8.3 Initial and Subsequent Measurement (continued)**

**Financial guarantee contract**

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

**8.4 Impairment of Financial Assets**

Financial assets 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.

**Financial assets carried at amortised cost**

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

Initially Receivables from Exchange and Non-exchange transactions 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 impaired prior to being written off. Bad debts are written off 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 receivables 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.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**8.5 Derecognition of Financial Assets**

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

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

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**8 FINANCIAL INSTRUMENTS (continued)**

**8.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

**9. INVENTORIES**

**9.1 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 non-refundable 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 include a proportion of overhead costs.

**9.2 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 net replacement cost.

**Water inventory**

Water is regarded as inventory when 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 can not be measured reliably as there is no cost attached to the water, and it 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.

**Redundant and slow-moving inventories**

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. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value 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.

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**10. REVENUE RECOGNITION**

**10.1 Revenue from Exchange Transactions**

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

**10.1.1 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 normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, 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.

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

**10.1.2 Pre-paid Electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

**10.1.3 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 unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

**10.1.4 Income from Agency Services**

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

**10.1.5 Sale of Goods**

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
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**10.1.6 Rentals**

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

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**10. REVENUE RECOGNITION (continued)**

**10.2 Revenue from Non-exchange Transactions**

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

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.

**10.2.1 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.

**10.2.2 Fines**

Fines constitute both spot fines and summonses. At transaction date, the municipality recognises the full amount of fines, due to the municipality being obligated to collect all revenue due to it. Subsequent to initial recognition and measurement management assesses the collectability of the fine revenue and recognises an impairment loss where appropriate.

**10.2.3 Public contributions**

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. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

**10.2.4 Government Grants and receipts**

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

Income received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. 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.

**10.2.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

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

**10.2.6 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.

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**11. 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 a 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 judgement 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. Management does not expect there to be any reimbursements for any of the provisions raised.

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.

**Environmental rehabilitation provisions**

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

**12. EMPLOYEE BENEFITS**

**12.1 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.

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**12. EMPLOYEE BENEFITS (continued)**

**12.2 Post employment benefits**

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

**13.2.1 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 and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expense, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**13.2.2 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. 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.

**13. 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 other than finance leases are classified as operating leases.

**13.1 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 is implicit in the lease. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

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**13. LEASES (continued)**

**13.1 The Municipality as Lessee (continued)**

**Finance leases (continued)**

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance 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.

**13.2 The Municipality as Lessor**

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

**13.3 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 consideration 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 for 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.

**14. BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that a municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that a municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

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**15. 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.

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

**17. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**18. 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 in the period it occurred 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.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

**19. 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.

**20. 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. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.



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**20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (continued)**

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

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

**21. RELATED PARTIES**

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

**22. 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.

**23 COMPARATIVE INFORMATION**

**23.1 Prior year comparatives**

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

**23.2 Budget Information**

The annual budget figures for the year ending 2015/16 have been prepared and presented in accordance with legislative requirements under the accrual basis of accounting for budgets approved by Council by nature classification, and is consistent with the accounting policies adopted by the Council for the preparation of these financial statements. 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 period covered by the budget is 1 July 2015 to 30 June 2016.

**CAMDEBOO MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 6 AUGUST 2016**

**24. 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.

**25. 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.

**26. CAPITAL COMMITMENTS**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- 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 are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

1. GENERAL INFORMATION	6 AUGUST 2016 R	30 JUNE 2016 R
<p>Camdeboo Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction to the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
<b>2. INVENTORIES</b>		
Consumable Stores	4 633 411	4 734 597
Water	150 822	150 822
Transferred during merger	(4 784 233)	-
<b>Total Inventories</b>	<b>-</b>	<b>4 885 419</b>

The amount of inventories recognised as expenses for the period amounted to R 101 188 (30 June 2016: R 4 441 781)

The cost of water production for the year amounted to R 5.63 per kl (2016: R 5.63 per kl).

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

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Service Debtors:	68 201 915	55 649 226
Electricity	6 582 910	5 396 326
Refuse	9 486 346	6 487 219
Sewerage	20 255 830	13 663 729
Water	31 876 829	30 101 952
Other Receivables	5 561 005	5 530 172
Housing	2 385 632	2 390 124
Meter Readings not Billed	3 038 475	3 038 475
Prepaid expenses	-	-
Other Debtors	136 898	101 573
Add: Credit debtors balances	1 084 664	1 684 036
Less: Provision for Impairment	(42 685 623)	(42 685 623)
Transferred during merger	(32 161 961)	-
<b>Total Receivables from Exchange Transactions</b>	<b>-</b>	<b>20 177 811</b>

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Other Debtors consists of attorney handovers, attorney payments and a guarantee.

Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

At 6 August 2016, the municipality is owed R 0 (30 June 2016: R 6 235 445) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Debtors as well as the current payment ratio's of the municipality's Receivables.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

**3.1 Ageing of Receivables from Exchange Transactions**

As at 6 August 2016 Receivables of R 0 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	17 622 247	1 688 649	1 223 435	47 667 584	68 201 915
Less: Provision for Impairment	(11 029 259)	(1 056 877)	(765 713)	(29 833 774)	(42 685 623)
Transferred during merger	(6 592 988)	(631 772)	(457 722)	(17 833 810)	(25 516 292)
<b>Net Balances</b>	-	-	-	-	-

As at 30 June 2016 Receivables of R 0 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	1 688 649	1 223 435	47 667 584	50 579 668
Less: Provision for Impairment	(1 056 877)	(765 713)	(29 833 774)	(31 656 364)
Transferred during merger	(631 772)	(457 722)	(17 833 810)	(18 923 304)
<b>Net Balances</b>	-	-	-	-

**As at 30 June 2016**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	9 484 980	1 920 174	1 600 290	49 857 989	62 863 433
Less: Provision for Impairment	(6 440 505)	(1 303 840)	(1 086 631)	(33 854 647)	(42 685 623)
<b>Net Balances</b>	<b>3 044 475</b>	<b>616 334</b>	<b>513 659</b>	<b>16 003 342</b>	<b>20 177 810</b>

As at 30 June 2016 Receivables of R17 133 335 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	1 920 174	1 600 290	49 857 989	53 378 453
Less: Provision for Impairment	(1 303 840)	(1 086 631)	(33 854 647)	(36 245 118)
<b>Net Balances</b>	<b>616 334</b>	<b>513 659</b>	<b>16 003 342</b>	<b>17 133 335</b>

**3.2 Reconciliation of the Provision for Impairment**

	6 AUGUST 2016	30 JUNE 2016
	R	R
Balance at beginning of year	42 685 623	40 977 674
Impairment Losses recognised	-	1 707 949
Transferred during merger	(42 685 623)	-
<b>Balance at end of year</b>	<b>42 685 623</b>	<b>42 685 623</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)	6 AUGUST 2016 R	30 JUNE 2016 R
<b>3.2 Reconciliation of the Provision for Impairment (continued)</b>		
<p>In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.</p>		
<b>3.3 Ageing of impaired Receivables from Exchange Transactions</b>		
<i>Current:</i>		
0 - 30 Days	(11 029 259)	(6 440 505)
<i>Past Due:</i>		
31 - 60 Days	(1 056 877)	(1 303 840)
61 - 90 Days	(765 713)	(1 086 631)
+ 90 Days	(29 833 774)	(33 854 646)
Transferred during merger	42 685 623	-
<b>Total</b>	<b>-</b>	<b>(42 685 622)</b>

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

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 06 August 2016</b>			
Assessment Rates Debtors	35 128 448	(13 995 188)	21 133 260
Payments made in Advance	2 526 552	-	2 526 552
Deposits	100 900	-	100 900
Sundry Debtors	2 867 340	(154 567)	2 712 773
Add: Credit debtors balances	678 381	-	678 381
Deferred rates income	(19 810 668)	-	(19 810 668)
Transferred during merger	(21 490 953)	14 149 755	(7 341 198)
<b>Total Receivables from Non-exchange Transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 June 2016</b>			
Assessment Rates Debtors	14 108 580	(13 995 188)	113 392
Payments made in Advance	603 217	-	603 217
Deposits	100 900	-	100 900
Sundry Debtors	2 859 034	(154 567)	2 704 467
Add: Credit debtors balances	1 338 867	-	1 338 867
<b>Total Receivables from Non-exchange Transactions</b>	<b>19 010 598</b>	<b>(14 149 755)</b>	<b>4 860 843</b>

Sundry Deposits are in respect of cash deposits made to local fuel stations for the supply of fuel.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

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

**4.1 Ageing of Receivables from Non-exchange Transactions**

As at 6 August 2016 Receivables of R 0 were past due but not impaired. The age analysis of these Receivables are as follows:

As at 06 August 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	6 143 478	244 826	204 139	13 689 309	20 281 752
Less: Provision for Impairment	(1 436 255)	(611 491)	(581 305)	(11 520 704)	(14 149 755)
Transferred during merger	(4 707 224)	366 665	377 166	(2 168 604)	(6 131 997)
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at 6 August 2016 Receivables of R 0 were debtors that had not been impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	244 826	204 139	13 689 309	14 138 274
Less: Provision for Impairment	(611 491)	(581 305)	(11 520 704)	(12 713 500)
Transferred during merger	366 665	377 166	(2 168 605)	(1 424 774)
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)**

**4.1 Ageing of Receivables from Non-exchange Transactions (Continued)**

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	4 872 324	244 826	204 139	13 689 309	19 010 598
Less: Provision for Impairment	(3 626 514)	(182 226)	(151 943)	(10 189 072)	(14 149 755)
<b>Net Balances</b>	<b>1 245 810</b>	<b>62 600</b>	<b>52 196</b>	<b>3 500 237</b>	<b>4 860 843</b>

As at 30 June 2016 Receivables of R3 615 034 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	244 826	204 139	13 689 309	14 138 274
Less: Provision for Impairment	(182 226)	(151 943)	(10 189 072)	(10 523 240)
<b>Net Balances</b>	<b>62 600</b>	<b>52 196</b>	<b>3 500 237</b>	<b>3 615 034</b>

**4.2 Reconciliation of Provision for Impairment**

Balance at beginning of year	14 149 755	8 462 417
Impairment Losses recognised	-	5 687 338
Transferred during merger	(14 149 755)	-
<b>Balance at end of year</b>	<b>-</b>	<b>14 149 755</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	R	R

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)**

**4.2 Reconciliation of Provision for Impairment (continued)**

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**5. CASH AND CASH EQUIVALENTS**

Current Investments	939 318	934 040
Bank Accounts	2 616 580	771 889
Cash on hand	2 240	2 240
Transferred during merger	(3 558 138)	-
<b>Total Bank, Cash and Cash Equivalents</b>	<b>-</b>	<b>1 708 169</b>

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

**5.1 Current Investment Deposits**

Call Deposits	939 318	934 040
Transferred during merger	(939 318)	-
<b>Total Current Investment Deposits</b>	<b>-</b>	<b>934 040</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,60 % to 6,77 % (30 June 2016: 4,60 % to 6,77 %) per annum.

**5.2 Bank Accounts**

Cash in Bank	2 616 580	771 889
Current Investments	939 318	934 040
Transferred during merger	(3 555 898)	-
<b>Total Bank Accounts</b>	<b>-</b>	<b>1 705 929</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*First National Bank - Account Number 52300007898*

Cash book balance at beginning of year	771 889	(219 770)
Cash book balance at end of year	2 616 580	771 889
Bank statement balance at beginning of year	2 013 003	406 443
Bank statement balance at end of year	4 645 990	2 013 003

*ABSA -Aberdeen - Account Number 4053048940*

Bank statement balance at beginning of year	545 257	2 899 758
Bank statement balance at end of year	106 252	545 257

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

5. CASH AND CASH EQUIVALENTS (continued)	6 AUGUST 2016 R	30 JUNE 2016 R
<b>5.2 Bank Accounts (continued)</b>		
Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.		
<b>Current Investments</b>		
<i>ABSA - Account Number 9257114251</i>		
Bank statement balance at beginning of year	20 469	820 886
Bank statement balance at end of year	20 725	20 469
 <i>FNB - Account Number 62374218503</i>		
Bank statement balance at beginning of year	236	135 631
Bank statement balance at end of year	132	236
 <i>FNB - Account Number 74374220066</i>		
Bank statement balance at beginning of year	910 397	10 447 524
Bank statement balance at end of year	915 523	910 397
 <i>Investec - Account Number 50006008687</i>		
Bank statement balance at beginning of year	2 938	2 938
Bank statement balance at end of year	2 938	2 938
 <i>Standard Bank - Fixed Deposit 288540867-005</i>		
Bank statement balance at beginning of year	-	10 190 319
Bank statement balance at end of year	-	-
 <i>Total current investments</i>		
Bank statement balance at beginning of year	934 040	21 597 298
Bank statement balance at end of year	939 318	934 040
 <b>5.3 Cash on hand</b>		
Cash Floats and Advances	2 240	2 240
Transferred during merger	(2 240)	-
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	-	<b>2 240</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

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



**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 AUGUST 2016**

**6. PROPERTY, PLANT AND EQUIPMENT**

30 June 2016

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>99 020 302</b>	<b>5 473 222</b>	<b>503 953 530</b>	<b>6 315 298</b>	<b>17 395 535</b>	<b>632 157 887</b>
Cost	99 020 302	23 472 315	1 283 509 396	21 577 589	48 010 684	1 475 590 286
- Completed Assets	97 500 480	23 472 315	1 264 310 648	26 295 617	48 010 684	1 459 589 744
- Under Construction	-	-	19 198 748	(4 718 028)	-	14 480 720
- Assets held for sale	1 519 822	-	-	-	-	1 519 822
Accumulated Depreciation:	-	(17 999 093)	(779 555 866)	(15 262 291)	(30 615 149)	(843 432 399)
- Cost	-	(17 999 093)	(779 555 866)	(15 262 291)	(30 615 149)	(843 432 399)
Acquisitions	-	-	-	-	53 654	53 654
Capital under Construction - Additions	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
Depreciation:	-	(36 891)	(3 733 451)	(54 266)	(450 674)	(4 275 282)
- Based on Cost	-	(36 891)	(3 733 451)	(54 266)	(450 674)	(4 275 282)
Capital under Construction - Completed	-	-	-	-	-	-
Transferred during merger	(99 020 302)	(5 436 331)	(500 220 079)	(6 261 032)	(16 998 515)	(627 936 259)
Cost	(99 020 302)	(23 472 315)	(1 283 509 396)	(21 577 589)	(48 064 338)	(1 475 643 940)
- Completed Assets	(97 500 480)	(23 472 315)	(1 264 310 648)	(26 295 617)	(48 064 338)	(1 459 643 398)
- Under Construction	-	-	(19 198 748)	4 718 028	-	(14 480 720)
- Assets held for sale	(1 519 822)	-	-	-	-	(1 519 822)
Accumulated Depreciation:	-	18 035 984	783 289 317	15 316 557	31 065 823	847 707 681
- Cost	-	18 035 984	783 289 317	15 316 557	31 065 823	847 707 681
<b>Carrying values at 6 August 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cost	-	-	-	-	-	-
- Completed Assets	-	-	-	-	-	-
- Under Construction	-	-	-	-	-	-
- Assets held for sale	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 AUGUST 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2016

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>98 914 602</b>	<b>4 861 978</b>	<b>521 667 256</b>	<b>3 591 691</b>	<b>19 482 890</b>	<b>648 518 417</b>
Cost	98 914 602	22 204 601	1 265 881 731	18 517 265	45 586 146	1 451 104 345
- Completed Assets	97 546 780	22 204 601	1 249 540 398	18 517 265	45 586 146	1 433 395 190
- Under Construction	-	-	16 341 333	-	-	16 341 333
- Assets held for sale	1 367 822	-	-	-	-	1 367 822
Accumulated Depreciation:	-	(17 342 623)	(744 214 475)	(14 925 574)	(26 103 256)	(802 585 928)
- Cost	-	(17 342 623)	(744 214 475)	(14 925 574)	(26 103 256)	(802 585 928)
Acquisitions	-	914 914	15 494 418	7 778 352	2 424 538	26 612 222
Capital under Construction - Additions:	-	-	9 055 076	-	-	9 055 076
- Cost	-	-	9 055 076	-	-	9 055 076
Depreciation:	-	(385 966)	(35 829 232)	(336 717)	(4 511 893)	(41 063 808)
- Based on Cost	-	(385 966)	(35 829 232)	(336 717)	(4 511 893)	(41 063 808)
Transfer to from completed assets	(152 000)	-	-	-	-	(152 000)
Transfer to assets held for sale	152 000	-	-	-	-	-
Carrying value of Disposals:	-	-	(236 327)	-	-	(236 327)
- Cost	-	-	(724 168)	-	-	(724 168)
- Accumulated Depreciation	-	-	487 841	-	-	487 841
Transfer from Investment Property	105 700	82 296	-	-	-	187 996
- Cost	105 700	352 800	-	-	-	458 500
- Accumulated Depreciation	-	(270 504)	-	-	-	(270 504)
Capital under Construction - Completed	-	-	(6 197 661)	(4 718 028)	-	(10 915 689)
<b>Carrying values at 30 June 2016</b>	<b>99 020 302</b>	<b>5 473 222</b>	<b>503 953 530</b>	<b>6 315 298</b>	<b>17 395 535</b>	<b>632 157 887</b>
Cost	99 020 302	23 472 315	1 283 509 396	21 577 589	48 010 684	1 475 590 286
- Completed Assets	97 500 480	23 472 315	1 264 310 648	26 295 617	48 010 684	1 459 589 744
- Under Construction	-	-	19 198 748	(4 718 028)	-	14 480 720
- Assets held for sale	1 519 822	-	-	-	-	1 519 822
Accumulated Depreciation:	-	(17 999 093)	(779 555 866)	(15 262 291)	(30 615 149)	(843 432 399)
- Cost	-	(17 999 093)	(779 555 866)	(15 262 291)	(30 615 149)	(843 432 399)

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

	6 AUGUST 2016 R	30 JUNE 2016 R
<b>6. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
The municipality did not pledge any of its assets as security. No restrictions apply to any of the Property, Plant and Equipment of the municipality.		
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.		
<b>7. INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	42 746	44 556
Transferred during merger	-42 746	-
	-	44 556

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
<b>Carrying values at 01 July 2015</b>	<b>17 159</b>	<b>17 159</b>
Cost	46 895	46 895
Accumulated Amortisation	(29 736)	(29 736)
Acquisitions:	<b>44 867</b>	<b>44 867</b>
- Purchased	44 867	44 867
Amortisation:	(17 470)	(17 470)
- Based on Cost	(17 470)	(17 470)
<b>Carrying values at 30 June 2016</b>	<b>44 556</b>	<b>44 556</b>
Cost	91 762	91 762
Accumulated Amortisation	(47 206)	(47 206)
Acquisitions:	-	-
- Purchased	-	-
Amortisation:	(1 809)	(1 809)
- Based on Cost	(1 809)	(1 809)
<b>Carrying values at 6 August 2016</b>	<b>42 747</b>	<b>42 747</b>
Cost	91 762	91 762
Accumulated Amortisation	(49 015)	(49 015)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

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

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

<b>8. INVESTMENT PROPERTY</b>		
<b>Carrying values as at the beginning of the period</b>	<b>-</b>	<b>187 994</b>
Cost	-	458 500
Accumulated Depreciation	-	(270 506)
Transfers during the Year:	-	(187 994)
At Cost	-	(458 500)
At Accumulated Depreciation	-	270 506
<b>Carrying values as at the end of the period</b>	<b>-</b>	<b>-</b>
Cost	-	-
Accumulated Depreciation	-	-

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

8. INVESTMENT PROPERTY (Continued)	6 AUGUST 2016 R	30 JUNE 2016 R
Revenue disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	-	-

During the year ended 30 June 2016 the investment property was transferred to property plant and equipment. The property can no longer be classified as investment property as the lease has expired effective 30 June 2015 and the use of the property has changed from lease to administrative in nature.

**10.1 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**9. HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses	11 571 645	11 571 645
Transferred during merger	-11 571 645	-
	-	11 571 645

The movement in Heritage Assets is reconciled as follows:

	Buildings of cultural significance	Museum
<b>Carrying values at 30 June 2016</b>	<b>10 107 745</b>	<b>1 463 900</b>
Cost	10 107 745	1 463 900
Accumulated Impairment	-	-
Transferred during merger	-10 107 745	-1 463 900
<b>Carrying values at 06 August 2016</b>	<b>-</b>	<b>-</b>
Cost	-	-
Accumulated Impairment	-	-

**9.1 Impairment of Heritage Assets**

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

**9.2 Heritage Assets measured after recognition using the Revaluation Model**

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

**9.3 Restrictions on title and disposal of Heritage Assets**

There is no restriction on title or disposal of Heritage Assets. The requirements of the National Heritage Resources Act (No. 25 of 1999) and related legislation will transfer to the donee or buyer.

**10. CONSUMER DEPOSITS**

Electricity and Water	2 145 095	2 144 581
Transferred during merger	(2 145 095)	-
<b>Total Consumer Deposits</b>	-	2 144 581

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values. The amortised cost of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

11. PROVISIONS	6 AUGUST 2016 R	30 JUNE 2016 R
Bonuses	415 816	415 817
Legal cost	180 000	180 000
Transferred during merger	(595 816)	-
<b>Total Provisions</b>	<b>-</b>	<b>595 817</b>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. Listed below are the criteria against which senior managers are evaluated:

- KPA 1 - Organisational Transformation and Institutional Development
- KPA 2 - Service Delivery and Infrastructure Planning
- KPA 3 - Local Economic Development
- KPA 4 - Financial Viability
- KPA 5 - Good Governance and Public Participation
- KPA 6 - Spatial Development Rationale

Staff members receive a 13th cheque at the end of the calendar year. The provision is recognised on a pro rata basis as the bonus accrues monthly

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	415 817	102 299
Contributions to provision	-	691 455
Expenditure incurred	-	(377 937)
<b>Balance at end of year</b>	<b>415 817</b>	<b>415 817</b>

**Provision for legal costs:**

Balance at beginning of year	180 000	-
Contributions to provision	-	180 000
<b>Balance at end of year</b>	<b>180 000</b>	<b>180 000</b>

**12. PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	14 384 181	11 547 327
Accruals	5 565 378	2 608 160
Retentions	37 932	37 932
Other Creditors	6 172 432	5 645 899
Staff Leave Accrued	4 479 528	4 414 611
Credit debtors balances	1 084 664	1 684 036
Transferred during merger	(31 724 115)	-
<b>Total Payables</b>	<b>-</b>	<b>25 937 965</b>

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

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

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

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

13. PAYABLES FROM NON-EXCHANGE TRANSACTIONS	6 AUGUST 2016 R	30 JUNE 2016 R
Sundry Deposits	1 464 336	1 464 959
Credit debtors balances	678 381	1 338 867
Transferred during merger	(2 142 717)	-
<b>Total Payables</b>	<b>-</b>	<b>2 803 826</b>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

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

Sundry debtors consists of unidentified deposits.

Other creditors consists of amounts received in advance as well as funding received for the Satellite Aquaculture Project.

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS	6 AUGUST 2016 R	30 JUNE 2016 R
<b>Conditional Grants from Government</b>	-	4 435 805
Local Government Grants	4 231 484	4 435 805
Transferred during merger	(4 231 484)	-
<b>Total Unspent Conditional Grants</b>	<b>-</b>	<b>4 435 805</b>

See Note 22 for the reconciliation of Grants from Government and other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

15. VAT RECEIVABLE/(PAYABLE)		
VAT Payable	(517 066)	(78 764)
Transferred during merger	517 066	-

Camdeboo Municipality is registered for VAT on the payment basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**16. LONG-TERM LEASES**

**16.1 Operating lease liabilities**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

**16.2 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.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

<b>17. EMPLOYEE BENEFIT LIABILITIES</b>	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
<b>Non-Current Portion</b>		
Post-retirement Health Care Benefits Liability	23 954 446	23 954 446
Provision for Long Service Awards	4 209 579	4 223 136
Transferred during merger	(28 164 025)	-
	<u>-</u>	<u><b>28 177 582</b></u>
<b>Current Portion</b>		
Post-retirement Health Care Benefits Liability	781 416	781 416
Provision for Long Service Awards	512 970	512 970
Transferred during merger	(1 294 386)	-
	<u>-</u>	<u><b>1 294 386</b></u>
<b>17.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	24 735 862	25 313 700
Contributions to Provision	-	-
Increase due to Discounting	-	190 918
Contribution Benefits paid	-	(768 756)
Balance at end of Year	24 735 862	24 735 862
Transfer to Current Provisions	(781 416)	(781 416)
<b>Total Post-retirement Health Care Benefits Liability</b>	<u><b>23 954 446</b></u>	<u><b>23 954 446</b></u>
<b>Current portion:</b>		
Balance at beginning of year	781 416	784 152
Transfer from non-current	-	766 020
Contribution (Benefits paid)	-	(768 756)
<b>Balance at end of year</b>	<u><b>781 416</b></u>	<u><b>781 416</b></u>

Prior year employee benefit liabilities has been restated. Refer to Note 35 on "Comparative Information" for details of the restatement.

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 plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

In-service Members (Employees)	173	173
Continuation Members (Retirees, widowers and orphans)	25	25
<b>Total Members</b>	<u><b>198</b></u>	<u><b>196</b></u>

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

In-service Members	14 474 264	14 474 264
Continuation Members	10 261 598	10 261 598
<b>Total Liability</b>	<u><b>24 735 862</b></u>	<u><b>24 735 862</b></u>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

	6 AUGUST 2016	30 JUNE 2016			
	R	R			
<b>17. EMPLOYEE BENEFIT LIABILITIES (continued)</b>					
<b>17.1 Post-retirement Health Care Benefits Liability (continued)</b>					
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:					
- Bonitas					
- Hosmed					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2016 is estimated to be R1 136 227, whereas the cost for the ensuing year is estimated to be R1 195 272 (30 June 2015: R847 658 and R1 136 227 respectively).					
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>					
Discount Rate	9%	9%			
Health Care Cost Inflation Rate	8%	8%			
Net Effective Discount Rate	1%	1%			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>					
Balance at the beginning of the year	24 735 862	25 313 700			
Current service costs	-	1 136 227			
Interest cost	-	2 253 522			
Benefits paid	-	(768 756)			
Actuarial losses / (gains)	-	(3 198 831)			
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>24 735 862</b>	<b>24 735 862</b>			
<b>Total Recognised Benefit Liability</b>	<b>24 735 862</b>	<b>24 735 862</b>			
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	24 735 862	24 735 862			
Fair value of plan assets	-	-			
Present value of unfunded obligations	24 735 862	24 735 862			
Unfunded Accrued Liability	24 735 862	24 735 862			
<b>Total Benefit Liability</b>	<b>24 735 862</b>	<b>24 735 862</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
Current service cost	-	1 136 227			
Interest cost	-	2 253 522			
Actuarial losses / (gains)	-	(3 198 831)			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 27)</b>	<b>-</b>	<b>190 918</b>			
<b>The history of experienced adjustments is as follows:</b>					
	6 AUGUST 2016	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013
	R	R	R	R	R
Present Value of Defined Benefit Obligation	24 735 862	24 735 862	25 313 700	23 001 647	20 266 000
Fair Value of Plan Assets	-	-	-	-	-
<b>Deficit</b>	<b>24 735 862</b>	<b>24 735 862</b>	<b>25 313 700</b>	<b>23 001 647</b>	<b>20 266 000</b>
Experienced adjustments on Plan Liabilities	(2 509 000)	(2 509 000)	235 000	1 788 000	-



**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

	6 AUGUST 2016	30 JUNE 2016
	R	R
<b>17. EMPLOYEE BENEFIT LIABILITIES (continued)</b>		
<b>17.1 Post-retirement Health Care Benefits Liability (continued)</b>		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	333 500	333 500
Effect on the defined benefit obligation	2 063 000	2 063 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(383 100)	(383 100)
Effect on the defined benefit obligation	(2 312 000)	(2 312 000)
<b>17.2 Provision for Long Service Awards</b>		
Balance at beginning of year	4 736 106	4 774 000
Contributions to provision	-	244 910
Contribution (Benefits paid)	(13 555)	(282 804)
	4 722 551	4 736 106
Transfer to current provisions	(512 970)	(512 970)
<b>Balance at end of year</b>	<b>4 209 581</b>	<b>4 223 136</b>
<b>Current Portion of Provision for Long Service Awards:</b>		
Balance at beginning of year	512 970	492 000
Transfer from non-current	-	303 774
Contribution (Benefits paid)	(13 555)	(282 804)
<b>Balance at end of year</b>	<b>499 415</b>	<b>512 970</b>
A Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed. This plan is unfunded.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At 30 June 2016, 355 (2016: 375) employees were eligible for Long-service Awards.		
The Current-service Cost for the period ending 6 August 2016 is estimated to be R 0 whereas the cost for the ensuing year is estimated to be R 0 (30 June 2016: R 595 000 and ensuing R 595 000 respectively).		
<b>The principal assumptions used for the purposes of the actuarial valuations were as</b>		
Discount Rate	9%	9%
Cost Inflation Rate	7%	7%
Net Effective Discount Rate	1%	1%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	4 736 106	4 774 000
Current service costs	-	595 000
Interest cost	-	438 000
Benefits paid	-	(282 804)
Actuarial losses / (gains)	-	(788 090)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>4 736 106</b>	<b>4 736 106</b>
<b>Total Recognised Benefit Liability</b>	<b>4 736 106</b>	<b>4 736 106</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

17. EMPLOYEE BENEFIT LIABILITIES (Continued)	6 AUGUST 2016 R	30 JUNE 2016 R			
<i>17.2 Provision for Long Service Awards (continued)</i>					
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	4 736 106	4 736 106			
Unfunded Accrued Liability	4 736 106	4 736 106			
<b>Total Benefit Liability</b>	<b>4 736 106</b>	<b>4 736 106</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
Current service cost	-	595 000			
Interest cost	-	438 000			
Actuarial losses / (gains)	-	(788 090)			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 27)</b>	<b>-</b>	<b>244 910</b>			
<b>The history of experienced adjustments is as follows:</b>					
	6 AUGUST 2016 R	30 JUNE 2016 R	30 JUNE 2015 R	30 JUNE 2014 R	30 JUNE 2013 R
Present Value of Defined Benefit Obligation	4 736 106	4 736 106	4 774 000	3 888 885	3 868 000
<b>Deficit</b>	<b>4 736 106</b>	<b>4 736 106</b>	<b>4 774 000</b>	<b>3 888 885</b>	<b>3 868 000</b>
Experienced adjustments on Plan Liabilities	(653 786)	(653 786)	846 192	68 797	-
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
<b>Increase:</b>					
Effect on the aggregate of the current service cost and the interest cost				69 100	69 100
Effect on the defined benefit obligation				300 000	300 000
<b>Decrease:</b>					
Effect on the aggregate of the current service cost and the interest cost				(61 900)	(61 900)
Effect on the defined benefit obligation				(271 000)	(271 000)
<b>18 PROVISIONS FOR REHABILITATION OF LAND-FILL SITES</b>					
Provision for Rehabilitation of Land-fill Sites				6 523 030	6 523 030
<b>The movement in Non-current Provisions are reconciled as follows:</b>					
Balance at beginning of year				6 523 030	6 744 200
Contributions to provision				-	(221 170)
Increase due to discounting				-	-
Expenditure incurred				-	-
Transferred during merger				(6 523 030)	-
<b>Balance at end of year</b>				<b>-</b>	<b>6 523 030</b>
Transfer to current provisions				-	-
<b>Balance at end of year</b>				<b>-</b>	<b>6 523 030</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**18. PROVISIONS FOR REHABILITATION OF LAND-FILL SITES (continued)** **6 AUGUST 2016**  
R **30 JUNE 2016**  
R

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R nil (2016: R6 523 030) to restore the site at the end of its useful life, estimated to be in 2016. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

A contract is in place with a service provider for the rehabilitation of the Land-fill Site. In terms of the contract the service needs to be rendered and completed within 18 weeks after the service provider commences with the work.

The uncertainties and assumptions attached to this provision are listed as follows:

The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.

It is assumed that the general public have not requested a specific final shape or enduse for the landfill sites.

The estimate does not take into account post closure monitoring or maintenance costs as this is an item for the Municipality's OPEX budget.

It is assumed that there are no special influences that may affect the cap design.

It is assumed that existing ground water monitoring boreholes are in working order.

It is noted that no building infrastructure is required as part of the closure.

A construction period of 3.5, 4 and 6 months for the Nieu-Bethesda, Aberdeen and Graaff-Reinet sites respectively has been assumed. These construction periods are educated assumptions and are based on previous and current projects of a similar size.

**19. ACCUMULATED SURPLUS**

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

Capital Replacement Reserve (CRR)	5 000 000	5 000 000
Self-insurance Reserve	5 529 456	5 529 456
Accumulated Surplus / (Deficit) due to the results of Operations	599 528 989	592 885 116
Tranfered during merger	(610 058 445)	-
<b>Total Accumulated Surplus</b>	<b>-</b>	<b>603 414 572</b>

The Self-insurance Reserve is a reserve to fund future insurance losses that will not be recouped from external insurers.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**20. PROPERTY RATES**

	Property Valuations		Actual Levies	
	6 August 2016	30 June 2016	6 August 2016	30 June 2016
	R	R	R	R
Residential	1 356 382 200	1 253 420 800	769 550	6 628 104
Commercial	458 853 954	459 085 946	558 879	1 597 159
Industrial	52 352 000	52 007 000	72 705	1 040 970
Agricultural	2 043 254 000	2 039 833 500	288 053	2 696 723
State	377 788 600	467 549 400	524 660	9 177 972
Municipal	201 238 100	199 337 200	-	-
Exempted Properties	146 142 946	145 441 554	-	-
Multiple	15 080 700	15 080 700	20 892	339 796
<b>Total Property Rates</b>	<b>4 651 092 500</b>	<b>4 631 756 100</b>	<b>2 234 739</b>	<b>21 480 724</b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last general valuation came into effect on 1 July 2011. Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

21. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED	6 AUGUST 2016 R	30 JUNE 2016 R
National Equitable Share	7 071 939	43 279 000
Provincial Health Subsidies	-	1 418 867
Local Economic Development Office	150 000	200 200
Department of environmental affairs	-	500 000
Library Grant	-	1 557 000
Cacadu District Municipality Grant	-	496 000
SETA Training Grant	-	167 508
Department of Human Settlements	-	863 777
<b>Operational Grants</b>	<b>7 221 939</b>	<b>48 482 352</b>
<b>Conditional Grants</b>	<b>-</b>	<b>18 595 891</b>
National Government: FINANCE MANAGEMENT GRANT	-	1 800 000
National Government: MIG	-	13 341 000
National Government: MSIG	-	930 000
National Government: INEP	-	1 100 000
National Government: RBIG	-	223 396
National Government: EPWP	-	1 000 000
National Government: Water Affairs	-	-
Other Government: Fonteinbos	-	201 495
<b>Total Government Grants and Subsidies</b>	<b>7 221 939</b>	<b>67 078 243</b>

The conditions attached to the grants have been complied with for the year.

**Operational Grants:**

**21.1 National: Equitable Share**

Balance unspent at beginning of year		
Current year receipts	6 948 000	43 279 000
Transferred to Revenue	(6 948 000)	(43 279 000)
Balance at end of year	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R 285.03 (30 June 2016: R 285.03), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

**21.2 Provincial: Health Subsidies**

Current year receipts - included in Public Health vote	-	1 418 867
Transferred to Revenue	-	(1 418 867)
Balance at end of year	-	-

This grant has been used to fund environmental health care services, which services are in the process of being transferred to Provincial Government.

**21.3 Local Government: Local Economic Development Office**

Current year receipts	150 000	200 200
Transferred to Revenue	(150 000)	(200 200)
Balance at end of year	-	-

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

23. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)	6 AUGUST 2016 R	30 JUNE 2016 R
<b>Operational Grants (Continued):</b>		
<b>21.4 Provincial Government: Department of environmental affairs</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	500 000
Transferred to Revenue	-	(500 000)
	<hr/>	<hr/>
Balance at end of year	-	-
<b>21.5 Local Government: Library Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 557 000
Transferred to Revenue	-	(1 557 000)
	<hr/>	<hr/>
Balance at end of year	-	-
<b>21.6 Local Government: Cacadu District Municipality Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	496 000
Transferred to Revenue	-	(496 000)
	<hr/>	<hr/>
Balance at end of year	-	-
<b>21.7 Local Government: SETA Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	167 508
Transferred to Revenue	-	(167 508)
	<hr/>	<hr/>
Balance at end of year	-	-
<b>21.8 Department of Human Settlements</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	863 777
Transferred to Revenue	-	(863 777)
	<hr/>	<hr/>
Balance at end of year	-	-
<b>Conditional Grants:</b>		
<b>21.9 Local Government: Water Affairs Grant</b>		
Balance unspent at beginning of year	888 108	888 108
Conditions still to be met - transferred to Liabilities (see Note 15)	<hr/>	<hr/>
	<b>888 108</b>	<b>888 108</b>
	<hr/>	<hr/>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

21. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)	6 AUGUST 2016 R	30 JUNE 2016 R
<b>Conditional Grants (Continued):</b>		
<b>21.10 National: FMG Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 800 000
Conditions met - transferred to Revenue: Operating Expenses	-	(872 385)
Conditions met - transferred to Revenue: Capital Expenses	-	(822 957)
VAT adjustment	-	(104 658)
	<hr/>	<hr/>
Balance at end of year	-	-
	<hr/> <hr/>	<hr/> <hr/>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**21.11 National: MIG Funds**

Balance unspent at beginning of year	-	-
Current year receipts	-	13 341 000
Conditions met - transferred to Revenue: Operating Expenses	-	(11 386)
Conditions met - transferred to Revenue: Capital Expenses	-	(12 110 537)
VAT adjustment	-	(1 219 077)
	<hr/>	<hr/>
Balance at end of year	-	-
	<hr/> <hr/>	<hr/> <hr/>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**21.12 National: MSIG Funds**

Balance unspent at beginning of year	-	-
Current year receipts	-	930 000
Conditions met - transferred to Revenue: Operating Expenses	-	(883 211)
Conditions met - transferred to Revenue: Capital Expenses	-	(23 252)
VAT adjustment	-	(23 537)
	<hr/>	<hr/>
Balance at end of year	-	-
	<hr/> <hr/>	<hr/> <hr/>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**21.13 National: Department of Minerals and Energy**

Balance unspent at beginning of year	-	-
Current year receipts	-	1 100 000
Conditions met - transferred to Revenue: Capital Expenses	-	(1 097 767)
VAT adjustment	-	(2 233)
	<hr/>	<hr/>
Balance at end of year	-	-
	<hr/> <hr/>	<hr/> <hr/>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

	6 AUGUST 2016	30 JUNE 2016
	R	R
<b>21. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)</b>		
<b>Conditional Grants (Continued):</b>		
<b>21.14 National Government: EPWP</b>		
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Capital Expenses	-	(1 000 000)
	<b>1 000 000</b>	<b>-</b>
Expenses were incurred to promote rural development. No funds have been withheld.		
<b>21.15 Other Government: Fonteimbos</b>		
Balance unspent at beginning of year	1 547 696	1 749 191
Conditions met - transferred to Revenue: Operating Expenses	(23 746)	(198 580)
Other Adjustments	-	(2 915)
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>1 523 950</b>	<b>1 547 696</b>
No funds have been withheld.		
<b>21.16 National: Regional Bulk Infrastructure (RBIG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	223 396
Conditions met - transferred to Revenue: Capital Expenses	-	(223 396)
Balance at end of year	-	-
No funds have been withheld.		
<b>21.17 Local Government: National Lottery Fund</b>		
Balance unspent at beginning of year	2 000 000	2 000 000
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>2 000 000</b>	<b>2 000 000</b>

**21.18 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.

**22. SERVICE CHARGES**

Sale of Electricity	8 828 112	78 000 221
Sale of Water	2 484 737	16 036 698
Refuse Removal	2 960 018	3 841 949
Sewerage and Sanitation Charges	6 325 073	7 300 972
Other Service Charges	51 481	1 120 567
<b>Total Service Charges</b>	<b>20 649 421</b>	<b>106 300 407</b>

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

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

<b>23. RENTAL OF FACILITIES AND EQUIPMENT</b>	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
Rental Revenue from Amenities	5 794	81 435
Rental Revenue from Buildings	7 297	87 562
Rental Revenue from Halls	29 166	120 148
Rental Revenue from Land	2 955	73 866
Rental Revenue from Other Facilities	146 871	300 246
<b>Total Rental of Facilities and Equipment</b>	<b>192 083</b>	<b>663 257</b>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**24. INTEREST EARNED**

**External Investments:**

Bank Account	31 525	404 099
Investments	9 959	505 567
	<b>41 484</b>	<b>909 666</b>

**Outstanding Debtors:**

Outstanding Billing Debtors	411 744	5 290 102
	<b>411 744</b>	<b>5 290 102</b>

**Total Interest Earned**

	<b>453 228</b>	<b>6 199 768</b>
--	----------------	------------------

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Investments accounts	41 484	909 666
Loans and Receivables	411 744	5 290 102
	<b>453 228</b>	<b>6 199 768</b>

**25. OTHER REVENUE**

Bulk Contributions	59 033	183 865
Insurance Claims	1 158	544 060
Printing, Stationary and Registration	-	-
Sundry Income	13 992	201 780
Tender Documents	-	40 442
Work done for private persons	13 283	395 722
Interdepartmental Charges	3 321	39 632
<b>Total Other Revenue</b>	<b>90 787</b>	<b>1 405 501</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.



**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

<b>26. EMPLOYEE RELATED COSTS</b>	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
Employee Related Costs - Salaries and Wages	5 676 059	57 409 283
Basic Salaries and Wages	5 676 059	53 475 126
Contribution to Leave Fund	-	-
Service Bonuses	-	3 934 157
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	1 390 681	12 366 328
Group Life	-	-
Medical	321 782	3 181 337
Pension	1 018 486	8 681 772
UIF	50 413	503 219
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	141 809	1 761 203
Allowances	141 809	1 761 203
Housing Benefits and Allowances	97 679	979 956
Overtime Payments	143 431	2 758 393
Performance Bonuses	581 340	525 469
Defined Benefit Plan Expense:	-	435 827
Current Service Cost	-	1 731 227
Interest Cost	-	2 691 522
Net Actuarial (gains)/losses recognised	-	(3 986 922)
<b>Total Employee Related Costs</b>	<b>8 030 999</b>	<b>76 236 459</b>
<b>Remuneration of Section 57 Employees:</b>		
<b><i>Remuneration of the Municipal Manager</i></b>		
Remuneration	104 578	963 612
Performance Bonus	-	142 282
Car and Other Allowances	20 000	462 859
Company Contributions to UIF, Medical and Pension Funds	1 484	15 609
<b>Total</b>	<b>126 062</b>	<b>1 584 363</b>
<b><i>Remuneration of the Chief Financial Officer</i></b>		
Remuneration	99 554	925 820
Performance Bonus	-	121 319
Car and Other Allowances	14 033	273 915
Company Contributions to UIF, Medical and Pension Funds	1 242	13 059
<b>Total</b>	<b>114 829</b>	<b>1 334 113</b>
<b><i>Remuneration of the Director: Technical Services</i></b>		
Remuneration	78 622	591 637
Performance Bonus	-	114 335
Car and Other Allowances	29 590	431 174
Company Contributions to UIF, Medical and Pension Funds	12 414	118 960
<b>Total</b>	<b>120 626</b>	<b>1 256 106</b>
<b>27. REMUNERATION OF COUNCILLORS</b>		
Mayor	78 395	758 012
Councillors	349 747	3 206 618
Other Allowances (Cellular Phones, Housing, Transport, etc)	-	320 952
<b>Total Councillors' Remuneration</b>	<b>428 142</b>	<b>4 285 582</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

27. REMUNERATION OF COUNCILLORS (continued)	6 AUGUST 2016 R	30 JUNE 2016 R
<b>Remuneration of Councillors:</b>		
<i><b>In-kind Benefits</b></i>		
The Councillors occupying the positions of the Mayor serve in a full-time capacity and is provided with office accommodation and secretarial support at the expense of the municipality in order to enable adequate performance of their official duties.		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
Security Services were rendered at the houses of the Mayor at the expense of the municipality.		
<b>28. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	4 275 287	41 063 807
Amortisation: Intangible Assets	1 809	17 470
<b>Total Depreciation and Amortisation</b>	<b>4 277 096</b>	<b>41 081 278</b>
<b>29. IMPAIRMENT LOSSES</b>		
<b>Impairment Losses Recognised:</b>	-	8 974 834
Receivables from Exchange Transactions	-	1 707 950
Receivables from Non-exchange Transactions	-	5 687 338
Bad debts not provided for written off during the period	-	1 579 546
<b>Total Impairment Losses</b>	<b>-</b>	<b>8 974 834</b>
<b>30. BULK PURCHASES</b>		
Electricity	7 990 989	55 662 777
<b>Total Bulk Purchases</b>	<b>7 990 989</b>	<b>55 662 777</b>
<b>31. CONTRACTED SERVICES</b>		
Internal Audit	3 630	551 122
Security Services	386 774	3 296 599
<b>Total Contracted Services</b>	<b>390 404</b>	<b>3 847 721</b>
<b>32. GRANTS AND SUBSIDIES PAID</b>		
Subsidies paid to SPCA	1 500	18 000
Other	-	-
<b>Total Grants and Subsidies</b>	<b>1 500</b>	<b>18 000</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

<b>33. GENERAL EXPENSES</b>	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
Included in General Expenses are the following:		
Adverts, Printing & Stationary	20 168	406 168
Affiliations & Subscriptions	82 689	202 052
Audit Committee	-	104 015
Audit Fees - External	-	4 001 358
Bank Charges	45 467	381 286
Celebration Of National Days	-	87 677
Chemicals	166 757	2 137 205
Consumables	1 296	138 117
Copiers And Fax Lease Payments	12 484	139 915
Copiers And Fax Maintenance	80 817	814 074
Entertainment - Public / Visitors	5 823	75 691
Environmental Grant expenditure	-	1 853 544
FMG Operating Expenditure	-	872 385
Fonteinbos Expenditure	-	198 580
General Expenses	1 714	804 289
Insurance - General	128 575	1 562 707
Legal Costs & Litigation	9 594	1 375 181
Levy - Seta Skills Development	67 231	656 458
Levy - Water Research Fund: Dwaf	-	122 970
Materials, Stores & Requirement	25 460	529 407
MSIG operating expenditure	-	891 460
Municipal Service Charges	1 297 549	9 551 925
Office Tea & Requirements	300	57 422
Postage	34 912	473 120
Prepaid Commission	60 385	547 270
Professional Fees	-	34 702
Provision For Landfill Sites	-	(151 484)
MIG operating expenditure	65 319	743 740
Publicity	-	123 949
LED grant expenditure	-	1 302 075
Stipends: Ward committee	61 000	826 999
Spu Project	-	92 365
Stock (gains) / losses	-	(20 463)
Telephones	252 300	2 352 453
Testing - Biological Samples	-	268 693
Training Courses	27 918	295 953
Travelling And Subsistence	87 733	964 842
Valuation Services	-	133 971
Work Done For Private Persons	38 623	647 681
Inter-Departmental Transfers	305 530	3 736 774
<b>Total General Expenses</b>	<b>2 879 644</b>	<b>39 336 526</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.

<b>Material Losses</b>	<b>1 041 880</b>	<b>16 493 614</b>
Distribution Losses:		
Electricity Losses	313 065	9 303 933
Water Losses	728 815	7 189 682

The amounts disclosed above for electricity losses are as a result of illegal electricity connections and water losses are as a result of distribution losses.

No other extra-ordinary expenses were incurred.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

<b>34. CASH GENERATED BY OPERATIONS</b>	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
(Deficit) / Surplus for the Year	6 643 873	(35 803 089)
Adjustment for:		
Investment income	(453 228)	(6 199 768)
Depreciation and Amortisation	4 277 096	41 081 276
Contribution to Impairment Provision	-	7 395 287
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	161 087
Fines Accrual	-	(172 770)
Contribution to Provisions - current	(13 557)	354 552
Contribution to Provisions - Non-current	-	(697 936)
Transfer of non-cash assets due to merger	683 838 042	-
Transfer of non-cash liabilities due to merger	(77 337 734)	-
Transfer of equity due to merger	(610 058 445)	-
<b>Operating surplus before working capital changes</b>	<b>6 896 047</b>	<b>6 118 639</b>
Decrease/(Increase) in Inventories	101 186	(6 397)
Decrease/(Increase) in Receivables	(14 464 505)	(6 067 153)
Increase/(Decrease) in Creditors	5 125 041	(1 401 876)
Increase/(Decrease) in Conditional Grants Liability	(204 321)	(201 496)
Increase/(Decrease) in VAT Payable	438 302	232 622
<b>Cash generated by / (utilised in) Operations</b>	<b>(2 108 250)</b>	<b>(1 325 661)</b>

**35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**35.1 Unauthorised Expenditure**

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

Reconciliation of Unauthorised Expenditure:

Opening balance	14 313 998	14 313 998
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
<b>Unauthorised Expenditure awaiting authorisation</b>	<b>14 313 998</b>	<b>14 313 998</b>

**Budgeted votes exceeded:**

	<b>Amount</b>	<b>Status</b>
Vote 3 - CORPORATE SERVICES: COMM SERV	R 3 266 616	<i>To be condoned by Council</i>
Vote 6 - TECHNICAL SERVICES: ENGINEERING	R 11 047 382	<i>To be condoned by Council</i>

**35.2 Fruitless and Wasteful Expenditure**

Fruitless and wasteful expenditure was R nil for the period (30 June 2016 - R 63 148).

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	115 699	52 551
Fruitless and Wasteful Expenditure current year	-	63 148
<b>Fruitless and Wasteful Expenditure</b>	<b>115 699</b>	<b>115 699</b>

**35.3 Irregular Expenditure**

Irregular expenditure to the value of R nil (30 June 2016 R nil) has been identified during the current year.

Reconciliation of Irregular Expenditure:

Opening balance	257 592	146 926
Irregular Expenditure current year	-	110 666
Written off by Council	-	-
<b>Irregular Expenditure awaiting write-off</b>	<b>257 592</b>	<b>257 592</b>

Internal investigations into the reasons for the irregular expenditure are underway, before the issues are handed over to legal to be dealt with further.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	6 AUGUST 2016 R	30 JUNE 2016 R
<b>36.1 Contributions to organised local government - SALGA</b>		
Council Subscriptions	-	35 900
Amount Paid - current year	-	(35 900)
	-	-
<b>36.2 Audit Fees</b>		
Current year Audit Fee	-	4 561 549
Amount Paid - current year	-	(4 561 549)
	-	-
<b>36.3 VAT</b>		
The net of VAT input payables and VAT output receivables are shown in Note 16. All VAT returns have been submitted by the due date throughout the year.		
<b>36.4 PAYE, Skills Development Levy and UIF</b>		
Current year Payroll deductions	768 469	9 048 104
Amount Paid - current year	(768 469)	(9 048 104)
	-	-
<b>36.5 Pension and Medical Aid Deductions</b>		
Current year Payroll deductions and Council Contributions	1 573 267	18 523 952
Amount Paid - current year	(1 573 267)	(18 523 952)
	-	-

**36.6 Councillor's arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

06 August 2016	Total	Outstanding up to 90 days	Outstanding more than 90 days
<b>Rates and Services</b>			
Councillor SJ Jankovichl	12 264	-	12 264
Councillor TL Nonnies	5 095	-	5 095
Councillor DJ Coetzee	429	429	
<b>Overpaid Allowances</b>			
Councillor A Booysen	25 837	-	25 837
Councillor MB Meishik	1 634	28	1 606
	45 259	457	44 802

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

**36.6 Councillor's arrear Consumer Accounts (continued)**

**30 June 2016**

**Rates and Services**

Councillor H Makoba	802	802	-
Councillor MB Mackelina	505	365	140
Councillor AR Knott-Craig	698	698	-
Councillor MB Meishik	1 493	-	1 493
Councillor AD Gradwell	1 294	1 294	-
Councillor TL Nonnies	4 463	-	4 463
Councillor DJ Coetzee	426	426	-

**Overpaid Allowances**

Councillor A Booysen	20 010	-	20 010
Councillor MB Meishik	1 634	-	1 634

<b>Total Councillor Arrear Consumer Accounts</b>	<b>31 324</b>	<b>3 584</b>	<b>27 740</b>
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**36.7 Non-Compliance with the Municipal Finance Management Act**

Instance of non-compliance with the MFMA relate to Irregular, Fruitless and Wasteful Expenditure.

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

**36.8 Deviation from, and ratification of minor breaches of the Procurement Processes**

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Applicable SCM policy guideline	Date	Successful Tenderer	Reason	Amount
39(1)(a)(i)	Year 2016/17	Various occasions	Emergency in terms of Camdeboo Municipality SCM Policy	124 487
39(1)(a)(ii)	Year 2016/17	Various occasions	Sole provider of goods and services/Agents/ Limited suppliers	249 240
39(1)(a)(v)	Year 2016/17	Various occasions	Any exceptional case where it is impractical or impossible to follow the official procurement processes. Quotations that were advertised or asked for, but were unable to obtain three (3) quotations.	2 516

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

**36.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		Lost Units	Cost per Kwh	Value
<b>06 August 2016</b>	Unaccounted Electricity Losses	391 331	0.80	313 065
<b>30 June 2016</b>	Unaccounted Electricity Losses	11 662 465	0.80	9 303 933

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported. The losses relate as follows, 95% are technical losses which amounts to R 297 412 (30 June 2016: R 8 838 736) and 5% are non-technical losses which amounts to R 15 653 (30 June 2016: R 465 197)

**Water:**

		Lost Units	Tariff	Value
<b>06 August 2016</b>	Unaccounted Water Losses	129 452	5.63	728 815
<b>30 June 2016</b>	Unaccounted Water Losses	1 277 031	5.63	7 189 682

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 losses relate as follows, 95% are technical losses which amounts to R 692 374 (30 June 2016: R 6 830 198) and 5% are non-technical losses which amounts to R 36 441 (30 June 2016: R 359 484)

<b>37. COMMITMENTS FOR EXPENDITURE</b>	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
<b>37.1 Capital Commitments</b>		
Commitments in respect of Capital Expenditure:		
- <b>Approved and Contracted for:</b>	<b>51 980 680</b>	<b>51 995 686</b>
Infrastructure	51 980 680	51 995 686
<b>Total Capital Commitments</b>	<b>51 980 680</b>	<b>51 995 686</b>
This expenditure will be financed from:		
Government Grants	46 468 058	46 483 064
Own Resources	5 512 622	5 512 622
	<b>51 980 680</b>	<b>51 995 686</b>
<b>37.2 Lease Commitments - Amounts payable under Operating Leases</b>		
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>Other Equipment:</b>	<b>1 179 995</b>	<b>1 197 044</b>
Up to 1 year	168 190	168 190
2 to 5 years	1 011 805	1 028 854
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>1 179 995</b>	<b>1 197 044</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

37. COMMITMENTS FOR EXPENDITURE (continued)	6 AUGUST 2016 R	30 JUNE 2016 R
<b>37.2 Lease Commitments - Amounts payable under Operating Leases (continued)</b>		
The following expenses have been recognised in the Statement of Financial Performance:		
Operating expenditure	67 299	663 896
<b>Total Operating Lease Expenses</b>	<b>67 299</b>	<b>663 896</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

**38. FINANCIAL INSTRUMENTS**

**38.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	6 582 910	5 396 326
Refuse	Amortised cost	9 486 346	6 487 219
Sewerage	Amortised cost	20 255 830	13 663 729
Water	Amortised cost	31 876 829	30 101 952
Other Receivables	Amortised cost	5 561 005	5 530 172
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	21 133 260	113 392
Payments made in Advance	Amortised cost	603 217	603 217
Sundry Deposits	Amortised cost	100 900	100 900
Sundry Debtors	Amortised cost	2 712 773	2 704 467
Credit Debtors balances	Amortised cost	678 381	553 089
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	939 318	934 040
Bank Balances	Amortised cost	2 616 580	771 889
Cash Floats and Advances	Amortised cost	2 240	2 240



**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**38. FINANCIAL INSTRUMENTS (continued)**

**38.1 Classification (continued)**

**SUMMARY OF FINANCIAL ASSETS**

Receivables from Exchange Transactions	Electricity	6 582 910	5 396 326
Receivables from Exchange Transactions	Refuse	9 486 346	6 487 219
Receivables from Exchange Transactions	Sewerage	20 255 830	13 663 729
Receivables from Exchange Transactions	Water	31 876 829	30 101 952
Receivables from Exchange Transactions	Other Debtors	5 561 005	5 530 172
Receivables from Non-exchange Transactions	Assessment Rates Debtors	21 133 260	113 392
Receivables from Non-exchange Transactions	Payments made in Advance	603 217	603 217
Receivables from Non-exchange Transactions	Sundry Deposits	100 900	100 900
Receivables from Non-exchange Transactions	Sundry Debtors	2 712 773	2 704 467
Receivables from Non-exchange Transactions	Credit Debtors balances	678 381	553 089
Cash and Cash Equivalents	Call Deposits	939 318	934 040
Cash and Cash Equivalents	Bank Balances	2 616 580	771 889
Cash and Cash Equivalents	Cash Floats and Advances	2 240	2 240
<b>Total Financial Assets</b>		<b>102 549 589</b>	<b>66 962 632</b>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Consumer Deposits</b>	Amortised cost	2 145 095	2 144 581
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	14 384 181	11 547 327
Accruals	Amortised cost	5 565 378	78 231
Retentions	Amortised cost	37 932	37 932
Other Creditors	Amortised cost	6 172 432	5 645 899
Staff Leave Accrued	Amortised cost	4 479 528	3 789 371
Credit debtors balances	Amortised cost	1 084 664	1 087 275
<b>Payables from Non-exchange Transactions</b>			
Credit debtors balances	Amortised cost	1 338 867	553 089
Workmans compensation	Amortised cost	170 929	458 026

**38.2 Capital Risk Management**

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The gearing ratio at the year-end was as follows:

Debt	-	71 991 756
Cash and Cash Equivalents	-	(1 708 169)
Net Debt	-	70 283 587
Equity	-	603 414 572
<b>Net debt to equity ratio</b>	<b>0%</b>	<b>12%</b>

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

### **38. FINANCIAL INSTRUMENTS (continued)**

#### **38.3 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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 Department 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.

Further quantitative disclosures are included throughout these Annual Financial Statements.

It is the policy of the municipality to disclose information that enables the user of its Annual 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 operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures 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 will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### **38.4 Significant Risks**

##### **Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

##### **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.

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.

#### **38.5 Market Risk**

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

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

##### **38.5.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

### **38. FINANCIAL INSTRUMENTS (Continued)**

#### **38.5 Market Risk (continued)**

##### **38.5.2 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 variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured 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. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting 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 is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

##### **Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

##### **Cash and Cash Equivalents:**

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 06 August 2016 would have increased / decreased by R 112 656 (30 June 2016: increased / decreased by R nil). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

##### **38.6 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. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, Cash and Bank.

##### **Investments/Bank, Cash and Cash Equivalents**

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 Investec, Absa Bank, First National Bank, Nedbank, Investec and Standard Bank. No investments with a tenure exceeding twelve months are made.

##### **Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**38. FINANCIAL INSTRUMENTS (Continued)**

**38.6 Credit Risk Management (continued)**

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting 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 table below shows the balance of the 5 major counterparties at the Reporting date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Counterparty and Location	06 August 2016		30 June 2016	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
National Public Works	-	-	-	1 737 876
Alliance Internet	-	-	-	1 402 540
Department of Health	-	-	-	528 251
Montego Pet Nutrition	-	-	-	441 958
Mr B Roman - Urqhart Park	-	-	-	350 760

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

Consumer Debtors	-	20 177 811
Other Debtors	-	19 010 598
Bank, Cash and Cash Equivalents	-	1 708 169
<b>Maximum Credit and Interest Risk Exposure</b>	<b>-</b>	<b>40 896 578</b>

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	0%	154%
- Industrial / Commercial	0%	14%
- National and Provincial Government	0%	16%
Other Debtors:		
- Other not Classified	0%	5%
<b>Total Credit Risk</b>	<b>0%</b>	<b>189%</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**38. FINANCIAL INSTRUMENTS (Continued)**

**Bank and Cash Balances**

ABSA Bank Ltd	20 725	20 469
Standard Bank	-	-
Investec	2 938	2 938
First National Bank	3 532 235	1 682 522
Cash Equivalents	2 240	2 240

**Total Bank and Cash Balances**

	<b>3 558 138</b>	<b>1 708 169</b>
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**38.7 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. 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. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

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	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
<b>06 August 2016</b>								
Non-interest Bearing		0.00%	-	-	-	-	-	-
- Payables from Exchange transactions			-	-	-	-	-	-
- Payables from Non-exchange transactions			-	-	-	-	-	-
			-	-	-	-	-	-
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	28 741 791	28 741 791	-	-	-	-
- Payables from Exchange transactions			25 937 965	25 937 965	-	-	-	-
- Payables from Non-exchange transactions			2 803 826	2 803 826	-	-	-	-
			<b>28 741 791</b>	<b>28 741 791</b>	-	-	-	-

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**38. FINANCIAL INSTRUMENTS (Continued)**

**38.7 Liquidity Risk Management**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
<b>06 August 2016</b>								
Non-interest Bearing		0.00%	-	-	-	-	-	-
- Trade Receivables from Exchange Transactions			-	-	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
- Cash and Cash Equivalents			-	-	-	-	-	-
Variable Interest Rate Instruments		0.00%	-	-	-	-	-	-
- Call Deposits			-	-	-	-	-	-
- Bank Account			-	-	-	-	-	-
			-	-	-	-	-	-
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	25 040 894	25 040 894	-	-	-	-
- Trade Receivables from Exchange Transactions			20 177 811	20 177 811	-	-	-	-
- Trade Receivables from Non-exchange Transactions			4 860 843	4 860 843	-	-	-	-
- Cash and Cash Equivalents			2 240	2 240	-	-	-	-
Variable Interest Rate Instruments		0.00%	1 705 929	1 705 929	-	-	-	-
- Call Deposits			934 040	934 040	-	-	-	-
- Bank Account			771 889	771 889	-	-	-	-
			<b>26 746 823</b>	<b>26 746 823</b>	-	-	-	-

**38.8 Effective Interest Rates and Repricing Analysis**

In accordance with GRAP 104 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

**06 August 2016**

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	6		-	-	-	-	-	-
Bank Balances and Cash	6		-	-	-	-	-	-
<b>Total Fixed Rate Instruments</b>			-	-	-	-	-	-

**30 June 2016**

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	6		934 040	934 040	-	-	-	-
Bank Balances and Cash	6		774 129	774 129	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>1 708 169</b>	<b>1 708 169</b>	-	-	-	-

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

**38. FINANCIAL INSTRUMENTS (Continued)**

**38.9 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**39. RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**39.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Hendina Meyer	Program Operator	Meyer Transport belongs to her husband
Alfred Pannies	Councillor	JVB Caterers - Wife
Clive Warner	Assistant Manager	Electrical Motor Rewinders - Son
Maryna Minnie	Senior Clerk: Administration	Tinnus Minnie Electrical - Spouse
Ivan Jaftha	Law Enforcement Officer	Jaftha Transport - Owner
Logan Cudjoe	Expenditure	RAC Transport - Spouse
Hanna Makoba	Mayor	New Horizon Sewing Project
Marie Fichet	Senior Administration	Guest House - Owner (Merwede Guesthouse)
Rory Boggenpoel	Manager: SCM & Assets	RGB Ithemba - Owner
Hildegard Wessels	HR Officer: Recruitment	Camdeboo Funeral Services - Director/Partner
Ivor Berrington	Director: Technical Services	Berrington Family Trust & Uitkoms Trust - Trustee
Melanie Berrington	Administrative Officer	Berrington Family Trust & Uitkoms Trust - Trustee
Colin Abels	Health Practitioner	Welkom Yizani - Shareholder

**39.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
<b>For the Year ended 06 August 2016</b>				
Councillors	3 385	10 849	4 936	45 589
Municipal Manager and Section 57 Personnel	436	6 255	3 720	6 691
<b>Total Services</b>	<b>3 821</b>	<b>17 104</b>	<b>8 656</b>	<b>52 280</b>
<b>For the Year ended 30 June 2016</b>				
Councillors	27 112	116 106	49 474	29 931
Municipal Manager and Section 57 Personnel	4 067	36 998	50 531	-
<b>Total Services</b>	<b>31 178</b>	<b>153 104</b>	<b>100 006</b>	<b>29 931</b>

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

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

**39.3 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company	Related	Company	Municipal	Purchases for the period ended 6 August 2016	Purchases for the period ended 30 June 2016
Name	Person	Capacity	Capacity		
Tinnus Minnie Electrical	Maryna Minnie	Spouse	Official	-	-
Electrical Motor Rewinders	Clive Warner	Son	Official	-	202 943
<b>Total Purchases</b>				<b>-</b>	<b>202 943</b>

**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

	<b>6 AUGUST 2016</b>	<b>30 JUNE 2016</b>
	<b>R</b>	<b>R</b>
<b>39. RELATED PARTY TRANSACTIONS (Continued)</b>		
<b>39.3 Purchases from Related Parties (Continued)</b>		
The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.		
<b>40. CONTINGENT LIABILITIES</b>		
<b>40.1 Guarantees:</b>	<b>946 276</b>	<b>946 276</b>
The Camdeboo Municipality has the following guarantees:		
(i) Department of Mineral and Energy: R60 000 at First National Bank ceded to Department of Mineral and Energy for the rehabilitation of the quarries.	60 000	60 000
(ii) Eskom: R 886 276 to be paid by First National Bank on receipt of first written demand for payment from Eskom that the is due and payable by Camdeboo Local Municipality in respect of agreement which has to be concluded between Eskom and Camdeboo.	886 276	886 276
<b>40.2 Court Proceedings:</b>	<b>94 491</b>	<b>94 676</b>
(i) Dispute on Training : C B Williams C B Williams instituted a claim against the municipality in the amount of R 25 567 relating to training provided. The municipality did not contract the services of CB Willemsse for the training. The outcome of the case seems to be that CB Willemsse is not proceeding with same.	5 815	6 000
(ii) The Wedge The liability on the improvement to the property is currently under dispute.	16 000	16 000
(iii) Amatenda Housing Development Housing developments for low income was done on municipal property. The developers are in liquidation and a dispute has arisen. Provision for balance of legal costs resulting from lodgment and finalization of High Court Application for appropriate declaratory and other relief and cost resulting from insolvency interrogations initiated by liquidators. Counsel's cost was paid recently R500,000 payable by CLM in accordance with clauses 5 and 6 of Court Order (by consent) as compensation for improvements. "Value for money" principal was adhered to complied with.High Court Application for declaratory relief confirming that agreement has terminated and Amatenda (in liquidation) has lost the right to develop the property and for further appropriate relief was finalized by way of Court Order (by consent) dated 26-1-16. The said order also brought the insolvency interrogations to a final end.	-	-
(iv) Juno Beach Trading 2cc High Court Application for interim interdict pending review application. Main review application for an Order reviewing and setting aside the decision of CLM to award tender no 34/2015 (Provision of managed printing solution) to BIZTECH Consultants	51 676	51 676
(v) Richard V Rensburg Richardt van Rensburg brought a High Court Application in terms of "PAIA" for an order directing CLM to deliver documentation pertaining to a Mining right on Erf 1814, Graaff-Reinet existing and previous lease agreements in respect of Erf 1814 and further related documents.	15 000	15 000
(vi) SALA Pension Fund ("SALA") "SALA" delivered a Notice in terms of Section 3 of Act 40 of 2002 in respect of deceased member JJ Adams claiming damages resulting from an alleged failure by CLM to timeously notify "SALA" of a claim in order for them to timeously notify the underwriter	6 000	6 000



**CAMDEBOO MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 06 AUGUST 2016**

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

**2015/16**

The municipality did not receive any in-kind donations and assistance:

**2014/15**

The municipality received the following in-kind donations and assistance:

- (i) Fire truck from Sarah Baartman district municipality with a market value of R1,2 million
- (ii) Computer equipment from Department of Economic Development

**42. PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**43. EVENTS AFTER THE REPORTING DATE**

No material fact or circumstance has occurred between the accounting date and the date of the financial statements other than those items already mentioned which required disclosure in the annual financial statements.

**44. GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) On 14 July 2016, the Executive Council responsible for the Local Government in Province of the Eastern Cape, acted in terms of Sections 12, 14 and 17 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) as amended, disestablished Baviaans, Camdeboo and Ikwezi Local Municipalities and established Dr. Beyers Naude Local Municipality, effective 6 August 2016. Since the municipality will be merged, the financial statements for the period ended 6 August 2016 was prepared in terms of GRAP 107.