

Elundini

LOCAL MUNICIPALITY



MUNICIPALITY

IKAMVA ELIQAQAMBILEYO

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2012

ELUNDINI LOCAL MUNICIPALITY

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ELUNDINI LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

Municipal Manager

Date

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	Restated 2011 R
NET ASSETS AND LIABILITIES			
Net Assets		368 927 883	362 940 540
Accumulated Surplus		368 927 883	362 940 540
Non-Current Liabilities		9 314 852	9 281 241
Long-term Liabilities	2	146 783	203 732
Employee Benefits	3	2 978 365	3 182 553
Non-Current Provisions	4	6 189 704	5 894 956
Current Liabilities		43 702 017	33 858 051
Consumer Deposits	5	159 209	205 814
Current Employee Benefits	6	8 462 697	5 716 078
Payables from Exchange Transactions	7	18 446 249	12 296 727
Unspent Conditional Government Grants and Receipts	8	10 880 459	15 512 824
Taxes	9	5 696 455	-
Current Portion of Long-term Liabilities	2	56 948	126 608
Liabilities associated with Discontinued Operations	35	1 190 117	-
Total Net Assets and Liabilities		423 134 869	406 079 832
ASSETS			
Non-Current Assets		348 150 408	346 016 298
Property, Plant and Equipment	10	319 928 865	317 846 818
Investment Property	11	28 094 168	28 169 480
Intangible Assets	12	127 375	-
Current Assets		72 285 106	60 063 534
Inventory	13	8 152 984	8 329 813
Receivables from Exchange Transactions	14	18 487 058	17 391 385
Receivables from Non-exchange Transactions	15	4 625 002	1 285 706
Unpaid Conditional Government Grants and Receipts	8	36	231 709
Taxes	9	-	4 928 355
Cash and Cash Equivalents	16	41 020 026	27 896 566
Assets associated with Discontinued Operations	35	2 699 355	-
Total Assets		423 134 869	406 079 832

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	Restated 2011 R
REVENUE			
Revenue from Non-exchange Transactions		117 441 531	108 470 177
Taxation Revenue		11 980 138	9 774 023
Property Rates	17	11 980 138	9 774 023
Transfer Revenue		105 359 639	98 486 784
Government Grants and Subsidies - Capital	18	35 072 663	41 439 511
Government Grants and Subsidies - Operating	18	70 224 221	56 998 690
Public Contributions and Donations		62 755	48 583
Other Revenue		101 754	209 370
Actuarial Gains		-	80 868
Fines		101 754	128 502
Revenue from Exchange Transactions		29 193 874	28 798 051
Service Charges	19	18 663 485	17 126 923
Water Services Authority Contribution	20	-	-
Plant Income	21	(1 701)	-
Rental of Facilities and Equipment		670 661	842 578
Interest Earned - external investments		2 077 383	2 362 053
Interest Earned - outstanding debtors		4 721 186	5 911 484
Licences and Permits	22	1 703 237	1 423 071
Other Income	23	1 359 623	1 131 942
Total Revenue		146 635 405	137 268 228

EXPENDITURE

Employee Related Costs	24	39 925 776	34 437 823
Remuneration of Councillors	25	7 738 431	6 983 480
Debt Impairment	26	10 899 557	4 458 810
Depreciation and Amortisation	27	34 064 701	30 888 724
Impairments	28	3 498	49 353
Actuarial Loss		305 419	
Collection Cost		780 709	249 381
Repairs and Maintenance	29	4 234 889	1 611 984
Finance Charges	30	1 341 222	578 893
Bulk Purchases	31	13 608 906	11 847 738
Grants and Subsidies	32	350 000	-
Operating Grant Expenditure	33	2 469 072	6 446 183
Gain or loss on disposal of Property, Plant and Equipment		178 174	281 300
Gain or loss on disposal of Inventory		54 926	37 482
Gain or loss on disposal of Investment Property			10 000

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus R
Balance at 1 JULY 2010	53 546 290
Prior period adjustments - note 36.11	290 358 714
Rounding	5
Restated Balance at 1 JULY 2010	343 905 009
Net Surplus for the year	19 035 531
Balance at 30 JUNE 2011	362 940 540
Net Surplus for the year	5 987 342
Rounding	1
Balance at 30 JUNE 2012	368 927 883

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	Restated 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates, Services and Other		31 689 268	24 200 327
Government		100 896 194	93 040 970
Interest		6 798 569	8 273 537
Payments			
Suppliers and employees		(86 556 835)	(89 715 100)
Finance charges		(1 341 222)	(578 893)
Net Cash from Operating Activities	37	51 485 975	35 220 841
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(38 094 775)	(44 705 900)
Proceeds on Disposal of Property, Plant and Equipment		-	347 314
Proceeds on Disposal of Investment Property		-	11 600
Purchase of Investment Property		-	(3 226 498)
Purchase of Intangible Assets		(139 783)	-
Net Cash from Investing Activities		(38 234 558)	(47 573 484)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Long-term Liabilities		(126 609)	(121 134)
(Decrease)/Increase in Consumer Deposits		(1 349)	54 429
Net Cash from Financing Activities		(127 958)	(66 705)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		13 123 459	(12 419 348)
Cash and Cash Equivalents at the beginning of the year		27 896 566	40 315 914
Cash and Cash Equivalents at the end of the year	38	41 020 026	27 896 566

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013

GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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

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

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

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

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the formats contained in the Municipal Budget Reporting Regulations.

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the</p>	Unknown

	<p>recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	
<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in of the annual financial statements.</p>	<p>Unknown</p>
<p>GRAP 24 (Original – Nov 2007)</p>	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	<p>1 April 2012</p>
<p>GRAP 103 (Original – July 2008)</p>	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p>	<p>1 April 2012</p>

	No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.	
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary	Unknown

contributions	
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The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).	
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No significant impact is expected as the Municipality does not have any JCE's at this stage.	
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. LEASES

1.8.1 *Municipality as Lessee*

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8.2 Municipality as Lessor

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

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

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS

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

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

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

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

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

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.12. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

(b) Long Service Awards

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

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

(c) Provision for Staff Leave

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

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

(d) Staff Bonuses Accrued

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

(e) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

(f) Pension and retirement fund obligations

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

(g) Other Short-term Employee Benefits

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

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

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 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 shall be 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 entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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.

1.13.2 Subsequent Measurement – Cost Model

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

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

1.13.3 Depreciation and Impairment

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

	<u>Years</u>
<u>Land and Buildings</u>	
Buildings	100
Capitalised Restoration Costs	20
<u>Infrastructure</u>	
Electricity	6 - 50
Roads, Pavements, Bridges & Storm Water	5 -120
<u>Leased Assets</u>	
Office Equipment	5
<u>Other Assets</u>	
Furniture & Fittings	7
Motor Vehicles	5
Computer Equipment	5
Plant and Machinery	7 - 10

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

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

1.13.4 De-recognition

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

1.13.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For all other assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

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

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

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

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

Intangible assets are initially recognised at cost.

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

1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

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

<u>Intangible Assets</u>	Years
Computer Software	5

1.14.4 De-recognition

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

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

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

1.15.3 Depreciation and Impairment – Cost Model

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

<u>Investment Property</u>	<u>Years</u>
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Buildings	100
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1.15.4 De-recognition

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

1.15.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.16. NON-CURRENT ASSETS HELD FOR SALE

1.16.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.16.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

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

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

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

costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

1.17.2 Non-cash-generating assets

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

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

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

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

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

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

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an

asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18. INVENTORIES

1.18.1 Initial Recognition

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

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

1.18.2 Subsequent Measurement

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

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

In general, the basis of allocating cost to inventory items is the weighted average method.

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

1.18.3 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of inventory could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.19.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.19.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.19.2.1 Receivables

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

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

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

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

1.19.2.2 *Payables and Annuity Loans*

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

1.19.2.3 *Cash and Cash Equivalents*

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

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

1.19.3 De-recognition of Financial Instruments

1.19.3.1 *Financial Assets*

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

- the rights to receive cash flows from the asset have expired; or

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

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

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

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

1.19.3.2 *Financial Liabilities*

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

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

1.19.4 ***Offsetting of Financial Instruments***

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

1.20. REVENUE

1.20.1 *Revenue from Non-Exchange Transactions*

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

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

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

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

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

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be

created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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 recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) 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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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

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

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

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

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

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

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

1.21. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and

- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

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

1.22. UNAUTHORISED EXPENDITURE

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

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.25. CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.26. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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

Property, Plant and Equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

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

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

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

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

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

Intangible Assets

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

Management referred to the following when making assumptions regarding useful lives of intangible assets:

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

Investment Property

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

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

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

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

Inventory

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

Provisions and Contingent Liabilities

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

Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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

Provision for Landfill Sites

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

Management referred to the following when making assumptions regarding provisions:

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

Provision for Staff leave

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

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

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

1.28. TAXES – VALUE ADDED TAX

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

1.29. CAPITAL COMMITMENTS

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

1.30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

2

LONG-TERM LIABILITIES

	2012 R	2011 R
Annuity Loans - At amortised cost	203 731	251 857
Capitalised Lease Liability - At amortised cost	-	78 483
	<u>203 731</u>	<u>330 340</u>
Less: Current Portion transferred to Current Liabilities	(56 948)	(126 608)
	<u>56 948</u>	<u>48 125</u>
Annuity Loans - At amortised cost	-	78 483
Capitalised Lease Liability - At amortised cost	-	-
Total Long-term Liabilities - At amortised cost using the effective interest rate method	<u>146 783</u>	<u>203 732</u>

Annuity loans at amortised cost are calculated at 17.36% interest rate, with maturity date of 30 June 2015. Capital lease liabilities at amortised cost is calculated at 10% interest rate, with maturity date of 30 June 2012.

Minimum annuity payments

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	90 022	90 022
Payable within two to five years	180 044	270 066
Payable after five years	-	-
	<u>270 066</u>	<u>360 088</u>
Less: Future finance obligations	(66 335)	(108 231)
Present value of annuity obligations	<u>203 731</u>	<u>251 857</u>

Annuity loans are unsecured.

Minimum lease payments

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	-	82 080
Payable within two to five years	-	-
Payable after five years	-	-
	<u>-</u>	<u>82 080</u>
Less: Future finance obligations	-	(3 597)
Present value of lease obligations	<u>-</u>	<u>78 483</u>

Leases are secured by Property, Plant and Equipment - Note 10

3

EMPLOYEE BENEFITS

Post Retirement Medical Obligation - refer to note 3.1	1 664 566	1 524 177
Long Service Awards - refer to note 3.2	1 703 868	1 658 376
Total Non-current Employee Benefit Liabilities	3 368 434	3 182 553
Less: Liabilities associated with Discontinued Operations - note 35	(390 069)	-
Total Non-current Employee Benefit Liabilities - Continued Operations	<u>2 978 365</u>	<u>3 182 553</u>

Post Retirement Medical Obligation

Balance 1 July	1 628 157	1 748 348
Contribution for the year	132 393	117 815
Expenditure for the year	(97 825)	(99 582)
Actuarial Loss/(Gain)	114 581	(138 424)

	2012 R	2011 R
<u>Long Service Awards</u>		
Balance 1 July	1 742 671	1 455 713
Contribution for the year	383 712	342 945
Expenditure for the year	(68 192)	(113 543)
Actuarial Loss	190 838	57 556
Total long service 30 June	2 249 029	1 742 671
Less: Transfer of Current Portion - Note 6	(545 161)	(84 295)
Balance 30 June	1 703 868	1 658 376

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	3 370 828	3 204 061
Contribution for the year	516 105	460 760
Expenditure for the year	(166 017)	(213 125)
Actuarial Loss/(Gain)	305 419	(80 868)
Total employee benefits 30 June	4 026 335	3 370 828
Less: Transfer of Current Portion - Note 6	(657 901)	(188 275)
Balance 30 June	3 368 434	3 182 553

3.1 Post Retirement Medical Obligation

	2012 Employees	2011 Employees
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
Continuation members (e.g. Retirees, widows, orphans)	4	4
Total Members	4	4

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

Bonitas;
LA Health
SAMWU Med
Key Health
Hosmed/Medichex

	2012 %	2011 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7.22%	8.39%
Health Care Cost Inflation Rate	6.50%	7.15%
Net Effective Discount Rate	0.68%	1.16%

ii) Mortality rates

The PA 90 ultimate table

	2012 R	2011 R
The liability recognised in the Statement of Financial Position is as follows:		
Present value of fund obligations (only continuation members)	1 777 306	1 628 157
Total Liability	1 777 306	1 628 157

The liability in respect of periods commencing prior to the comparative year has

	2012 R	2011 R
--	-----------	-----------

DEFINED CONTRIBUTION FUNDS

Council contributes to the SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	586 514	601 235
SAMWU National Provident Fund	2 415 384	2 083 858
	3 001 898	2 685 093

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	6 189 704	5 894 956
Total Non-current Provision	6 189 704	5 894 956

Landfill Sites

Balance 1 July	5 894 956	5 609 121
Contribution for the year	294 748	285 835
Expenditure for the year	-	-
Balance 30 June	6 189 704	5 894 956

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

- Mount Fletcher	592 372	564 164
- Maclear	2 781 962	2 649 488
- Ugie	2 815 369	2 681 304
	6 189 704	5 894 956

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1350 tonnes per year (i.e. 5 tonnes as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

In calculating the provision for rehabilitation, the following four items have been included, viz.

- 1 Direct Contract Cost

Maclear Landfill Site:-

- Size of operational landfill area? 12 000 m² (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:B+
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No – There are plans to “Mothball” the site during 2011 and transport waste to Ugie
- If the site is operational, what is the annual tonnage of waste deposited on site? 1350.7 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No, DWAF take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm
- Status of cover material? Cover material on site, volume unknown

Ugie Landfill Site:-

- Size of landfill area? 12 000 m² (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:C-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? N/A
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? Cover material on site, volume unknown

5 CONSUMER DEPOSITS

Electricity	133 811	131 455
Water	25 398	28 636
Housing Rental	45 258	45 723
Total Consumer Deposits	204 467	205 814
Less: Liabilities associated with Discontinued Operations	(45 258)	-
Total Consumer Deposits - Continued Operations	159 209	205 814

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

6 CURRENT EMPLOYEE BENEFITS

	2012 R	2011 R
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The movement in current employee benefits are reconciled as follows:

Provision for Performance Bonuses

Balance at beginning of year	1 929 827	1 198 260
Contribution for the year	1 307 675	1 227 573
Expenditure incurred	(1 124 128)	(496 006)
Balance at end of year	2 113 374	1 929 827

Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.

Bonuses Accrued

Balance at beginning of year	950 851	857 741
Contribution for the year	1 186 589	950 851
Expenditure incurred	(950 851)	(857 741)
Balance at end of year	1 186 589	950 851

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Provision for Staff Leave

Balance at beginning of year	2 553 198	1 702 253
Contribution for the year	700 513	1 080 652
Expenditure incurred	(225 675)	(229 707)
Balance at end of year	3 028 036	2 553 198

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

Other Provisions

Balance at beginning of year	93 927	311 024
Contribution to current portion - Task Job Evaluation Provision	1 937 477	-
Expenditure incurred	-	(217 097)
Balance at end of year	2 031 404	93 927
Shortfall in annual earnings of Cape Joint Pension Fund	93 927	93 927
TASK Job Evaluation Provision	1 937 477	-

Other provisions are non-recurring provisions which consists out of the following at year end:

7

PAYABLES FROM EXCHANGE TRANSACTIONS

	2012 R	2011 R
Trade Payables	13 124 163	7 257 689
As previously reported		5 963 507
Prior period adjustments - note 36.04		609 667
Prior period adjustments - note 36.06		684 516
Sundry Creditors	-	1 227
Payments received in advance	1 130 683	1 533 090
Retentions	3 652 804	3 153 280
As previously reported		3 663 575
Prior period adjustments - note 36.06		(273 577)
Prior period adjustments - note 36.06		(236 718)
Bursary Scheme - payments received from students	23 494	43 059
Sundry Deposits	244 958	66 450
Unknown Receipts	270 147	241 932
Total Payables from Exchange Transactions	18 446 249	12 296 727

Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals.

Deposits amounting to R559 200 serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments.

8

UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**Unspent Grants**

	10 880 459	15 512 824
National Government Grants	681 339	220 730
Provincial Government Grants	5 174 041	5 404 812
District Municipality Grants	118 696	118 696
Other Grant Providers	4 906 383	9 768 586
Less: Unpaid Grants	(36)	(231 709)
National Government Grants	-	(231 673)
Other Grant Providers	(36)	(36)
Total Conditional Grants and Receipts	10 880 423	15 281 115

Balance as previously reported
 Prior period adjustments - note 36.01
 Prior period adjustments - note 36.01

15 333 425
 (375 609)
 323 299

 15 281 115

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	44 870 685	2 261 306	-	-	47 131 991	1 800 189	402 690	3 498	-	2 206 378	44 925 613
Land	14 323 000	-	-	-	14 323 000	-	-	-	-	-	14 323 000
Buildings	19 418 601	237 546	-	8 027 415	27 683 561	514 110	207 898	-	-	722 008	26 961 554
Capitalised Restoration Costs	3 995 672	-	-	-	3 995 672	1 286 079	194 792	3 498	-	1 484 370	2 511 302
Work in Progress	7 133 412	2 023 761	-	(8 027 415)	1 129 758	-	-	-	-	-	1 129 758
Infrastructure	321 593 313	28 889 576	-	-	350 482 889	65 913 378	31 409 623	-	-	97 323 001	253 159 888
Electricity	41 668 549	-	-	22 647 245	64 315 795	3 290 503	1 576 822	-	-	4 867 325	59 448 469
Roads, Pavements, Bridges & Storm Water	247 627 774	-	-	21 715 552	269 343 326	62 622 875	29 832 801	-	-	92 455 676	176 887 650
Work in Progrss	32 296 990	28 889 576	-	(44 362 797)	16 823 769	-	-	-	-	-	16 823 769
Lease Assets	282 415	-	-	-	282 415	169 294	56 482	-	-	225 776	56 639
Office Equipment	282 415	-	-	-	282 415	169 294	56 482	-	-	225 776	56 639
Other Assets	24 576 198	6 943 892	(293 502)	-	31 226 588	5 592 931	3 962 260	-	(115 328)	9 439 863	21 786 725
Furniture & Fittings	2 320 276	712 736	(88 616)	-	2 944 397	801 886	376 241	-	(16 641)	1 161 486	1 782 911
Motor Vehicles	7 642 296	5 473 580	(37 800)	-	13 078 076	1 577 957	1 509 177	-	(24 494)	3 062 639	10 015 437
Computer Equipment	1 685 973	546 757	(103 014)	-	2 129 716	589 216	369 764	-	(55 553)	903 426	1 226 290
Plant and Machinery	12 927 652	210 819	(64 072)	-	13 074 398	2 623 873	1 707 078	-	(18 640)	4 312 312	8 762 087
	391 322 610	38 094 775	(293 502)	-	429 123 883	73 475 792	35 831 055	3 498	(115 328)	109 195 018	319 928 865

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

30 JUNE 2011

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	37 936 984	6 933 701	-	-	44 870 685	1 359 287	391 550	49 353	-	1 800 189	43 070 495
Land	14 323 000	-	-	-	14 323 000	-	-	-	-	-	14 323 000
As previously reported	9 735 019	-	(3 840 044)	-	5 894 975	-	-	-	-	-	5 894 975
Prior period adjustments - note 36.06	4 587 981	-	3 840 044	-	8 428 025	-	-	-	-	-	8 428 025
Buildings	19 020 865	397 736	-	-	19 418 601	320 902	193 208	-	-	514 110	18 904 491
As previously reported	153 995	5 669 626	-	-	5 823 621	-	-	-	-	-	5 823 621
Prior period adjustments - note 36.06	18 866 870	(5 271 890)	-	-	13 594 980	320 902	193 208	-	-	514 110	13 080 870
Capitalised Restoration Costs	3 995 672	-	-	-	3 995 672	1 038 384	198 342	49 353	-	1 286 079	2 709 592
As previously reported	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustments - note 36.06	3 995 672	-	-	-	3 995 672	1 038 384	198 342	49 353	-	1 286 079	2 709 592
Work in Progress	597 447	6 535 965	-	-	7 133 412	-	-	-	-	-	7 133 412
As previously reported	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustments - note 36.06	597 447	6 535 965	-	-	7 133 412	-	-	-	-	-	7 133 412
Infrastructure	286 765 629	34 827 684	-	-	321 593 313	37 153 751	28 759 627	-	-	65 913 378	255 679 935
Electricity	36 831 128	-	-	4 837 421	41 668 549	2 145 427	1 145 076	-	-	3 290 503	38 378 047
As previously reported	3 686 632	19 293 849	-	-	22 980 481	-	-	-	-	-	22 980 481
Prior period adjustments - note 36.06	33 144 496	(19 293 849)	-	4 837 421	18 688 068	2 145 427	1 145 076	-	-	3 290 503	15 397 566
Roads, Pavements, Bridges & Storm Water	228 272 131	-	-	19 355 643	247 627 774	35 008 324	27 614 551	-	-	62 622 875	185 004 898
As previously reported	13 029 536	17 461 988	-	-	30 491 524	-	-	-	-	-	30 491 524
Prior period adjustments - note 36.06	215 242 595	(17 461 988)	-	19 355 643	217 136 250	35 008 324	27 614 551	-	-	62 622 875	154 513 374
Work in progress	21 662 369	34 827 684	-	(24 193 064)	32 296 990	-	-	-	-	-	32 296 990
As previously reported	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustments - note 36.06	21 662 369	34 827 684	-	(24 193 064)	32 296 990	-	-	-	-	-	32 296 990
Lease Assets	282 415	-	-	-	282 415	112 811	56 483	-	-	169 294	113 121
Office Equipment	282 415	-	-	-	282 415	112 811	56 483	-	-	169 294	113 121
As previously reported	282 415	-	-	-	282 415	-	-	-	-	-	282 415
Prior period adjustments - note 36.06	-	-	-	-	-	112 811	56 483	-	-	169 294	(169 294)

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Community Assets	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-
As previously reported	120 918	-	-	-	120 918	-	-	-	-	-	120 918
Prior period adjustments - note 36.06	(120 918)	-	-	-	(120 918)	-	-	-	-	-	(120 918)
Civic Building	-	-	-	-	-	-	-	-	-	-	-
As previously reported	833 398	-	-	-	833 398	-	-	-	-	-	833 398
Prior period adjustments - note 36.06	(833 398)	-	-	-	(833 398)	-	-	-	-	-	(833 398)
Community Halls	-	-	-	-	-	-	-	-	-	-	-
As previously reported	1 643 583	1 034 297	-	-	2 677 880	-	-	-	-	-	2 677 880
Prior period adjustments - note 36.06	(1 643 583)	(1 034 297)	-	-	(2 677 880)	-	-	-	-	-	(2 677 880)
Markets	-	-	-	-	-	-	-	-	-	-	-
As previously reported	734 458	215 551	-	-	950 009	-	-	-	-	-	950 009
Prior period adjustments - note 36.06	(734 458)	(215 551)	-	-	(950 009)	-	-	-	-	-	(950 009)
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-
As previously reported	400 357	17 600	-	-	417 957	-	-	-	-	-	417 957
Prior period adjustments - note 36.06	(400 357)	(17 600)	-	-	(417 957)	-	-	-	-	-	(417 957)
Public Conveniences & Bathhouses	-	-	-	-	-	-	-	-	-	-	-
As previously reported	5	-	-	-	5	-	-	-	-	-	5
Prior period adjustments - note 36.06	(5)	-	-	-	(5)	-	-	-	-	-	(5)
Recreational Grounds	-	-	-	-	-	-	-	-	-	-	-
As previously reported	7	-	-	-	7	-	-	-	-	-	7
Prior period adjustments - note 36.06	(7)	-	-	-	(7)	-	-	-	-	-	(7)
Town Library	-	-	-	-	-	-	-	-	-	-	-
As previously reported	160 558	-	-	-	160 558	-	-	-	-	-	160 558
Prior period adjustments - note 36.06	(160 558)	-	-	-	(160 558)	-	-	-	-	-	(160 558)
Transport Facilities	-	-	-	-	-	-	-	-	-	-	-
As previously reported	3	-	-	-	3	-	-	-	-	-	3
Prior period adjustments - note 36.06	(3)	-	-	-	(3)	-	-	-	-	-	(3)

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Other Assets	22 192 023	2 944 515	(560 340)	-	24 576 198	2 506 442	3 365 530	-	(279 040)	5 592 931	18 983 267
Furniture & Fittings	2 109 531	262 402	(51 657)	-	2 320 276	514 235	308 655	-	(21 005)	801 886	1 518 391
As previously reported	1 063 379	299 497	(44 982)	-	1 317 894	-	-	-	-	-	1 317 894
Prior period adjustments - note 36.06	1 046 152	(37 095)	(6 675)	-	1 002 382	514 235	308 655	-	(21 005)	801 886	200 497
Motor Vehicles	6 163 883	1 905 917	(427 504)	-	7 642 296	697 520	1 111 078	-	(230 641)	1 577 957	6 064 340
As previously reported	2 840 377	1 905 917	-	-	4 746 294	-	-	-	-	-	4 746 294
Prior period adjustments - note 36.06	3 323 506	-	(427 504)	-	2 896 002	697 520	1 111 078	-	(230 641)	1 577 957	1 318 045
Computer Equipment	1 169 147	570 089	(53 263)	-	1 685 973	339 284	269 079	-	(19 147)	589 216	1 096 758
As previously reported	1 266 810	570 089	(53 948)	-	1 782 951	-	-	-	-	-	1 782 951
Prior period adjustments - note 36.06	(97 663)	-	685	-	(96 977)	339 284	269 079	-	(19 147)	589 216	(686 193)
Plant and Machinery	12 749 461	206 106	(27 916)	-	12 927 652	955 403	1 676 717	-	(8 247)	2 623 873	10 303 779
As previously reported	16 251 242	172 523	(495 149)	-	15 928 616	-	-	-	-	-	15 928 616
Prior period adjustments - note 36.06	(3 501 781)	33 583	467 233	-	(3 000 964)	955 403	1 676 717	-	(8 247)	2 623 873	(5 624 837)
	347 177 050	44 705 900	(560 340)	-	391 322 610	41 132 290	32 573 190	49 353	(279 040)	73 475 792	317 846 818

11

INVESTMENT PROPERTY

	2012 R	2011 R
Net Carrying amount at 1 July	28 169 480	25 040 588
Cost	28 394 798	25 190 800
As previously reported		73
Prior period adjustments - note 36.07		25 190 727
Accumulated Depreciation	(225 318)	(150 212)
As previously reported		-
Prior period adjustments - note 36.07		(150 212)
Acquisitions	-	3 226 498
Depreciation	(75 312)	(75 106)
As previously reported		-
Prior period adjustments - note 36.07		(75 106)
Disposals		(22 500)
As previously reported		-
Prior period adjustments - note 36.07		(22 500)
Net Carrying amount at 30 June	28 094 168	28 169 480
Cost	28 394 798	28 394 798
Accumulated Depreciation	(300 630)	(225 318)
Revenue derived from the rental of investment property	670 661	842 578

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

12

INTANGIBLE ASSETS**Computer Software****Net Carrying amount at 1 July**

Cost	-	-
As previously reported		36 721
Prior period adjustments - note 36.08		(36 721)
Accumulated Amortisation	-	-
Acquisitions	139 783	-
Amortisation	(12 408)	-
Net Carrying amount at 30 June	127 375	-
Cost	139 783	-
Accumulated Amortisation	(12 408)	-

13

INVENTORY

	2012 R	2011 R
Fuel and oil	40 346	166 716
Consumable Stores	1 327 412	647 548
As previously reported		10 316
Prior period adjustments - note 36.05		637 232
Land held for sale	7 363 000	7 488 500
As previously reported		555
Prior period adjustments - note 36.05		7 487 945
Water	21 634	27 049
As previously reported		1
Prior period adjustments - note 36.05		27 048
Total Inventory	8 752 392	8 329 813
Less: Assets associated with Discontinued Operations - note 35	(599 408)	-
Total Inventory - Continued Operations	8 152 984	8 329 813

No inventory assets were pledged as security for liabilities.

14

RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	9 903 562	11 848 049
As previously reported		11 952 929
Prior period adjustments - note 36.02		(104 880)
Water	6 438 484	5 808 038
As previously reported		12 302 777
Prior period adjustments - note 36.02		(32 191)
Prior period adjustments - note 36.02		(6 462 548)
Refuse	19 409 606	23 846 368
As previously reported		23 898 894
Prior period adjustments - note 36.02		(52 526)
Sewerage	764 729	600 171
As previously reported		2 844 958
Prior period adjustments - note 36.02		(16 182)
Prior period adjustments - note 36.02		(2 228 605)
Other	14 675 222	15 326 956
As previously reported		15 920 746
Prior period adjustments - note 36.02		(38 091)
Reclassified to Receivables from Non-Exchange Transactions - note 15		(555 700)
Total Receivables from Exchange Transactions	51 191 603	57 429 582
Less: Allowance for Doubtful Debts	(30 604 598)	(40 038 197)
As previously reported		(48 729 350)
Prior period adjustments - note 36.02		8 691 153

Service Receivables	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2012			
Electricity	9 903 562	(7 468 317)	2 435 245
Water	6 438 484	(4 965 749)	1 472 735
Refuse	19 409 606	(15 644 067)	3 765 539
Sewerage	764 729	(599 974)	164 755
Other	14 675 222	(1 926 491)	12 748 731
Total	51 191 603	(30 604 598)	20 587 005
2011			
Electricity	11 848 049	(10 029 388)	1 818 661
Water	5 808 038	(4 682 881)	1 125 157
Refuse	23 846 368	(21 670 080)	2 176 288
Sewerage	600 171	(470 241)	129 930
Other	15 326 956	(3 185 607)	12 141 349
Total	57 429 582	(40 038 197)	17 391 385

	2012 R	2011 R
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Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

Current (0 - 30 days)	646 196	636 239
31 to 60 days	400 373	431 015
61 to 90 days	207 916	397 035
91 to 120 days	147 129	384 819
121 to 150 days	138 144	351 716
>150 days	8 363 804	9 647 224
Total	9 903 562	11 848 049

(Water): Ageing

Current (0 - 30 days)	300 348	452 890
31 to 60 days	147 229	331 336
61 to 90 days	862 871	366 402
91 to 120 days	52 668	303 047
121 to 150 days	63 712	293 400
>150 days	5 011 656	4 060 963
Total	6 438 484	5 808 038

(Refuse): Ageing

Current (0 - 30 days)	705 699	744 592
31 to 60 days	601 840	695 858
61 to 90 days	182 713	688 306
91 to 120 days	180 018	671 495
121 to 150 days	176 529	665 783

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
Rates	14 240 340	11 968 023
As previously reported		12 111 406
Prior period adjustments - note 36.02		(143 383)
Other Receivables	646 532	609 678
RD Cheques	32 745	(609)
Underbanking of Cash	54 587	54 587
Deposits	559 200	555 700
As previously reported		-
Reclassified from Receivables from Exchange Transactions - note 14		555 700
Total Receivables from Non-Exchange Transactions	14 886 872	12 577 701
Less: Allowance for Doubtful Debts	(10 261 870)	(11 291 995)
Total Net Receivables from Non-Exchange Transactions	4 625 002	1 285 706

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	11 291 995	12 846 024
Reversal of provision - note 26	(880 298)	(1 323 446)
Debt Impairment written off against provision	(149 826)	(230 583)
Balance at end of year	10 261 870	11 291 995
Rates	10 261 870	11 291 995

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2012			
Rates	14 240 340	(10 261 870)	3 978 470
Other Receivables	646 532	-	646 532
RD Cheques	32 745	-	32 745
Underbanking of Cash	54 587	-	54 587
Deposits	559 200	-	559 200
Total	14 886 872	(10 261 870)	4 625 002
2011			
Rates	11 968 023	(11 291 995)	676 028
Other Receivables	609 678	-	609 678
RD Cheques	(609)	-	(609)
Underbanking of Cash	54 587	-	54 587

CASH AND CASH EQUIVALENTS**Assets**

	2012 R	2011 R
Call Investment Deposits	37 584 839	22 441 664
Primary Bank Account	3 433 016	5 451 051
Cash Floats	2 171	3 851
Total Cash and Cash Equivalents - Assets	41 020 026	27 896 566

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R10 880 458 are held to fund the Unspent Conditional Grants (2011: R15 512 824).

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772	490 822	4 485 484
First National Bank - Acc no 62312151848	2 012	-
Standard Bank - Acc no 280642407	2 940 182	965 567
	3 433 016	5 451 051

First National Bank - Acc no 62159933772

Cash book balance at beginning of year	4 485 484	(3 894 051)
Cash book balance at end of year	352 405	4 485 484
Bank statement balance at beginning of year	5 385 159	726 052
Bank statement balance at end of year	352 489	5 385 159

First National Bank - Acc no 62312151848

Cash book balance at beginning of year	-	-
Cash book balance at end of year	2 012	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	2 012	-

Standard Bank - Acc no 280642407

Cash book balance at beginning of year	965 567	2 803 019
Cash book balance at end of year	2 940 182	965 567
Bank statement balance at beginning of year	7 642	2 802 769
Bank statement balance at end of year	2 940 182	7 642

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Standard Bank - Acc no 388497173001 - Elundini Expan Public Works	498 160	246 833
Standard Bank - Acc no 388492554001 - Elundini Housing	71 882	74 386
Standard Bank - Acc no 388497165001 - Elundini Voting Station	479 882	479 336
Standard Bank - Acc no 388490772001 - European Union Funding	-	9 463
Standard Bank - Acc no 388493410002 - FMG	794 729	793 367
Standard Bank - Acc no 388492570001 - Housing Pilot	113 663	117 890

PROPERTY RATES**Actual**

Rateable Land and Buildings

	2012 R	2011 R
Rateable Land and Buildings	15 417 915	14 715 181
<u>Less: Rebates</u>	<u>(3 437 777)</u>	<u>(4 941 158)</u>
Total Assessment Rates	<u>11 980 138</u>	<u>9 774 023</u>

Total Assessment Rates**Valuations - 1 July 2010**

Residential	296 687 400	297 446 200
Special Residential	10 374 800	10 374 800
Business and Government Property used by Local Government	169 608 000	162 597 400
Industrial	102 220 600	102 631 100
Government Property used by Provincial and District Government	270 943 261	269 097 261
Government Property used by National Government	8 798 900	8 798 900
Public Service Infrastructure and Agriculture	1 998 801 434	2 116 250 502
Municipal Owned Property and Churches	356 723 068	232 047 000
Rateable Land and Buildings	<u>3 214 157 463</u>	<u>3 199 243 163</u>

Rebates on Income - Basic Rate:

Residential	0.898c/R	0.848c/R
Special Residential	1.168c/R	1.102c/R
Business and Government Property used by Local Government	1.348c/R	1.272c/R
Industrial	1.797c/R	1.696c/R
Government Property used by Provincial and District Government	1.438c/R	1.357c/R
Government Property used by National Government	1.617c/R	1.526c/R
Public Service Infrastructure and Agriculture	0.224c/R	0.212c/R
Municipal Owned Property and Churches	0.000c/R	0.000c/R

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

GOVERNMENT GRANTS AND SUBSIDIES**Unconditional Grants**

66 072 795	50 681 227
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Equitable Share

64 855 000	50 021 227
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Other Grants

1 217 795	660 000
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Conditional Grants

39 224 089	47 756 974
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Municipal Infrastructure Grant (MIG)

22 686 730	17 585 644
------------	------------

As previously reported

17 899 522

Prior period adjustments - note 36.01

(313 878)

Municipal Systems Improvement Grant (MSIG)

790 000	737 817
---------	---------

Financial Management Grant (FMG)

1 500 000	1 250 000
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National Electrification Programme Grant (NEP)

86 087	7 215 068
--------	-----------

	2012 R	2011 R
18.1 Equitable Share		
Opening balance	-	-
Grants received	64 855 000	50 021 227
Conditions met - operating	(64 855 000)	(50 021 227)
	<u>-</u>	<u>-</u>
Conditions still to be met	<u>-</u>	<u>-</u>

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

18.2 Municipal Infrastructure Grant (MIG)		
Opening balance	220 730	4 126 374
Grants received	22 466 000	13 680 000
Conditions met - capital	(21 986 082)	(17 585 644)
Conditions met - operating	(700 648)	-
	<u>-</u>	<u>220 730</u>
Conditions still to be met / (unpaid grants for conditions already met)	<u>-</u>	<u>220 730</u>

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.

18.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	(12 183)
Grants received	790 000	750 000
Conditions met - capital	-	-
Conditions met - operating	(790 000)	(737 817)
	<u>-</u>	<u>-</u>
Conditions still to be met / (unpaid grants for conditions already met)	<u>-</u>	<u>-</u>

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.

18.4 Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 500 000	1 250 000
Conditions met - capital	-	-
Conditions met - operating	(1 500 000)	(1 250 000)
	<u>-</u>	<u>-</u>
Conditions still to be met	<u>-</u>	<u>-</u>

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

18.5 National Electrification Programme Grant (NER)		
Opening balance	(231 674)	6 984 294
Grants received	1 000 000	-
Conditions met - capital	(86 987)	(7 215 968)
Conditions met - operating	-	-
	<u>-</u>	<u>-</u>

	2012 R	2011 R
18.8 Total Grants		
Opening balance	15 281 114	20 678 344
Grants received	100 896 194	93 040 970
Conditions met - Capital	(35 072 663)	(41 439 511)
Conditions met - Operating	(70 224 221)	(56 998 689)
Conditions still to be met/(Grant expenditure to be recovered)	10 880 424	15 281 114

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	10 880 460	15 512 824
Unpaid Conditional Government Grants and Receipts	(36)	(231 710)
	10 880 424	15 281 114

19 SERVICE CHARGES

Electricity	14 247 857	12 224 540
Refuse Removal	6 917 434	6 524 695
	21 165 291	18 749 235
Less: Rebates	(2 501 806)	(1 622 312)
Total Service Charges	18 663 485	17 126 923

As previously reported		20 946 447
Less: Discontinued Operations - note 35		(3 819 524)
Restated balance		17 126 923

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

20 WATER SERVICES AUTHORITY CONTRIBUTION

Joe Gqabi District Municipality - Water and Sewerage functions	-	-
Total Water Service Authority Contribution	-	-

As previously reported		9 324 797
Less: Discontinued Operations - note 35		(9 324 797)
Restated Balance		-

An agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the Municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the Municipality.

21 PLANT INCOME

	2012 R	2011 R
23 OTHER INCOME		
Commission Received	65 419	105 138
Insurance Claims Received	219 572	16 873
Tender Document Sales	66 200	56 650
LGSETA Claims Received	219 431	74 168
Pound Fees	89 474	98 784
Income form Caravan Parks and Chalets	8 284	5 970
Cemetery Fees	19 660	14 406
Building Plan & Inspection	50 394	35 305
Auction Sales	41 570	86 454
Discounts received	150 795	85 773
Sundry Income	428 824	552 421
Total Other Income	1 359 623	1 131 942

24 EMPLOYEE RELATED COSTS		
Bonus	1 912 581	1 639 676
Bursary Scheme	50 721	61 496
Contribution to Current Employee Benefits - Staff Leave - Note 5	558 536	917 141
Contribution to Employee Benefits - Long Service Awards - Note 3	254 417	228 255
Medical Aid Contributions	2 208 820	1 884 339
Overtime	521 436	167 105
Pension Fund Contributions	2 867 797	2 696 098
Performance Bonuses	1 307 675	1 169 355
Salaries and Wages	24 878 172	20 427 401
Skills Development Levy	417 951	483 869
Travel, motor car, telephone, assistance and other allowances	4 723 349	4 170 032
UIF Contributions	215 305	188 919
Workmens Compensation Contributions	9 016	404 137
Total Employee Related Costs	39 925 776	34 437 823
As previously reported		39 772 602
Less: Discontinued Operations - note 35		(5 334 779)
Restated Balance		34 437 823

KEY MANAGEMENT PERSONNEL

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Municipal Manager - K Gashi

Remuneration	763 579	803 907
Car and other allowances	152 547	122 150
Performance Bonuses	128 474	129 864
Contributions to UIF, Medical and Pension Funds	21 022	1 517

	2012 R	2011 R
Chief Financial Officer - SW Goodall		
Remuneration	689 958	569 301
Car and other allowances	180 600	154 000
Performance Bonuses	122 095	101 478
Contributions to UIF, Medical and Pension Funds	1 547	1 547
Total	994 200	826 326

Manager Strategic Planning and Economic Development - L Mqokoyi (resigned 26/04/2012)		
Remuneration	508 680	499 311
Car and other allowances	395 775	356 932
Performance Bonuses	107 349	120 091
Contributions to UIF, Medical and Pension Funds	1 547	1 547
Total	1 013 351	977 881

Manager Community Services - M Ntaba (appointed 03/04/2012)		
Remuneration	130 833	-
Car and other allowances	105 933	-
Performance Bonuses	29 001	-
Contributions to UIF, Medical and Pension Funds	387	-
	266 153	-

25 REMUNERATION OF COUNCILLORS

Salaries	5 675 487	5 000 049
Travel and other allowances	2 028 228	1 936 488
Pension Fund Contributions	34 716	46 943
Total Councillors' Remuneration	7 738 431	6 983 480

In-kind Benefits

The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council.

26 DEBT IMPAIRMENT

Receivables from Exchange Transactions - Note 14	10 969 973	9 579 995
Receivables from Non-exchange Transactions - Note 15	(880 298)	(1 323 446)
Total Contribution to Impairment Provision	10 089 675	8 256 549
Add/(Less): Portion Relating to VAT - Refer to note 9	1 834 631	(1 317 056)
Less: Discontinued Operations - note 35	(1 024 749)	(2 480 683)
Total Debt Impairment	10 899 557	4 458 810

28	IMPAIRMENTS	2012 R	2011 R
	Property, Plant and Equipment	3 498	49 353
	As previously reported		-
	Prior period adjustments - note 36.06		49 353
	Total Impairments	3 498	49 353

The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.

29	REPAIRS AND MAINTENANCE	2012 R	2011 R
	Infrastructure	3 386 165	779 706
	As previously reported		820 325
	Prior year error restatement - note 36.04		22 385
	Prior year error restatement - note 36.05		(63 004)
	Land and Buildings	142 778	307 035
	As previously reported		471 620
	Prior year error restatement - note 36.06		(164 585)
	Other Assets	705 946	525 243
	As previously reported		517 072
	Prior year error restatement - note 36.04		8 171
	Total Repairs and Maintenance	4 234 889	1 611 984

	As previously reported		2 284 437
	Less: Discontinued Operations - note 35		(475 420)
	Less: Prior year error restatement - note 36.04		30 556
	Less: Prior year error restatement - note 36.05		(63 005)
	Less: Prior year error restatement - note 36.06		(164 585)
	Restated Balance		1 611 984

30	FINANCE CHARGES	2012 R	2011 R
	Long-term Liabilities	46 070	49 483
	Finance leases	13 317	11 539
	Non-Current Employee Benefits	261 958	232 036
	Non-Current Provisions - Rehabilitation of Landfill Sites	294 748	285 835
	As previously reported		-
	Prior year error restatement - note 36.09		285 835
	SARS Interest and Penalties	694 321	-
	Interest charged by Creditors	30 808	-
	Total Finance Charges	1 341 222	578 893

	2012 R	2011 R
33 OPERATING GRANT EXPENDITURE		
Budget & Treasury	2 013 886	1 839 193
Electricity	206 459	327 660
Executive & Council	248 727	357 309
Corporate Services	-	115 635
Planning & Development	-	2 666 792
Road Transport	-	593 373
Waste Management	-	546 221
Total Grant Expenditure	<u>2 469 072</u>	<u>6 446 183</u>
As previously reported		6 450 786
Less: Discontinued Operations - note 35		(4 603)
Restated Balance		<u>6 446 183</u>

34 GENERAL EXPENSES		
Advertising	326 333	595 815
Auditors Remuneration	1 730 683	2 100 038
Bank Charges	156 134	172 418
Cleaning Materials	37 892	23 247
Commission Paid	434 295	1 296 199
As previously reported		1 170 199
Prior period adjustments - note 36.04		126 000
Conferences and Seminars	598 467	408 761
Consulting, Professional and Legal Fees	6 879 454	4 575 367
Entertainment and Catering	1 355 086	706 672
Eskom - Demand Upgrade	-	195 199
Fraud Prevention Plan	74 366	71 474
Fuel and Oil	989 896	650 345
Gifts	28 601	58 123
Insurance	969 019	471 701
Job Evaluation	113 125	-
Lease rentals on operating lease: Office Equipment	231 885	222 190
Licence Fees	237 336	208 576
Magazines, Books and Periodicals	2 410	8 143
Postage and Courier	25 658	28 299
Printing and Stationery	480 390	902 989
Promotions and Sponsorships	1 505 834	2 988 342
Protective Clothing	258 606	67 959
Public Participation	239 713	-
Refuse Bags and Containers	71 154	105 850
Security (Guarding of Municipal Property)	855 431	657 641
Service Standard Charter	110 313	242 951
Small Tools and Equipment	191 822	158 260
Special Programmes	3 308 576	789 257
Staff Tea and Coffee	12 593	12 128
Subscriptions and Membership Fees	798 478	301 944
Telephone and fax	1 534 406	1 055 264
Town Planning and Property Valuation Fees	44 872	652 039
Traffic Department Costs	89 603	43 871

DISCONTINUED OPERATIONS

The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.

The effect of Discontinued Operations on the Statement of Financial Position is as follows:**Liabilities associated with Discontinued Operations**

	2012 R	2011 R
Employee Benefits	390 069	-
Consumer Deposits	45 258	-
Current Employee Benefits	554 607	-
Taxes	200 183	-
	<u>1 190 117</u>	<u>-</u>

Assets associated with Discontinued Operations

Receivable from non-exchange transactions	2 099 947	-
Water	1 950 007	-
Sewerage	149 940	-
Inventory	599 408	-
	<u>2 699 355</u>	<u>-</u>

The effect of Discontinued Operations on the Statement of Financial Performance is as follows:**Revenue**

Service Charges	3 870 907	3 819 524
Water Services Authority Contribution	9 903 000	9 324 797
Total Revenue	<u>13 773 907</u>	<u>13 144 321</u>

Expenditure

Employee Related Costs	6 606 336	5 334 779
Debt Impairment	1 024 749	2 480 683
Repairs and Maintenance	710 507	476 604
As previously reported		475 420
Prior period adjustments - note 36.04		1 185
Operating Grant Expenditure	6 659	4 603
General Expenses	835 468	398 283
As previously reported		404 569
Prior period adjustments - note 36.05		(10 286)
Prior period adjustments - note 36.04		4 000
	<u>9 183 719</u>	<u>8 694 952</u>

Net Surplus for the year

<u>4 590 187</u>	<u>4 449 369</u>
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36.02 Property Rates and Service Charges

**2011
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In the current year errors were noted with regards to property rates and service charges. Errors included levies on municipal owned property and churches, water leakages and electricity connection errors. Accordingly, Receivables, Service Charges and Property Rates were overstated.

Refer to Receivables from Exchange Transactions - note 14	(38 091)
Refer to Receivables from Exchange Transactions - note 14	(32 191)
Refer to Receivables from Exchange Transactions - note 14	(104 880)
Refer to Receivables from Exchange Transactions - note 14	(52 526)
Refer to Receivables from Exchange Transactions - note 14	(16 182)
Refer to Receivables from Non-Exchange transactions - note 15	(143 383)
Accumulated Surplus - 1 July 2010 note - 36.11	387 254

The water and sanitation receivables that were transferred on 1 July 2009 from the District Municipality as per service level agreement, were at actual values. The transferred receivables should have been recorded at Rnil value, as no consideration in the form of assets were given to the District Municipality.

Refer to Receivables from Exchange Transactions - note 14	8 691 153
Refer to Receivables from Exchange Transactions - note 14	(6 462 548)
Refer to Receivables from Exchange Transactions - note 14	(2 228 605)

36.03 Value Added Tax

In the current year outstanding VAT subject to SARS audits were paid. The outstanding VAT related to years prior to 2007. The Municipality elected to write off these VAT in the prior year. Accordingly, both VAT and Accumulated Surplus were understated.

Refer to Taxes - note 9	1 879 959
Accumulated Surplus - 1 July 2010 note - 36.11	(1 879 959)

36.04 Payables from Exchange Transactions

During the year invoices were received relating to prior year. These invoices were not accrued for on 30 June 2011. Accordingly, Payables from Exchange Transactions and General Expenses were understated, while Accumulated Surplus were overstated.

Refer to Payables from Exchange Transactions - note 7	(609 667)
Refer to Repairs and Maintenance (Infrastructure) - note 29	22 385
Refer to Repairs and Maintenance (Other Assets) - note 29	8 171
Refer to General Expenses - note 34	126 000
Refer to Discontinued Operations (Repairs and Maintenance) - note 35	1 185
Refer to Discontinued Operations - note 35	4 000
Accumulated Surplus - 1 July 2010 note - 36.11	447 926

36.05 Inventory

In the prior year the Municipality adopted Directive 4 whereby the measurement Inventory was exempt. In the current year the Municipality restrospective adjusted its records to reflect the measurement of Inventory. The effects were as follow:

Refer to Inventory - Consumable Stores - note 13	637 232
Refer to Inventory - Land held for Sale - note 13	7 487 945
Refer to Inventory - Water - note 13	27 049
Refer to Statement of Financial Performance - Gain or loss on disposal of Inventory - note 36.10	37 482

2011
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Details with regards to Property, Plant and Equipment is as follow:

Land and Buildings

Land - Cost (Opening balance)	4 587 981
Land - Cost (Disposals)	3 840 044
Buildings - Cost (Opening Balance)	18 866 870
Buildings - Cost (Additions)	(5 271 890)
Buildings - Accumulated Depreciation (Opening balance)	(320 902)
Buildings - Accumulated Depreciation (Depreciation Charge)	(193 208)
Capitalised Restoration Costs - Cost (Opening balance)	3 995 672
Capitalised Restoration Costs - Accumulated Depreciation (Opening balance)	(1 038 384)
Capitalised Restoration Costs - Accumulated Depreciation (Depreciation Charge)	(198 342)
Capitalised Restoration Costs - Accumulated Depreciation (Impairment Charge)	(49 353)
Work in Progress - Cost (Opening balance)	597 447
Work in Progress - Cost (Additions)	6 535 965

Infrastructure

Electricity - Cost (Opening balance)	33 144 496
Electricity - Cost (Additions)	(19 293 849)
Electricity - Cost (Transfer to Capital Assets)	4 837 421
Electricity - Accumulated Depreciation (Opening balance)	(2 145 427)
Electricity - Accumulated Depreciation (Depreciation Charge)	(1 145 076)
Roads, Pavements, Bridges & Storm Water - Cost (Opening balance)	215 242 595
Roads, Pavements, Bridges & Storm Water - Cost (Additions)	(17 461 988)
Roads, Pavements, Bridges & Storm Water - Cost (Transfer to Capital Assets)	19 355 643
Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Opening balance)	(35 008 324)
Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Depeciation Charge)	(27 614 551)
Work in Progress - Cost (Opening balance)	21 662 369
Work in Progress - Cost (Additions)	34 827 684
Work in Progress - Cost (Transfer to Capital Assets)	(24 193 064)

Community Assets

Cemeteries - Cost (Opening balance)	(120 918)
Civic Building - Cost (Opening balance)	(833 398)
Community Halls - Cost (Opening balance)	(1 643 583)
Community Halls - Cost (Additions)	(1 034 297)
Markets - Cost (Opening balance)	(734 458)
Markets - Cost (Additions)	(215 551)
Parks & Gardens - Cost (Opening balance)	(400 357)
Parks & Gardens - Cost (Additions)	(17 600)
Public Conveniences & Bathhouses - Cost (Opening balances)	(5)
Recreational Grounds - Cost (Opening balances)	(7)
Town Library - Cost (Opening balances)	(160 558)
Transport Facilities - Cost (Opening balances)	(3)

Leased Assets

Office Equipment - Accumulated Depreciation	(112 811)
Office Equipment - Depreciation Charge	(56 483)

Other Assets

Furniture & Fittings - Cost (Opening balance)	1 046 152
Furniture & Fittings - Cost (Additions)	(37 095)

2011
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36.07 Investment Property

In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:

Refer to Investment Property - Opening balance (Cost) - note 11	25 190 727
Refer to Investment Property - Opening balance (Accumulated Depreciation) - note 11	(150 212)
Refer to Investment Property - Depreciation - note 11	(75 106)
Refer to Investment Property - Disposals - note 11	(22 500)
Refer to Statement of Financial Performance - Gain or loss on disposal of Investment Property - note 36.10	10 900
Refer to Depreciation and Amortisation - note 27	75 106
Refer to Accumulated Surplus - 1 July 2010 note - 36.11	(25 028 915)

36.08 Intangible Assets

In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:

Refer to Intangible Assets - note 12	(36 721)
Refer to Accumulated Surplus - 1 July 2010 note - 36.11	36 721

36.09 Provision for Landfill Sites

Adjustments made to capital restoration costs as per note 36.06 had the following effect on the provision for landfill sites:

Refer to Finance Charges - note 30	285 835
Refer to Accumulated Surplus - 1 July 2010 note - 36.11	(285 835)

36.10 Statement of Financial Performance

Public Contributions and Donations	48 583
As previously reported	15 000
Refer to Property, Plant and Equipment - note 36.06	33 583
Gain or loss on disposal of Property, Plant and Equipment	281 300
As previously reported	352 797
Refer to Property, Plant and Equipment - note 36.06	(71 497)
Gain or loss on disposal of Inventory	37 482
As previously reported	-
Refer to Inventory - note 36.06	37 482
Gain or loss on disposal of Investment Property	10 900
As previously reported	-
Refer to Investment Property - note 36.07	10 900

	2012 R	2011 R
37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	5 987 342	19 035 531
<u>Adjustments for:</u>		
(Gain)/Loss on disposal of Property, Plant and Equipment	178 174	281 300
(Gain)/Loss on disposal of Investment Property	-	10 900
Contribution from/to employee benefits - non-current	516 105	460 760
Contribution from/to employee benefits - non-current - expenditure incurred	(166 017)	(213 125)
Contribution from/to employee benefits - non-current - loss/(actuarial gains)	305 419	(80 868)
Contribution to employee benefits – current	5 132 254	3 259 076
Contribution to employee benefits – current - expenditure incurred	(2 300 654)	(1 800 551)
Contribution to provisions – current	294 748	285 835
Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt	10 089 675	8 256 549
Bad debts written off	(20 553 398)	(3 823 967)
Grants Received	100 896 194	93 040 970
Grant Expenditure	(105 296 884)	(98 438 200)
Depreciation and Amortisation	35 918 775	32 648 296
Impairments	3 498	49 353
Operating Surplus/(Deficit) before changes in working capital	31 005 231	52 971 859
Changes in working capital	20 480 744	(17 751 018)
Increase/(Decrease) in Payables from Exchange Transactions	6 149 522	(3 213 347)
Increase/(Decrease) in Taxes	10 824 993	3 507 832
(Increase)/Decrease in Inventory	(422 579)	(2 449 852)
(Increase)/Decrease in Receivables from exchange transactions	6 237 979	(17 616 699)
(Increase)/Decrease in Receivables from non-exchange transactions	(2 309 171)	2 021 049
Cash generated/(absorbed) by operations	51 485 975	35 220 841

38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 16	37 584 839	22 441 664
Cash Floats - Note 16	2 171	3 851
Bank - Note 16	3 433 016	5 451 051
Total cash and cash equivalents	41 020 026	27 896 566

39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 38	41 020 026	27 896 566
Less:	(10 880 459)	(15 281 115)
Unspent Committed Conditional Grants - Note 8	(10 880 459)	(15 281 115)
Net cash resources available for internal distribution	30 139 567	12 615 451

BUDGET COMPARISONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	11 980 138	13 841 822	(1 861 684)	-13.45%	Application of GRAP 23 resulted in understatement as oppose to Treasury budget requirements.
Government Grants and Subsidies	105 296 884	100 312 621	4 984 263	4.97%	Accelerated service on ECDC funded programmes.
Public Contributions and Donations	62 755	-	62 755	0.00%	Donations not anticipated.
Fines	101 754	72 862	28 892	39.65%	Cooperative agreement with Department of Transport augmenting our service delivery function.
Service Charges	18 663 485	16 003 964	2 659 521	16.62%	Revenue enhancement and debt reduction programme.
Plant Income	(1 701)	15 033 647	(15 035 348)	-100.01%	Inter-departmental charges.
Rental of Facilities and Equipment	670 661	833 000	(162 339)	-19.49%	High level of evictions due to non-payment.
Interest Earned - external investments	2 077 383	2 655 000	(577 617)	-21.76%	Accelerated service delivery resulted limited available surplus funding for investment purposes.
Interest Earned - outstanding debtors	4 721 186	3 301 598	1 419 588	43.00%	Bad debts only written down at year end.
Licences and Permits	1 703 237	1 790 040	(86 803)	-4.85%	In line with expectation.
Other Income	1 359 623	15 707 310	(14 347 687)	-91.34%	Deficit funding of capex programmes funded from retained earnings.
	146 635 405	169 551 864	(22 916 459)	-13.52%	
Expenditure by Nature					
Employee Related Costs	(39 925 776)	(40 306 105)	380 329	-0.94%	In line with expectation.
Remuneration of Councillors	(7 738 431)	(7 782 949)	44 518	-0.57%	In line with expectation.
Debt Impairment	(10 899 557)	(9 924 190)	(975 367)	9.83%	In line with expectation.
Depreciation and Amortisation	(34 064 701)	(4 090 000)	(29 974 701)	732.88%	Application of items previously exempt in term of Directive 4.
Impairments	(3 498)	-	(3 498)	0.00%	Application of items previously exempt in term of Directive 4.
Actuarial Loss	(305 419)	(200)	(305 219)	152609.50%	Discount rate used by actuaries less than last year.
Collection Cost	(780 709)	(1 503 559)	722 850	-48.08%	In line with expectation.
Repairs and Maintenance	(4 234 889)	(5 470 907)	1 236 018	-22.59%	Non-implementation of service level agreement with Department of Public Works.
Finance Charges	(1 341 222)	(106 843)	(1 234 379)	1155.32%	Discount rate used by actuaries less than last year and discounting of landfill site provision.
Bulk Purchases	(13 608 906)	(14 130 000)	521 094	-3.69%	In line with expectation.
Grants and Subsidies	(350 000)	(350 000)	-	0.00%	In line with expectation.
Operating Grant Expenditure	(2 469 072)	(5 360 632)	2 891 560	-53.94%	Underspending on ECDC and NER programmes.
Gain or loss on disposal of PPE	(178 174)	-	(178 174)	0.00%	Assets written off, but covered by insurance.
Gain or loss on disposal of Inventory	(54 926)	-	(54 926)	0.00%	Sell of land held for sale.
General Expenses	(29 282 970)	(39 665 993)	10 383 023	-26.18%	Implementation of cost reduction strategy.
	(145 238 250)	(128 691 378)	(16 546 872)	12.86%	
Net surplus from Continued Operations					
	1 397 155	40 860 486	(39 463 331)	-96.58%	
Discontinued Operations	4 590 187	4 917 912	(327 725)	-6.66%	Water and sanitation function to be transferred to District Municipality.
Net surplus for the year	5 987 342	45 778 398	(39 791 055)	-86.92%	
Operating Expenditure by vote					
Budget & Treasury	33 786 360	25 335 102	8 451 258	33.36%	Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE and IP
Community & Social Services	4 788 569	5 067 487	(278 918)	-5.50%	In line with expectation.
Electricity	18 877 216	23 559 512	(4 682 296)	-19.87%	Underspending on ECDC and NER programmes.
Executive & Council	20 458 183	20 697 325	(239 142)	-1.16%	In line with expectation.
Corporate Services	14 480 177	18 870 173	(4 389 996)	-23.26%	Non-implementation of ICT Master Systems Plan.
Housing	324 471	415 309	(90 838)	-21.87%	Immaterial variance.
Planning & Development	9 604 425	17 956 677	(8 352 252)	-46.51%	Non-implementation of the Furniture Manufacturing and Hawkers stall projects.
Road Transport	40 145 132	15 084 704	25 060 428	166.13%	Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE.
Sport & Recreation	3 517 979	1 705 089	1 812 890	106.32%	Backpay according IMATU judgement.
Waste Management	2 130 219	2 503 393	(373 174)	-14.91%	Delayed implementation of landfill sites (PPP) outsourcing.
Water	6 076 140	6 766 448	(690 308)	-10.20%	Backpay according IMATU judgement.
	154 188 872	137 961 219	16 227 652	11.76%	
Capital Expenditure by Vote					
Budget & Treasury	1 417 320	1 904 600	(487 280)	-25.58%	Delays in sourcing service provider to effect building additions to administrative building.
Community & Social Services	173 744	243 080	(69 336)	-28.52%	Project savings.
Electricity	4 861 777	8 099 510	(3 237 733)	-39.97%	Underspending on ECDC and NER programmes.
Executive & Council	691 852	715 935	(24 083)	-3.36%	In line with expectation.
Corporate Services	131 041	411 145	(280 104)	-68.13%	Delays in staff appointments and therefor furniture not procured.
Planning & Development	419 592	2 128 853	(1 709 261)	-80.29%	Delayed procurement of rear-end loader due to delays in appointment of PPP.
Road Transport	30 430 964	35 611 275	(5 180 311)	-14.55%	Underspending on ECDC programmes.
Sport & Recreation	108 267	735 000	(626 733)	-85.27%	Delays in appointment of consultants in sportfields development.
	38 234 558	49 849 398	(11 614 840)	-23.30%	

		2012 R	2011 R
42	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
42.1	<u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:			
	Opening balance	1 274 466	21 547 705
	Unauthorised expenditure current year - capital	-	-
	Unauthorised expenditure current year - operating	35 324 576	1 177 632
	Approved by Council or condoned	-	(21 450 871)
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	36 599 042	1 274 466

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

42.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:			
	Opening balance	11 021	491 703
	Fruitless and wasteful expenditure - current year	722 913	11 021
	Fruitless and wasteful expenditure - prior year	12 358	-
	Condoned or written off by Council	(11 021)	(491 703)
	Transfer to receivables for recovery - not condoned	-	-
	Fruitless and wasteful expenditure awaiting condonement	735 271	11 021

Incident	Disciplinary steps/criminal proceedings
<i>Interest charged by creditors</i>	<i>None</i>
<i>SARS interest and penalties on VAT overclaimed</i>	<i>None</i>

42.3 **Irregular expenditure**

Reconciliation of irregular expenditure:			
	Opening balance	-	181 804
	Irregular expenditure current year	686 693	-
	Condonement supported by council	-	(181 804)
	Transfer to receivables for recovery - not condoned	-	-
	Irregular expenditure awaiting condonement	686 693	-

Incident	Disciplinary steps/criminal proceedings
<i>Non-compliance with Supply Chain Management Policy</i>	<i>None</i>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

42.4 **Material Losses**

		2012 R	2011 R
43	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
43.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Council subscriptions	395 374	239 262
	Amount paid - current year	(395 374)	(239 262)
	Balance unpaid (included in creditors)	-	-
43.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	183 323	228 000
	Current year audit fees	3 111 893	3 097 889
	Amount paid - current year	(3 247 050)	(3 142 566)
	Balance unpaid (included in creditors)	48 166	183 323
43.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	4 928 355	3 121 065
	Amounts received - current year	(15 804 525)	(12 459 873)
	Amounts claimed - current year	1 221 072	14 267 163
	VAT Receivable	(9 655 098)	4 928 355
	VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
43.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	10 000	-
	Current year payroll deductions and Council Contributions	7 856 518	6 491 879
	Amount paid - current year	(7 846 518)	(6 481 879)
	Balance unpaid (included in creditors)	-	10 000
43.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	10 079 922	9 342 993
	Amount paid - current year	(10 079 922)	(9 342 993)
	Balance unpaid (included in creditors)	-	-
43.6	<u>Other non-compliance (MFMA 125(2)(e))</u>		
	Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:		
	All the deviations were ratified by the Municipal Manager and reported to Council.		

44

CAPITAL COMMITMENTS**Commitments in respect of capital expenditure:**

Approved and contracted for:

Infrastructure

Total

This expenditure will be financed from:

Government Grants

Own funding

2012
R2011
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39 706 993 23 650 456

39 706 993 23 650 456

39 706 993 **23 650 456**

38 672 967 23 650 456

1 034 026 -

39 706 993 **23 650 456**

45

FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2011 - 0.5%) Increase in interest rates

203 438

199 322

0.5% (2011 - 0.5%) Decrease in interest rates

(203 438)

(199 322)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and

	2012 %	2012 R	2011 %	2011 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	85.53%	3 822 475	91.44%	576 269
Other	14.47%	646 532	8.56%	53 978
	<u>100%</u>	<u>4 469 007</u>	<u>100%</u>	<u>630 247</u>
<u>Exchange Receivables</u>				
Electricity	10.95%	1 789 050	27.09%	1 182 422
Water	7.18%	1 172 386	15.40%	672 267
Refuse	18.74%	3 059 840	32.80%	1 431 696
Sewerage	0.53%	86 858	2.21%	96 385
Other	62.60%	10 223 197	22.51%	982 763
	<u>100%</u>	<u>16 331 330</u>	<u>100%</u>	<u>4 365 533</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate where applicable.

	2012 %	2012 R	2011 %	2011 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
<u>Non-Exchange Receivables</u>				
Rates	<u>100%</u>	<u>10 261 870</u>	<u>100%</u>	<u>11 291 995</u>
<u>Exchange Receivables</u>				
Electricity	24.40%	7 468 317	25%	10 029 388
Water	16.23%	4 965 749	12%	4 682 881
Refuse	51.12%	15 644 067	54%	21 670 080
Sewerage	1.96%	599 974	1%	470 241
Other	6.29%	1 926 491	8%	3 185 607
	<u>100.00%</u>	<u>30 604 598</u>	<u>100%</u>	<u>40 038 197</u>

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

2012
R2011
R**(e) Liquidity Risk**

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

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2012				
Long Term liabilities - Annuity Loans	90 022	180 044	-	270 066
Capital repayments	56 948	146 783	-	203 731
Interest	33 074	33 261	-	66 335
Provision for Landfill Sites	-	-	5 903 869	5 903 869
Capital repayments	-	-	5 609 121	5 609 121
Interest	-	-	294 748	294 748
Payables from Exchange Transactions	18 446 249	-	-	18 446 249
Unspent conditional government grants and receipts	10 880 423	-	-	10 880 423
	<u>29 416 694</u>	<u>180 044</u>	<u>5 903 869</u>	<u>35 500 607</u>
2011				
Long Term liabilities - Annuity Loans	90 023	270 065	-	360 088
Capital repayments	48 126	203 731	-	251 857
Interest	41 897	66 334	-	108 231
Long Term liabilities - Finance Lease Liability	82 080	-	-	82 080
Capital repayments	78 483	-	-	78 483
Interest	3 597	-	-	3 597
Provision for Landfill Sites	-	-	5 894 956	5 894 956
Capital repayments	-	-	5 609 121	5 609 121
Interest	-	-	285 835	285 835
Payables from Exchange Transactions	12 296 727	-	-	12 296 727
Unspent conditional government grants and receipts	15 512 824	-	-	15 512 824
	<u>27 981 654</u>	<u>270 065</u>	<u>5 894 956</u>	<u>34 146 675</u>

2012

2011

47 EVENTS AFTER THE REPORTING DATE

The Municipality has no events after reporting date during the financial year ended 2011/2012.

48 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

Council do have the following contingent liabilities at the end of the financial year 2011/2012:

A claim has been lodged by Mr. S Songca for the amount of R50 000 plus 15.5% interest costs for monies payable in respect of farm damages resulting from veld fires. The claim is still pending before court.

There has been a claim lodged by Wesbank against the Municipality in relation to the cancelation of a rental agreement for a PABX system. The rental agreement was entered into in 2005, however due to persistent problems with the system, the agreement was cancelled in July 2008 and the assets of the system collected on the 25th February 2009. Currently a claim to the value of R296 224.31 has been lodged against the Municipality by Wesbank. This debt has prescribed in July 2011 and as such Council is dealing with the matter to have the debt set aside. This matter is currently pending before the High Court in Grahamstown

The Municipality obtained an eviction order against various invaders in Mount Fletcher. The matter is currently pending before the High Court in Mthatha. The estimated legal costs and eviction related costs are estimated at R400 000.

The Municipality is currently assisting Councillors to recover their pension contribution for the last term in office. This matter is still to be referred to attorneys in order to pursue. The estimated cost to pursue this case is R200 000.

Amadwala Trading 363 CC has applied for a administrative review in relation to the tender awarded for the Dengwane Acces Road project. No court date has been set as to date. The anticipated legal costs are R150 000.

The Waste Group (Pty) Ltd has applied for a administrative review in relation to the tender awarded for the operation and maintenance of waste disposal sites. The anticipated legal costs are R300 000.

51 RELATED PARTIES

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

2012
R

2011
R

51.2 Related Party Loans

Since 1 July 2004 loans to Councillors and Senior management employees are not permitted.

51.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

51.4 Other related party transactions

The following purchases were made during the year where Key Management Personnel and Officials have an interest:

Ganta Trading Enterprise (Spouse of Director A M Ntaba)	53 215	129 305
Mysa Implementation Agents CC (Brother of Manager Corporate Services: S Matubatuba)	236 698	-
Nosisanda Trading Enterprise (Niece of official Z Thuli)	1 530	-
Nobongoza Trading Enterprise (Spouse of official T Klaas)	9 680	-
	<u>301 123</u>	<u>129 305</u>

	2012 R	2011 R
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DEFINED CONTRIBUTION FUNDS

Council contributes to the SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	586 514	601 235
SAMWU National Provident Fund	2 415 384	2 083 858
	3 001 898	2 685 093

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	6 189 704	5 894 956
Total Non-current Provision	6 189 704	5 894 956

Landfill Sites

Balance 1 July	5 894 956	5 609 121
Contribution for the year	294 748	285 835
Expenditure for the year	-	-
Balance 30 June	6 189 704	5 894 956

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

- Mount Fletcher	592 372	564 164
- Maclear	2 781 962	2 649 488
- Ugie	2 815 369	2 681 304
	6 189 704	5 894 956

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1350 tonnes per year (i.e. 5 tonnes as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

In calculating the provision for rehabilitation, the following four items have been included, viz.

- 1 Direct Contract Cost

Maclear Landfill Site:-

- Size of operational landfill area? 12 000 m² (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:B+
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No – There are plans to “Mothball” the site during 2011 and transport waste to Ugie
- If the site is operational, what is the annual tonnage of waste deposited on site? 1350.7 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No, DWAF take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm
- Status of cover material? Cover material on site, volume unknown

Ugie Landfill Site:-

- Size of landfill area? 12 000 m² (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:C-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? N/A
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? Cover material on site, volume unknown

5 CONSUMER DEPOSITS

Electricity	133 811	131 455
Water	25 398	28 636
Housing Rental	45 258	45 723
Total Consumer Deposits	204 467	205 814
Less: Liabilities associated with Discontinued Operations	(45 258)	-
Total Consumer Deposits - Continued Operations	159 209	205 814

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

6 CURRENT EMPLOYEE BENEFITS

	2012 R	2011 R
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The movement in current employee benefits are reconciled as follows:

Provision for Performance Bonuses

Balance at beginning of year	1 929 827	1 198 260
Contribution for the year	1 307 675	1 227 573
Expenditure incurred	(1 124 128)	(496 006)
Balance at end of year	2 113 374	1 929 827

Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.

Bonuses Accrued

Balance at beginning of year	950 851	857 741
Contribution for the year	1 186 589	950 851
Expenditure incurred	(950 851)	(857 741)
Balance at end of year	1 186 589	950 851

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Provision for Staff Leave

Balance at beginning of year	2 553 198	1 702 253
Contribution for the year	700 513	1 080 652
Expenditure incurred	(225 675)	(229 707)
Balance at end of year	3 028 036	2 553 198

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

Other Provisions

Balance at beginning of year	93 927	311 024
Contribution to current portion - Task Job Evaluation Provision	1 937 477	-
Expenditure incurred	-	(217 097)
Balance at end of year	2 031 404	93 927
Shortfall in annual earnings of Cape Joint Pension Fund	93 927	93 927
TASK Job Evaluation Provision	1 937 477	-

Other provisions are non-recurring provisions which consists out of the following at year end:

7

PAYABLES FROM EXCHANGE TRANSACTIONS

	2012	2011
	R	R
Trade Payables	13 124 163	7 257 689
As previously reported		5 963 507
Prior period adjustments - note 36.04		609 667
Prior period adjustments - note 36.06		684 516
Sundry Creditors	-	1 227
Payments received in advance	1 130 683	1 533 090
Retentions	3 652 804	3 153 280
As previously reported		3 663 575
Prior period adjustments - note 36.06		(273 577)
Prior period adjustments - note 36.06		(236 718)
Bursary Scheme - payments received from students	23 494	43 059
Sundry Deposits	244 958	66 450
Unknown Receipts	270 147	241 932
Total Payables from Exchange Transactions	18 446 249	12 296 727

Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals.

Deposits amounting to R559 200 serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments.

8

UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	10 880 459	15 512 824
National Government Grants	681 339	220 730
Provincial Government Grants	5 174 041	5 404 812
District Municipality Grants	118 696	118 696
Other Grant Providers	4 906 383	9 768 586
Less: Unpaid Grants	(36)	(231 709)
National Government Grants	-	(231 673)
Other Grant Providers	(36)	(36)
Total Conditional Grants and Receipts	10 880 423	15 281 115
Balance as previously reported		15 333 425
Prior period adjustments - note 36.01		(375 609)
Prior period adjustments - note 36.01		323 299
		15 281 115

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	44 870 685	2 261 306	-	-	47 131 991	1 800 189	402 690	3 498	-	2 206 378	44 925 613
Land	14 323 000	-	-	-	14 323 000	-	-	-	-	-	14 323 000
Buildings	19 418 601	237 546	-	8 027 415	27 683 561	514 110	207 898	-	-	722 008	26 961 554
Capitalised Restoration Costs	3 995 672	-	-	-	3 995 672	1 286 079	194 792	3 498	-	1 484 370	2 511 302
Work in Progress	7 133 412	2 023 761	-	(8 027 415)	1 129 758	-	-	-	-	-	1 129 758
Infrastructure	321 593 313	28 889 576	-	-	350 482 889	65 913 378	31 409 623	-	-	97 323 001	253 159 888
Electricity	41 668 549	-	-	22 647 245	64 315 795	3 290 503	1 576 822	-	-	4 867 325	59 448 469
Roads, Pavements, Bridges & Storm Water	247 627 774	-	-	21 715 552	269 343 326	62 622 875	29 832 801	-	-	92 455 676	176 887 650
Work in Progrss	32 296 990	28 889 576	-	(44 362 797)	16 823 769	-	-	-	-	-	16 823 769
Lease Assets	282 415	-	-	-	282 415	169 294	56 482	-	-	225 776	56 639
Office Equipment	282 415	-	-	-	282 415	169 294	56 482	-	-	225 776	56 639
Other Assets	24 576 198	6 943 892	(293 502)	-	31 226 588	5 592 931	3 962 260	-	(115 328)	9 439 863	21 786 725
Furniture & Fittings	2 320 276	712 736	(88 616)	-	2 944 397	801 886	376 241	-	(16 641)	1 161 486	1 782 911
Motor Vehicles	7 642 296	5 473 580	(37 800)	-	13 078 076	1 577 957	1 509 177	-	(24 494)	3 062 639	10 015 437
Computer Equipment	1 685 973	546 757	(103 014)	-	2 129 716	589 216	369 764	-	(55 553)	903 426	1 226 290
Plant and Machinery	12 927 652	210 819	(64 072)	-	13 074 398	2 623 873	1 707 078	-	(18 640)	4 312 312	8 762 087
	391 322 610	38 094 775	(293 502)	-	429 123 883	73 475 792	35 831 055	3 498	(115 328)	109 195 018	319 928 865

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

30 JUNE 2011

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	37 936 984	6 933 701	-	-	44 870 685	1 359 287	391 550	49 353	-	1 800 189	43 070 495
Land	14 323 000	-	-	-	14 323 000	-	-	-	-	-	14 323 000
As previously reported	9 735 019	-	(3 840 044)	-	5 894 975	-	-	-	-	-	5 894 975
Prior period adjustments - note 36.06	4 587 981	-	3 840 044	-	8 428 025	-	-	-	-	-	8 428 025
Buildings	19 020 865	397 736	-	-	19 418 601	320 902	193 208	-	-	514 110	18 904 491
As previously reported	153 995	5 669 626	-	-	5 823 621	-	-	-	-	-	5 823 621
Prior period adjustments - note 36.06	18 866 870	(5 271 890)	-	-	13 594 980	320 902	193 208	-	-	514 110	13 080 870
Capitalised Restoration Costs	3 995 672	-	-	-	3 995 672	1 038 384	198 342	49 353	-	1 286 079	2 709 592
As previously reported	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustments - note 36.06	3 995 672	-	-	-	3 995 672	1 038 384	198 342	49 353	-	1 286 079	2 709 592
Work in Progress	597 447	6 535 965	-	-	7 133 412	-	-	-	-	-	7 133 412
As previously reported	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustments - note 36.06	597 447	6 535 965	-	-	7 133 412	-	-	-	-	-	7 133 412
Infrastructure	286 765 629	34 827 684	-	-	321 593 313	37 153 751	28 759 627	-	-	65 913 378	255 679 935
Electricity	36 831 128	-	-	4 837 421	41 668 549	2 145 427	1 145 076	-	-	3 290 503	38 378 047
As previously reported	3 686 632	19 293 849	-	-	22 980 481	-	-	-	-	-	22 980 481
Prior period adjustments - note 36.06	33 144 496	(19 293 849)	-	4 837 421	18 688 068	2 145 427	1 145 076	-	-	3 290 503	15 397 566
Roads, Pavements, Bridges & Storm Water	228 272 131	-	-	19 355 643	247 627 774	35 008 324	27 614 551	-	-	62 622 875	185 004 898
As previously reported	13 029 536	17 461 988	-	-	30 491 524	-	-	-	-	-	30 491 524
Prior period adjustments - note 36.06	215 242 595	(17 461 988)	-	19 355 643	217 136 250	35 008 324	27 614 551	-	-	62 622 875	154 513 374
Work in progress	21 662 369	34 827 684	-	(24 193 064)	32 296 990	-	-	-	-	-	32 296 990
As previously reported	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustments - note 36.06	21 662 369	34 827 684	-	(24 193 064)	32 296 990	-	-	-	-	-	32 296 990
Lease Assets	282 415	-	-	-	282 415	112 811	56 483	-	-	169 294	113 121
Office Equipment	282 415	-	-	-	282 415	112 811	56 483	-	-	169 294	113 121
As previously reported	282 415	-	-	-	282 415	-	-	-	-	-	282 415
Prior period adjustments - note 36.06	-	-	-	-	-	112 811	56 483	-	-	169 294	(169 294)

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Community Assets	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-
As previously reported	120 918	-	-	-	120 918	-	-	-	-	-	120 918
Prior period adjustments - note 36.06	(120 918)	-	-	-	(120 918)	-	-	-	-	-	(120 918)
Civic Building	-	-	-	-	-	-	-	-	-	-	-
As previously reported	833 398	-	-	-	833 398	-	-	-	-	-	833 398
Prior period adjustments - note 36.06	(833 398)	-	-	-	(833 398)	-	-	-	-	-	(833 398)
Community Halls	-	-	-	-	-	-	-	-	-	-	-
As previously reported	1 643 583	1 034 297	-	-	2 677 880	-	-	-	-	-	2 677 880
Prior period adjustments - note 36.06	(1 643 583)	(1 034 297)	-	-	(2 677 880)	-	-	-	-	-	(2 677 880)
Markets	-	-	-	-	-	-	-	-	-	-	-
As previously reported	734 458	215 551	-	-	950 009	-	-	-	-	-	950 009
Prior period adjustments - note 36.06	(734 458)	(215 551)	-	-	(950 009)	-	-	-	-	-	(950 009)
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-
As previously reported	400 357	17 600	-	-	417 957	-	-	-	-	-	417 957
Prior period adjustments - note 36.06	(400 357)	(17 600)	-	-	(417 957)	-	-	-	-	-	(417 957)
Public Conveniences & Bathhouses	-	-	-	-	-	-	-	-	-	-	-
As previously reported	5	-	-	-	5	-	-	-	-	-	5
Prior period adjustments - note 36.06	(5)	-	-	-	(5)	-	-	-	-	-	(5)
Recreational Grounds	-	-	-	-	-	-	-	-	-	-	-
As previously reported	7	-	-	-	7	-	-	-	-	-	7
Prior period adjustments - note 36.06	(7)	-	-	-	(7)	-	-	-	-	-	(7)
Town Library	-	-	-	-	-	-	-	-	-	-	-
As previously reported	160 558	-	-	-	160 558	-	-	-	-	-	160 558
Prior period adjustments - note 36.06	(160 558)	-	-	-	(160 558)	-	-	-	-	-	(160 558)
Transport Facilities	-	-	-	-	-	-	-	-	-	-	-
As previously reported	3	-	-	-	3	-	-	-	-	-	3
Prior period adjustments - note 36.06	(3)	-	-	-	(3)	-	-	-	-	-	(3)

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Other Assets	22 192 023	2 944 515	(560 340)	-	24 576 198	2 506 442	3 365 530	-	(279 040)	5 592 931	18 983 267
Furniture & Fittings	2 109 531	262 402	(51 657)	-	2 320 276	514 235	308 655	-	(21 005)	801 886	1 518 391
As previously reported	1 063 379	299 497	(44 982)	-	1 317 894	-	-	-	-	-	1 317 894
Prior period adjustments - note 36.06	1 046 152	(37 095)	(6 675)	-	1 002 382	514 235	308 655	-	(21 005)	801 886	200 497
Motor Vehicles	6 163 883	1 905 917	(427 504)	-	7 642 296	697 520	1 111 078	-	(230 641)	1 577 957	6 064 340
As previously reported	2 840 377	1 905 917	-	-	4 746 294	-	-	-	-	-	4 746 294
Prior period adjustments - note 36.06	3 323 506	-	(427 504)	-	2 896 002	697 520	1 111 078	-	(230 641)	1 577 957	1 318 045
Computer Equipment	1 169 147	570 089	(53 263)	-	1 685 973	339 284	269 079	-	(19 147)	589 216	1 096 758
As previously reported	1 266 810	570 089	(53 948)	-	1 782 951	-	-	-	-	-	1 782 951
Prior period adjustments - note 36.06	(97 663)	-	685	-	(96 977)	339 284	269 079	-	(19 147)	589 216	(686 193)
Plant and Machinery	12 749 461	206 106	(27 916)	-	12 927 652	955 403	1 676 717	-	(8 247)	2 623 873	10 303 779
As previously reported	16 251 242	172 523	(495 149)	-	15 928 616	-	-	-	-	-	15 928 616
Prior period adjustments - note 36.06	(3 501 781)	33 583	467 233	-	(3 000 964)	955 403	1 676 717	-	(8 247)	2 623 873	(5 624 837)
	347 177 050	44 705 900	(560 340)	-	391 322 610	41 132 290	32 573 190	49 353	(279 040)	73 475 792	317 846 818

11

INVESTMENT PROPERTY**Net Carrying amount at 1 July**

Cost
 As previously reported
 Prior period adjustments - note 36.07

Accumulated Depreciation
 As previously reported
 Prior period adjustments - note 36.07

2012
R

2011
R

28 169 480 **25 040 588**

Cost	28 394 798	25 190 800
As previously reported		73
Prior period adjustments - note 36.07		25 190 727
Accumulated Depreciation	(225 318)	(150 212)
As previously reported		-
Prior period adjustments - note 36.07		(150 212)
Acquisitions	-	3 226 498
Depreciation	(75 312)	(75 106)
As previously reported		-
Prior period adjustments - note 36.07		(75 106)
Disposals		(22 500)
As previously reported		-
Prior period adjustments - note 36.07		(22 500)
Net Carrying amount at 30 June	28 094 168	28 169 480
Cost	28 394 798	28 394 798
Accumulated Depreciation	(300 630)	(225 318)
Revenue derived from the rental of investment property	670 661	842 578

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

12

INTANGIBLE ASSETS**Computer Software****Net Carrying amount at 1 July**

Cost
 As previously reported
 Prior period adjustments - note 36.08

Accumulated Amortisation

- -

Cost	-	-
As previously reported		36 721
Prior period adjustments - note 36.08		(36 721)
Accumulated Amortisation	-	-
Acquisitions	139 783	-
Amortisation	(12 408)	-
Net Carrying amount at 30 June	127 375	-

Cost
 Accumulated Amortisation

139 783
 (12 408)

13

INVENTORY

	2012 R	2011 R
Fuel and oil	40 346	166 716
Consumable Stores	1 327 412	647 548
As previously reported		10 316
Prior period adjustments - note 36.05		637 232
Land held for sale	7 363 000	7 488 500
As previously reported		555
Prior period adjustments - note 36.05		7 487 945
Water	21 634	27 049
As previously reported		1
Prior period adjustments - note 36.05		27 048
Total Inventory	8 752 392	8 329 813
Less: Assets associated with Discontinued Operations - note 35	(599 408)	-
Total Inventory - Continued Operations	8 152 984	8 329 813

No inventory assets were pledged as security for liabilities.

14

RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	9 903 562	11 848 049
As previously reported		11 952 929
Prior period adjustments - note 36.02		(104 880)
Water	6 438 484	5 808 038
As previously reported		12 302 777
Prior period adjustments - note 36.02		(32 191)
Prior period adjustments - note 36.02		(6 462 548)
Refuse	19 409 606	23 846 368
As previously reported		23 898 894
Prior period adjustments - note 36.02		(52 526)
Sewerage	764 729	600 171
As previously reported		2 844 958
Prior period adjustments - note 36.02		(16 182)
Prior period adjustments - note 36.02		(2 228 605)
Other	14 675 222	15 326 956
As previously reported		15 920 746
Prior period adjustments - note 36.02		(38 091)
Reclassified to Receivables from Non-Exchange Transactions - note 15		(555 700)
Total Receivables from Exchange Transactions	51 191 603	57 429 582
Less: Allowance for Doubtful Debts	(30 604 598)	(40 038 197)
As previously reported		(48 729 350)
Prior period adjustments - note 36.02		8 691 153

Service Receivables	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2012			
Electricity	9 903 562	(7 468 317)	2 435 245
Water	6 438 484	(4 965 749)	1 472 735
Refuse	19 409 606	(15 644 067)	3 765 539
Sewerage	764 729	(599 974)	164 755
Other	14 675 222	(1 926 491)	12 748 731
Total	51 191 603	(30 604 598)	20 587 005
2011			
Electricity	11 848 049	(10 029 388)	1 818 661
Water	5 808 038	(4 682 881)	1 125 157
Refuse	23 846 368	(21 670 080)	2 176 288
Sewerage	600 171	(470 241)	129 930
Other	15 326 956	(3 185 607)	12 141 349
Total	57 429 582	(40 038 197)	17 391 385

	2012 R	2011 R
--	-------------------	-------------------

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

Current (0 - 30 days)	646 196	636 239
31 to 60 days	400 373	431 015
61 to 90 days	207 916	397 035
91 to 120 days	147 129	384 819
121 to 150 days	138 144	351 716
>150 days	8 363 804	9 647 224
Total	9 903 562	11 848 049

(Water): Ageing

Current (0 - 30 days)	300 348	452 890
31 to 60 days	147 229	331 336
61 to 90 days	862 871	366 402
91 to 120 days	52 668	303 047
121 to 150 days	63 712	293 400
>150 days	5 011 656	4 060 963
Total	6 438 484	5 808 038

(Refuse): Ageing

Current (0 - 30 days)	705 699	744 592
31 to 60 days	601 840	695 858
61 to 90 days	182 713	688 306
91 to 120 days	180 018	671 495
121 to 150 days	176 529	665 783

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
Rates	14 240 340	11 968 023
As previously reported		12 111 406
Prior period adjustments - note 36.02		(143 383)
Other Receivables	646 532	609 678
RD Cheques	32 745	(609)
Underbanking of Cash	54 587	54 587
Deposits	559 200	555 700
As previously reported		-
Reclassified from Receivables from Exchange Transactions - note 14		555 700
Total Receivables from Non-Exchange Transactions	14 886 872	12 577 701
Less: Allowance for Doubtful Debts	(10 261 870)	(11 291 995)
Total Net Receivables from Non-Exchange Transactions	4 625 002	1 285 706

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	11 291 995	12 846 024
Reversal of provision - note 26	(880 298)	(1 323 446)
Debt Impairment written off against provision	(149 826)	(230 583)
Balance at end of year	10 261 870	11 291 995
Rates	10 261 870	11 291 995

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2012			
Rates	14 240 340	(10 261 870)	3 978 470
Other Receivables	646 532	-	646 532
RD Cheques	32 745	-	32 745
Underbanking of Cash	54 587	-	54 587
Deposits	559 200	-	559 200
Total	14 886 872	(10 261 870)	4 625 002
2011			
Rates	11 968 023	(11 291 995)	676 028
Other Receivables	609 678	-	609 678
RD Cheques	(609)	-	(609)
Underbanking of Cash	54 587	-	54 587

CASH AND CASH EQUIVALENTS**Assets**

	2012 R	2011 R
Call Investment Deposits	37 584 839	22 441 664
Primary Bank Account	3 433 016	5 451 051
Cash Floats	2 171	3 851
Total Cash and Cash Equivalents - Assets	41 020 026	27 896 566

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R10 880 458 are held to fund the Unspent Conditional Grants (2011: R15 512 824).

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772	490 822	4 485 484
First National Bank - Acc no 62312151848	2 012	-
Standard Bank - Acc no 280642407	2 940 182	965 567
	3 433 016	5 451 051

First National Bank - Acc no 62159933772

Cash book balance at beginning of year	4 485 484	(3 894 051)
Cash book balance at end of year	352 405	4 485 484
Bank statement balance at beginning of year	5 385 159	726 052
Bank statement balance at end of year	352 489	5 385 159

First National Bank - Acc no 62312151848

Cash book balance at beginning of year	-	-
Cash book balance at end of year	2 012	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	2 012	-

Standard Bank - Acc no 280642407

Cash book balance at beginning of year	965 567	2 803 019
Cash book balance at end of year	2 940 182	965 567
Bank statement balance at beginning of year	7 642	2 802 769
Bank statement balance at end of year	2 940 182	7 642

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Standard Bank - Acc no 388497173001 - Elundini Expan Public Works	498 160	246 833
Standard Bank - Acc no 388492554001 - Elundini Housing	71 882	74 386
Standard Bank - Acc no 388497165001 - Elundini Voting Station	479 882	479 336
Standard Bank - Acc no 388490772001 - European Union Funding	-	9 463
Standard Bank - Acc no 388493410002 - FMG	794 729	793 367
Standard Bank - Acc no 388492570001 - Housing Pilot	113 663	117 890

PROPERTY RATES**Actual**

Rateable Land and Buildings

**2012
R****2011
R**

15 417 915

14 715 181

Less: Rebates

(3 437 777)

(4 941 158)

Total Assessment Rates**11 980 138****9 774 023****Valuations - 1 July 2010**

Residential

296 687 400

297 446 200

Special Residential

10 374 800

10 374 800

Business and Government Property used by Local Government

169 608 000

162 597 400

Industrial

102 220 600

102 631 100

Government Property used by Provincial and District Government

270 943 261

269 097 261

Government Property used by National Government

8 798 900

8 798 900

Public Service Infrastructure and Agriculture

1 998 801 434

2 116 250 502

Municipal Owned Property and Churches

356 723 068

232 047 000

Rateable Land and Buildings**3 214 157 463****3 199 243 163****Rebates on Income - Basic Rate:**

Residential

0.898c/R

0.848c/R

Special Residential

1.168c/R

1.102c/R

Business and Government Property used by Local Government

1.348c/R

1.272c/R

Industrial

1.797c/R

1.696c/R

Government Property used by Provincial and District Government

1.438c/R

1.357c/R

Government Property used by National Government

1.617c/R

1.526c/R

Public Service Infrastructure and Agriculture

0.224c/R

0.212c/R

Municipal Owned Property and Churches

0.000c/R

0.000c/R

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

GOVERNMENT GRANTS AND SUBSIDIES**Unconditional Grants****66 072 795****50 681 227**

Equitable Share

64 855 000

50 021 227

Other Grants

1 217 795

660 000

Conditional Grants**39 224 089****47 756 974**

Municipal Infrastructure Grant (MIG)

22 686 730

17 585 644

As previously reported

17 899 522

Prior period adjustments - note 36.01

(313 878)

Municipal Systems Improvement Grant (MSIG)

790 000

737 817

Financial Management Grant (FMG)

1 500 000

1 250 000

National Electrification Programme Grant (NEP)

86 087

7 215 068

	2012 R	2011 R
18.1 Equitable Share		
Opening balance	-	-
Grants received	64 855 000	50 021 227
Conditions met - operating	(64 855 000)	(50 021 227)
	<u>-</u>	<u>-</u>
Conditions still to be met	<u>-</u>	<u>-</u>

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

18.2 Municipal Infrastructure Grant (MIG)		
Opening balance	220 730	4 126 374
Grants received	22 466 000	13 680 000
Conditions met - capital	(21 986 082)	(17 585 644)
Conditions met - operating	(700 648)	-
	<u>-</u>	<u>220 730</u>
Conditions still to be met / (unpaid grants for conditions already met)	<u>-</u>	<u>220 730</u>

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.

18.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	(12 183)
Grants received	790 000	750 000
Conditions met - capital	-	-
Conditions met - operating	(790 000)	(737 817)
	<u>-</u>	<u>-</u>
Conditions still to be met / (unpaid grants for conditions already met)	<u>-</u>	<u>-</u>

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.

18.4 Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 500 000	1 250 000
Conditions met - capital	-	-
Conditions met - operating	(1 500 000)	(1 250 000)
	<u>-</u>	<u>-</u>
Conditions still to be met	<u>-</u>	<u>-</u>

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

18.5 National Electrification Programme Grant (NER)		
Opening balance	(231 674)	6 984 294
Grants received	1 000 000	-
Conditions met - capital	(86 987)	(7 215 968)
Conditions met - operating	-	-
	<u>-</u>	<u>-</u>

	2012 R	2011 R
18.8 Total Grants		
Opening balance	15 281 114	20 678 344
Grants received	100 896 194	93 040 970
Conditions met - Capital	(35 072 663)	(41 439 511)
Conditions met - Operating	(70 224 221)	(56 998 689)
Conditions still to be met/(Grant expenditure to be recovered)	10 880 424	15 281 114

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	10 880 460	15 512 824
Unpaid Conditional Government Grants and Receipts	(36)	(231 710)
	10 880 424	15 281 114

19 SERVICE CHARGES

Electricity	14 247 857	12 224 540
Refuse Removal	6 917 434	6 524 695
	21 165 291	18 749 235
Less: Rebates	(2 501 806)	(1 622 312)
Total Service Charges	18 663 485	17 126 923

As previously reported		20 946 447
Less: Discontinued Operations - note 35		(3 819 524)
Restated balance		17 126 923

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

20 WATER SERVICES AUTHORITY CONTRIBUTION

Joe Gqabi District Municipality - Water and Sewerage functions	-	-
Total Water Service Authority Contribution	-	-

As previously reported		9 324 797
Less: Discontinued Operations - note 35		(9 324 797)
Restated Balance		-

An agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the Municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the Municipality.

21 PLANT INCOME

	2012 R	2011 R
23 OTHER INCOME		
Commission Received	65 419	105 138
Insurance Claims Received	219 572	16 873
Tender Document Sales	66 200	56 650
LGSETA Claims Received	219 431	74 168
Pound Fees	89 474	98 784
Income form Caravan Parks and Chalets	8 284	5 970
Cemetery Fees	19 660	14 406
Building Plan & Inspection	50 394	35 305
Auction Sales	41 570	86 454
Discounts received	150 795	85 773
Sundry Income	428 824	552 421
Total Other Income	1 359 623	1 131 942

24 EMPLOYEE RELATED COSTS		
Bonus	1 912 581	1 639 676
Bursary Scheme	50 721	61 496
Contribution to Current Employee Benefits - Staff Leave - Note 5	558 536	917 141
Contribution to Employee Benefits - Long Service Awards - Note 3	254 417	228 255
Medical Aid Contributions	2 208 820	1 884 339
Overtime	521 436	167 105
Pension Fund Contributions	2 867 797	2 696 098
Performance Bonuses	1 307 675	1 169 355
Salaries and Wages	24 878 172	20 427 401
Skills Development Levy	417 951	483 869
Travel, motor car, telephone, assistance and other allowances	4 723 349	4 170 032
UIF Contributions	215 305	188 919
Workmens Compensation Contributions	9 016	404 137
Total Employee Related Costs	39 925 776	34 437 823
As previously reported		39 772 602
Less: Discontinued Operations - note 35		(5 334 779)
Restated Balance		34 437 823

KEY MANAGEMENT PERSONNEL

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Municipal Manager - K Gashi

Remuneration	763 579	803 907
Car and other allowances	152 547	122 150
Performance Bonuses	128 474	129 864
Contributions to UIF, Medical and Pension Funds	21 030	1 517

	2012 R	2011 R
Chief Financial Officer - SW Goodall		
Remuneration	689 958	569 301
Car and other allowances	180 600	154 000
Performance Bonuses	122 095	101 478
Contributions to UIF, Medical and Pension Funds	1 547	1 547
Total	994 200	826 326

Manager Strategic Planning and Economic Development - L Mqokoyi (resigned 26/04/2012)		
Remuneration	508 680	499 311
Car and other allowances	395 775	356 932
Performance Bonuses	107 349	120 091
Contributions to UIF, Medical and Pension Funds	1 547	1 547
Total	1 013 351	977 881

Manager Community Services - M Ntaba (appointed 03/04/2012)		
Remuneration	130 833	-
Car and other allowances	105 933	-
Performance Bonuses	29 001	-
Contributions to UIF, Medical and Pension Funds	387	-
	266 153	-

25 REMUNERATION OF COUNCILLORS

Salaries	5 675 487	5 000 049
Travel and other allowances	2 028 228	1 936 488
Pension Fund Contributions	34 716	46 943
Total Councillors' Remuneration	7 738 431	6 983 480

In-kind Benefits

The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council.

26 DEBT IMPAIRMENT

Receivables from Exchange Transactions - Note 14	10 969 973	9 579 995
Receivables from Non-exchange Transactions - Note 15	(880 298)	(1 323 446)
Total Contribution to Impairment Provision	10 089 675	8 256 549
Add/(Less): Portion Relating to VAT - Refer to note 9	1 834 631	(1 317 056)
Less: Discontinued Operations - note 35	(1 024 749)	(2 480 683)
Total Debt Impairment	10 899 557	4 458 810

28	IMPAIRMENTS	2012 R	2011 R
	Property, Plant and Equipment	3 498	49 353
	As previously reported		-
	Prior period adjustments - note 36.06		49 353
	Total Impairments	3 498	49 353

The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.

29	REPAIRS AND MAINTENANCE	2012 R	2011 R
	Infrastructure	3 386 165	779 706
	As previously reported		820 325
	Prior year error restatement - note 36.04		22 385
	Prior year error restatement - note 36.05		(63 004)
	Land and Buildings	142 778	307 035
	As previously reported		471 620
	Prior year error restatement - note 36.06		(164 585)
	Other Assets	705 946	525 243
	As previously reported		517 072
	Prior year error restatement - note 36.04		8 171
	Total Repairs and Maintenance	4 234 889	1 611 984

	As previously reported		2 284 437
	Less: Discontinued Operations - note 35		(475 420)
	Less: Prior year error restatement - note 36.04		30 556
	Less: Prior year error restatement - note 36.05		(63 005)
	Less: Prior year error restatement - note 36.06		(164 585)
	Restated Balance		1 611 984

30	FINANCE CHARGES	2012 R	2011 R
	Long-term Liabilities	46 070	49 483
	Finance leases	13 317	11 539
	Non-Current Employee Benefits	261 958	232 036
	Non-Current Provisions - Rehabilitation of Landfill Sites	294 748	285 835
	As previously reported		-
	Prior year error restatement - note 36.09		285 835
	SARS Interest and Penalties	694 321	-
	Interest charged by Creditors	30 808	-
	Total Finance Charges	1 341 222	578 893

33	OPERATING GRANT EXPENDITURE	2012 R	2011 R
	Budget & Treasury	2 013 886	1 839 193
	Electricity	206 459	327 660
	Executive & Council	248 727	357 309
	Corporate Services	-	115 635
	Planning & Development	-	2 666 792
	Road Transport	-	593 373
	Waste Management	-	546 221
	Total Grant Expenditure	<u>2 469 072</u>	<u>6 446 183</u>
	As previously reported		6 450 786
	Less: Discontinued Operations - note 35		(4 603)
	Restated Balance		<u>6 446 183</u>

34	GENERAL EXPENSES	2012 R	2011 R
	Advertising	326 333	595 815
	Auditors Remuneration	1 730 683	2 100 038
	Bank Charges	156 134	172 418
	Cleaning Materials	37 892	23 247
	Commission Paid	434 295	1 296 199
	As previously reported		1 170 199
	Prior period adjustments - note 36.04		126 000
	Conferences and Seminars	598 467	408 761
	Consulting, Professional and Legal Fees	6 879 454	4 575 367
	Entertainment and Catering	1 355 086	706 672
	Eskom - Demand Upgrade	-	195 199
	Fraud Prevention Plan	74 366	71 474
	Fuel and Oil	989 896	650 345
	Gifts	28 601	58 123
	Insurance	969 019	471 701
	Job Evaluation	113 125	-
	Lease rentals on operating lease: Office Equipment	231 885	222 190
	Licence Fees	237 336	208 576
	Magazines, Books and Periodicals	2 410	8 143
	Postage and Courier	25 658	28 299
	Printing and Stationery	480 390	902 989
	Promotions and Sponsorships	1 505 834	2 988 342
	Protective Clothing	258 606	67 959
	Public Participation	239 713	-
	Refuse Bags and Containers	71 154	105 850
	Security (Guarding of Municipal Property)	855 431	657 641
	Service Standard Charter	110 313	242 951
	Small Tools and Equipment	191 822	158 260
	Special Programmes	3 308 576	789 257
	Staff Tea and Coffee	12 593	12 128
	Subscriptions and Membership Fees	798 478	301 944
	Telephone and fax	1 534 406	1 055 264
	Town Planning and Property Valuation Fees	44 872	652 039
	Traffic Department Costs	89 603	43 871

DISCONTINUED OPERATIONS

The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.

The effect of Discontinued Operations on the Statement of Financial Position is as follows:**Liabilities associated with Discontinued Operations**

	2012 R	2011 R
Employee Benefits	390 069	-
Consumer Deposits	45 258	-
Current Employee Benefits	554 607	-
Taxes	200 183	-
	<u>1 190 117</u>	<u>-</u>

Assets associated with Discontinued Operations

Receivable from non-exchange transactions	2 099 947	-
Water	1 950 007	-
Sewerage	149 940	-
Inventory	599 408	-
	<u>2 699 355</u>	<u>-</u>

The effect of Discontinued Operations on the Statement of Financial Performance is as follows:**Revenue**

Service Charges	3 870 907	3 819 524
Water Services Authority Contribution	9 903 000	9 324 797
Total Revenue	<u>13 773 907</u>	<u>13 144 321</u>

Expenditure

Employee Related Costs	6 606 336	5 334 779
Debt Impairment	1 024 749	2 480 683
Repairs and Maintenance	710 507	476 604
As previously reported		475 420
Prior period adjustments - note 36.04		1 185
Operating Grant Expenditure	6 659	4 603
General Expenses	835 468	398 283
As previously reported		404 569
Prior period adjustments - note 36.05		(10 286)
Prior period adjustments - note 36.04		4 000
	<u>9 183 719</u>	<u>8 694 952</u>

Net Surplus for the year

<u>4 590 187</u>	<u>4 449 369</u>
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	2011
	R
36.02 Property Rates and Service Charges	
In the current year errors were noted with regards to property rates and service charges. Errors included levies on municipal owned property and churches, water leakages and electricity connection errors. Accordingly, Receivables, Service Charges and Property Rates were overstated.	
Refer to Receivables from Exchange Transactions - note 14	(38 091)
Refer to Receivables from Exchange Transactions - note 14	(32 191)
Refer to Receivables from Exchange Transactions - note 14	(104 880)
Refer to Receivables from Exchange Transactions - note 14	(52 526)
Refer to Receivables from Exchange Transactions - note 14	(16 182)
Refer to Receivables from Non-Exchange transactions - note 15	(143 383)
Accumulated Surplus - 1 July 2010 note - 36.11	387 254
The water and sanitation receivables that were transferred on 1 July 2009 from the District Municipality as per service level agreement, were at actual values. The transferred receivables should have been recorded at Rnil value, as no consideration in the form of assets were given to the District Municipality.	
Refer to Receivables from Exchange Transactions - note 14	8 691 153
Refer to Receivables from Exchange Transactions - note 14	(6 462 548)
Refer to Receivables from Exchange Transactions - note 14	(2 228 605)
36.03 Value Added Tax	
In the current year outstanding VAT subject to SARS audits were paid. The outstanding VAT related to years prior to 2007. The Municipality elected to write off these VAT in the prior year. Accordingly, both VAT and Accumulated Surplus were understated.	
Refer to Taxes - note 9	1 879 959
Accumulated Surplus - 1 July 2010 note - 36.11	(1 879 959)
36.04 Payables from Exchange Transactions	
During the year invoices were received relating to prior year. These invoices were not accrued for on 30 June 2011. Accordingly, Payables from Exchange Transactions and General Expenses were understated, while Accumulated Surplus were overstated.	
Refer to Payables from Exchange Transactions - note 7	(609 667)
Refer to Repairs and Maintenance (Infrastructure) - note 29	22 385
Refer to Repairs and Maintenance (Other Assets) - note 29	8 171
Refer to General Expenses - note 34	126 000
Refer to Discontinued Operations (Repairs and Maintenance) - note 35	1 185
Refer to Discontinued Operations - note 35	4 000
Accumulated Surplus - 1 July 2010 note - 36.11	447 926
36.05 Inventory	
In the prior year the Municipality adopted Directive 4 whereby the measurement Inventory was exempt. In the current year the Municipality restrospective adjusted its records to reflect the measurement of Inventory. The effects were as follow:	
Refer to Inventory - Consumable Stores - note 13	637 232
Refer to Inventory - Land held for Sale - note 13	7 487 945
Refer to Inventory - Water - note 13	27 049
Refer to Statement of Financial Performance - Gain or loss on disposal of Inventory - note 36.10	37 482

2011
R

Details with regards to Property, Plant and Equipment is as follow:

Land and Buildings

Land - Cost (Opening balance)	4 587 981
Land - Cost (Disposals)	3 840 044
Buildings - Cost (Opening Balance)	18 866 870
Buildings - Cost (Additions)	(5 271 890)
Buildings - Accumulated Depreciation (Opening balance)	(320 902)
Buildings - Accumulated Depreciation (Depreciation Charge)	(193 208)
Capitalised Restoration Costs - Cost (Opening balance)	3 995 672
Capitalised Restoration Costs - Accumulated Depreciation (Opening balance)	(1 038 384)
Capitalised Restoration Costs - Accumulated Depreciation (Depreciation Charge)	(198 342)
Capitalised Restoration Costs - Accumulated Depreciation (Impairment Charge)	(49 353)
Work in Progress - Cost (Opening balance)	597 447
Work in Progress - Cost (Additions)	6 535 965

Infrastructure

Electricity - Cost (Opening balance)	33 144 496
Electricity - Cost (Additions)	(19 293 849)
Electricity - Cost (Transfer to Capital Assets)	4 837 421
Electricity - Accumulated Depreciation (Opening balance)	(2 145 427)
Electricity - Accumulated Depreciation (Depreciation Charge)	(1 145 076)
Roads, Pavements, Bridges & Storm Water - Cost (Opening balance)	215 242 595
Roads, Pavements, Bridges & Storm Water - Cost (Additions)	(17 461 988)
Roads, Pavements, Bridges & Storm Water - Cost (Transfer to Capital Assets)	19 355 643
Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Opening balance)	(35 008 324)
Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Depeciation Charge)	(27 614 551)
Work in Progress - Cost (Opening balance)	21 662 369
Work in Progress - Cost (Additions)	34 827 684
Work in Progress - Cost (Transfer to Capital Assets)	(24 193 064)

Community Assets

Cemeteries - Cost (Opening balance)	(120 918)
Civic Building - Cost (Opening balance)	(833 398)
Community Halls - Cost (Opening balance)	(1 643 583)
Community Halls - Cost (Additions)	(1 034 297)
Markets - Cost (Opening balance)	(734 458)
Markets - Cost (Additions)	(215 551)
Parks & Gardens - Cost (Opening balance)	(400 357)
Parks & Gardens - Cost (Additions)	(17 600)
Public Conveniences & Bathhouses - Cost (Opening balances)	(5)
Recreational Grounds - Cost (Opening balances)	(7)
Town Library - Cost (Opening balances)	(160 558)
Transport Facilities - Cost (Opening balances)	(3)

Leased Assets

Office Equipment - Accumulated Depreciation	(112 811)
Office Equipment - Depreciation Charge	(56 483)

Other Assets

Furniture & Fittings - Cost (Opening balance)	1 046 152
Furniture & Fittings - Cost (Additions)	(37 095)

2011
R

36.07 Investment Property

In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:

Refer to Investment Property - Opening balance (Cost) - note 11	25 190 727
Refer to Investment Property - Opening balance (Accumulated Depreciation) - note 11	(150 212)
Refer to Investment Property - Depreciation - note 11	(75 106)
Refer to Investment Property - Disposals - note 11	(22 500)
Refer to Statement of Financial Performance - Gain or loss on disposal of Investment Property - note 36.10	10 900
Refer to Depreciation and Amortisation - note 27	75 106
Refer to Accumulated Surplus - 1 July 2010 note - 36.11	(25 028 915)

36.08 Intangible Assets

In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:

Refer to Intangible Assets - note 12	(36 721)
Refer to Accumulated Surplus - 1 July 2010 note - 36.11	36 721

36.09 Provision for Landfill Sites

Adjustments made to capital restoration costs as per note 36.06 had the following effect on the provision for landfill sites:

Refer to Finance Charges - note 30	285 835
Refer to Accumulated Surplus - 1 July 2010 note - 36.11	(285 835)

36.10 Statement of Financial Performance

Public Contributions and Donations	48 583
As previously reported	15 000
Refer to Property, Plant and Equipment - note 36.06	33 583
Gain or loss on disposal of Property, Plant and Equipment	281 300
As previously reported	352 797
Refer to Property, Plant and Equipment - note 36.06	(71 497)
Gain or loss on disposal of Inventory	37 482
As previously reported	-
Refer to Inventory - note 36.06	37 482
Gain or loss on disposal of Investment Property	10 900
As previously reported	-
Refer to Investment Property - note 36.07	10 900

	2012 R	2011 R
37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	5 987 342	19 035 531
<u>Adjustments for:</u>		
(Gain)/Loss on disposal of Property, Plant and Equipment	178 174	281 300
(Gain)/Loss on disposal of Investment Property	-	10 900
Contribution from/to employee benefits - non-current	516 105	460 760
Contribution from/to employee benefits - non-current - expenditure incurred	(166 017)	(213 125)
Contribution from/to employee benefits - non-current - loss/(actuarial gains)	305 419	(80 868)
Contribution to employee benefits – current	5 132 254	3 259 076
Contribution to employee benefits – current - expenditure incurred	(2 300 654)	(1 800 551)
Contribution to provisions – current	294 748	285 835
Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt	10 089 675	8 256 549
Bad debts written off	(20 553 398)	(3 823 967)
Grants Received	100 896 194	93 040 970
Grant Expenditure	(105 296 884)	(98 438 200)
Depreciation and Amortisation	35 918 775	32 648 296
Impairments	3 498	49 353
Operating Surplus/(Deficit) before changes in working capital	31 005 231	52 971 859
Changes in working capital	20 480 744	(17 751 018)
Increase/(Decrease) in Payables from Exchange Transactions	6 149 522	(3 213 347)
Increase/(Decrease) in Taxes	10 824 993	3 507 832
(Increase)/Decrease in Inventory	(422 579)	(2 449 852)
(Increase)/Decrease in Receivables from exchange transactions	6 237 979	(17 616 699)
(Increase)/Decrease in Receivables from non-exchange transactions	(2 309 171)	2 021 049
Cash generated/(absorbed) by operations	51 485 975	35 220 841

38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 16	37 584 839	22 441 664
Cash Floats - Note 16	2 171	3 851
Bank - Note 16	3 433 016	5 451 051
Total cash and cash equivalents	41 020 026	27 896 566

39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 38	41 020 026	27 896 566
Less:	(10 880 459)	(15 281 115)
Unspent Committed Conditional Grants - Note 8	(10 880 459)	(15 281 115)
Net cash resources available for internal distribution	30 139 567	12 615 451

BUDGET COMPARISONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	11 980 138	13 841 822	(1 861 684)	-13.45%	Application of GRAP 23 resulted in understatement as oppose to Treasury budget requirements.
Government Grants and Subsidies	105 296 884	100 312 621	4 984 263	4.97%	Accelerated service on ECDC funded programmes.
Public Contributions and Donations	62 755	-	62 755	0.00%	Donations not anticipated.
Fines	101 754	72 862	28 892	39.65%	Cooperative agreement with Department of Transport augmenting our service delivery function.
Service Charges	18 663 485	16 003 964	2 659 521	16.62%	Revenue enhancement and debt reduction programme.
Plant Income	(1 701)	15 033 647	(15 035 348)	-100.01%	Inter-departmental charges.
Rental of Facilities and Equipment	670 661	833 000	(162 339)	-19.49%	High level of evictions due to non-payment.
Interest Earned - external investments	2 077 383	2 655 000	(577 617)	-21.76%	Accelerated service delivery resulted limited available surplus funding for investment purposes.
Interest Earned - outstanding debtors	4 721 186	3 301 598	1 419 588	43.00%	Bad debts only written down at year end.
Licences and Permits	1 703 237	1 790 040	(86 803)	-4.85%	In line with expectation.
Other Income	1 359 623	15 707 310	(14 347 687)	-91.34%	Deficit funding of capex programmes funded from retained earnings.
	146 635 405	169 551 864	(22 916 459)	-13.52%	
Expenditure by Nature					
Employee Related Costs	(39 925 776)	(40 306 105)	380 329	-0.94%	In line with expectation.
Remuneration of Councillors	(7 738 431)	(7 782 949)	44 518	-0.57%	In line with expectation.
Debt Impairment	(10 899 557)	(9 924 190)	(975 367)	9.83%	In line with expectation.
Depreciation and Amortisation	(34 064 701)	(4 090 000)	(29 974 701)	732.88%	Application of items previously exempt in term of Directive 4.
Impairments	(3 498)	-	(3 498)	0.00%	Application of items previously exempt in term of Directive 4.
Actuarial Loss	(305 419)	(200)	(305 219)	152609.50%	Discount rate used by actuaries less than last year.
Collection Cost	(780 709)	(1 503 559)	722 850	-48.08%	In line with expectation.
Repairs and Maintenance	(4 234 889)	(5 470 907)	1 236 018	-22.59%	Non-implementation of service level agreement with Department of Public Works.
Finance Charges	(1 341 222)	(106 843)	(1 234 379)	1155.32%	Discount rate used by actuaries less than last year and discounting of landfill site provision.
Bulk Purchases	(13 608 906)	(14 130 000)	521 094	-3.69%	In line with expectation.
Grants and Subsidies	(350 000)	(350 000)	-	0.00%	In line with expectation.
Operating Grant Expenditure	(2 469 072)	(5 360 632)	2 891 560	-53.94%	Underspending on ECDC and NER programmes.
Gain or loss on disposal of PPE	(178 174)	-	(178 174)	0.00%	Assets written off, but covered by insurance.
Gain or loss on disposal of Inventory	(54 926)	-	(54 926)	0.00%	Sell of land held for sale.
General Expenses	(29 282 970)	(39 665 993)	10 383 023	-26.18%	Implementation of cost reduction strategy.
	(145 238 250)	(128 691 378)	(16 546 872)	12.86%	
Net surplus from Continued Operations	1 397 155	40 860 486	(39 463 331)	-96.58%	
Discontinued Operations	4 590 187	4 917 912	(327 725)	-6.66%	Water and sanitation function to be transferred to District Municipality.
Net surplus for the year	5 987 342	45 778 398	(39 791 055)	-86.92%	
Operating Expenditure by vote					
Budget & Treasury	33 786 360	25 335 102	8 451 258	33.36%	Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE and IP
Community & Social Services	4 788 569	5 067 487	(278 918)	-5.50%	In line with expectation.
Electricity	18 877 216	23 559 512	(4 682 296)	-19.87%	Underspending on ECDC and NER programmes.
Executive & Council	20 458 183	20 697 325	(239 142)	-1.16%	In line with expectation.
Corporate Services	14 480 177	18 870 173	(4 389 996)	-23.26%	Non-implementation of ICT Master Systems Plan.
Housing	324 471	415 309	(90 838)	-21.87%	Immaterial variance.
Planning & Development	9 604 425	17 956 677	(8 352 252)	-46.51%	Non-implementation of the Furniture Manufacturing and Hawkers stall projects.
Road Transport	40 145 132	15 084 704	25 060 428	166.13%	Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE.
Sport & Recreation	3 517 979	1 705 089	1 812 890	106.32%	Backpay according IMATU judgement.
Waste Management	2 130 219	2 503 393	(373 174)	-14.91%	Delayed implementation of landfill sites (PPP) outsourcing.
Water	6 076 140	6 766 448	(690 308)	-10.20%	Backpay according IMATU judgement.
	154 188 872	137 961 219	16 227 652	11.76%	
Capital Expenditure by Vote					
Budget & Treasury	1 417 320	1 904 600	(487 280)	-25.58%	Delays in sourcing service provider to effect building additions to administrative building.
Community & Social Services	173 744	243 080	(69 336)	-28.52%	Project savings.
Electricity	4 861 777	8 099 510	(3 237 733)	-39.97%	Underspending on ECDC and NER programmes.
Executive & Council	691 852	715 935	(24 083)	-3.36%	In line with expectation.
Corporate Services	131 041	411 145	(280 104)	-68.13%	Delays in staff appointments and therefor furniture not procured.
Planning & Development	419 592	2 128 853	(1 709 261)	-80.29%	Delayed procurement of rear-end loader due to delays in appointment of PPP.
Road Transport	30 430 964	35 611 275	(5 180 311)	-14.55%	Underspending on ECDC programmes.
Sport & Recreation	108 267	735 000	(626 733)	-85.27%	Delays in appointment of consultants in sportfields development.
	38 234 558	49 849 398	(11 614 840)	-23.30%	

	2012 R	2011 R
42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
42.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	1 274 466	21 547 705
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	35 324 576	1 177 632
Approved by Council or condoned	-	(21 450 871)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	36 599 042	1 274 466

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

42.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	11 021	491 703
Fruitless and wasteful expenditure - current year	722 913	11 021
Fruitless and wasteful expenditure - prior year	12 358	-
Condoned or written off by Council	(11 021)	(491 703)
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	735 271	11 021

Incident	Disciplinary steps/criminal proceedings
Interest charged by creditors	None
SARS interest and penalties on VAT overclaimed	None

42.3 Irregular expenditure

Reconciliation of irregular expenditure:		
Opening balance	-	181 804
Irregular expenditure current year	686 693	-
Condonement supported by council	-	(181 804)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	686 693	-

Incident	Disciplinary steps/criminal proceedings
Non-compliance with Supply Chain Management Policy	None

	2012 R	2011 R
43	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	
43.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>	
	395 374	239 262
	(395 374)	(239 262)
	-	-
43.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>	
	183 323	228 000
	3 111 893	3 097 889
	(3 247 050)	(3 142 566)
	48 166	183 323
43.3	<u>VAT - [MFMA 125 (1)(b)]</u>	
	4 928 355	3 121 065
	(15 804 525)	(12 459 873)
	1 221 072	14 267 163
	(9 655 098)	4 928 355
	VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.	
43.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>	
	10 000	-
	7 856 518	6 491 879
	(7 846 518)	(6 481 879)
	-	10 000
43.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>	
	-	-
	10 079 922	9 342 993
	(10 079 922)	(9 342 993)
	-	-
43.6	<u>Other non-compliance (MFMA 125(2)(e))</u>	

44	CAPITAL COMMITMENTS	2012 R	2011 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	39 706 993	23 650 456
	Infrastructure	39 706 993	23 650 456
	Total	39 706 993	23 650 456
	This expenditure will be financed from:		
	Government Grants	38 672 967	23 650 456
	Own funding	1 034 026	-
		39 706 993	23 650 456

45 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2011 - 0.5%) Increase in interest rates	203 438	199 322
0.5% (2011 - 0.5%) Decrease in interest rates	(203 438)	(199 322)

	2012 %	2012 R	2011 %	2011 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	85.53%	3 822 475	91.44%	576 269
Other	14.47%	646 532	8.56%	53 978
	<u>100%</u>	<u>4 469 007</u>	<u>100%</u>	<u>630 247</u>
<u>Exchange Receivables</u>				
Electricity	10.95%	1 789 050	27.09%	1 182 422
Water	7.18%	1 172 386	15.40%	672 267
Refuse	18.74%	3 059 840	32.80%	1 431 696
Sewerage	0.53%	86 858	2.21%	96 385
Other	62.60%	10 223 197	22.51%	982 763
	<u>100%</u>	<u>16 331 330</u>	<u>100%</u>	<u>4 365 533</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate where applicable.

	2012 %	2012 R	2011 %	2011 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
<u>Non-Exchange Receivables</u>				
Rates	<u>100%</u>	<u>10 261 870</u>	<u>100%</u>	<u>11 291 995</u>
<u>Exchange Receivables</u>				
Electricity	24.40%	7 468 317	25%	10 029 388
Water	16.23%	4 965 749	12%	4 682 881
Refuse	51.12%	15 644 067	54%	21 670 080
Sewerage	1.96%	599 974	1%	470 241
Other	6.29%	1 926 491	8%	3 185 607
	<u>100.00%</u>	<u>30 604 598</u>	<u>100%</u>	<u>40 038 197</u>

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

(e) Liquidity Risk

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

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

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

	2012 R	2011 R		
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2012				
Long Term liabilities - Annuity Loans	90 022	180 044	-	270 066
Capital repayments	56 948	146 783	-	203 731
Interest	33 074	33 261	-	66 335
Provision for Landfill Sites	-	-	5 903 869	5 903 869
Capital repayments	-	-	5 609 121	5 609 121
Interest	-	-	294 748	294 748
Payables from Exchange Transactions	18 446 249	-	-	18 446 249
Unspent conditional government grants and receipts	10 880 423	-	-	10 880 423
	<u>29 416 694</u>	<u>180 044</u>	<u>5 903 869</u>	<u>35 500 607</u>
2011				
Long Term liabilities - Annuity Loans	90 023	270 065	-	360 088
Capital repayments	48 126	203 731	-	251 857
Interest	41 897	66 334	-	108 231
Long Term liabilities - Finance Lease Liability	82 080	-	-	82 080
Capital repayments	78 483	-	-	78 483
Interest	3 597	-	-	3 597
Provision for Landfill Sites	-	-	5 894 956	5 894 956
Capital repayments	-	-	5 609 121	5 609 121
Interest	-	-	285 835	285 835
Payables from Exchange Transactions	12 296 727	-	-	12 296 727
Unspent conditional government grants and receipts	15 512 824	-	-	15 512 824
	<u>27 321 654</u>	<u>270 065</u>	<u>5 894 956</u>	<u>33 486 675</u>

2012
R

2011
R

47 EVENTS AFTER THE REPORTING DATE

The Municipality has no events after reporting date during the financial year ended 2011/2012.

48 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

Council do have the following contingent liabilities at the end of the financial year 2011/2012:

A claim has been lodged by Mr. S Songca for the amount of R50 000 plus 15.5% interest costs for monies payable in respect of farm damages resulting from veld fires. The claim is still pending before court.

There has been a claim lodged by Wesbank against the Municipality in relation to the cancelation of a rental agreement for a PABX system. The rental agreement was entered into in 2005, however due to persistent problems with the system, the agreement was cancelled in July 2008 and the assets of the system collected on the 25th February 2009. Currently a claim to the value of R296 224.31 has been lodged against the Municipality by Wesbank. This debt has prescribed in July 2011 and as such Council is dealing with the matter to have the debt set aside. This matter is currently pending before the High Court in Grahamstown

The Municipality obtained an eviction order againsts various invaders in Mount Fletcher. The matter is currently pending before the High Court in Mthatha. The estimated legal costs and eviction related costs are estimated at R400 000.

The Municipality is currently assisting Councillors to recover their pension contribution for the last term in office. This matter is still to be referred to attorneys in order to persue. The estimated cost to persue this case is R200 000.

Amadwala Trading 363 CC has applied for a administrative review in relation to the tender awarded for the Dengwane Acces Road project. No court date has been set as to date. The anticipated legal costs are R150 000.

The Waste Group (Pty) Ltd has applied for a administrative review in relation to the tender awarded for the operation and maintenance of waste disposal sites. The anticipated legal costs are R300 000.

	2012 R	2011 R
51.2 Related Party Loans		
Since 1 July 2004 loans to Councillors and Senior management employees are not permitted.		
51.3 Compensation of key management personnel		
The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.		
51.4 Other related party transactions		
The following purchases were made during the year where Key Management Personnel and Officials have an interest:		
Ganta Trading Enterprise (Spouse of Director A M Ntaba)	53 215	129 305
Mysa Implementation Agents CC (Brother of Manager Corporate Services: S Matubatuba)	236 698	-
Nosisanda Trading Enterprise (Niece of official Z Thuli)	1 530	-
Nobongoza Trading Enterprise (Spouse of official T Klaas)	9 680	-
	<u>301 123</u>	<u>129 305</u>

**APPENDIX A - Unaudited
ELUNDINI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS							
DBSA loan	17.36%	9004857	30/06/2015	251 857	-	48 126	203 731
Total Annuity Loans				251 857	-	48 126	203 731
LEASE LIABILITY							
Copier MP 7500	10.00%	L7963000247	30/01/2012	15 074	-	15 074	-
Copier MP 9000	10.00%	L5580100042	30/06/2012	63 409	-	63 409	-
Total Lease Liabilities				78 483	-	78 483	-
TOTAL EXTERNAL LOANS				330 340	-	126 609	203 731

Grant Description	Balance	Correction	Restated	Contributions	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2011	of error	balance	during the year	Expenditure	Expenditure	30 JUNE 2012	30 JUNE 2012	30 JUNE 2012
	R	R	R	R	to Revenue	to Revenue	R	(Creditor)	(Debtor)
					R	R		R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT	41 367	179 363	220 730	22 466 000	700 648	21 986 082	-	-	-
7140/5402 - NER	-	(231 674)	(231 674)	1 000 000	-	86 987	681 339	681 339	-
7140/5404 - FINANCIAL MANAGEMENT GRANT	-	-	-	1 500 000	1 500 000	-	-	-	-
7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-	-	-	790 000	790 000	-	-	-	-
Total National Government Grants	41 367	(52 311)	(10 944)	25 756 000	2 990 648	22 073 069	681 339	681 339	-
<u>Provincial Government Grants</u>									
7140/5405 - EPWP	276 449	-	276 449	433 000	709 449	-	-	-	-
7140/5411 - HAWKERS STALLS	1 844 924	-	1 844 924	-	91 000	-	1 753 924	1 753 924	-
7140/5426 - ELUNDINI HOUSING	71 732	-	71 732	-	-	-	71 732	71 732	-
7140/5430 - HOUSING PILOT	112 508	-	112 508	-	-	-	112 508	112 508	-
7140/5432 - LIBRARY FUND	107 828	-	107 828	-	-	-	107 828	107 828	-
7140/5443 - TOURISM	542 756	-	542 756	20 000	-	-	562 756	562 756	-
7140/5446 - LED OPEN	38 726	-	38 726	116 677	-	-	155 403	155 403	-
7140/5447 - MACLEAR GREENFIELD	651 784	-	651 784	-	-	-	651 784	651 784	-
7140/5455 - MADIBA CORRIDOR	700 000	-	700 000	-	-	-	700 000	700 000	-
7140/5457 - DEDEA BOTTLING WATER	1 250	-	1 250	-	-	-	1 250	1 250	-
7140/5470 - FURNITURE MANUFACTURING	1 056 856	-	1 056 856	-	-	-	1 056 856	1 056 856	-
Total Provincial Grants	5 404 813	-	5 404 813	569 677	800 449	-	5 174 041	5 174 041	-
<u>District Municipality Grants</u>									
7140/5461 - WARD FUNCTIONS	42 196	-	42 196	-	-	-	42 196	42 196	-
7140/5463 - COMMUNITY PARTICIPATION	76 500	-	76 500	-	-	-	76 500	76 500	-
Total District Municipality Grants	118 696	-	118 696	-	-	-	118 696	118 696	-
<u>Other Grant Providers</u>									
7140/5403 - MSP	1 637 912	-	1 637 912	-	-	-	1 637 912	1 637 912	-
7140/5416 - VOTER STATION	299 896	-	299 896	-	-	-	299 896	299 896	-
7140/5422 - TOWN REGISTER	(36)	-	(36)	-	-	-	(36)	-	(36)
7140/5429 - KATLEHONG HOUSING	2 791	-	2 791	-	-	-	2 791	2 791	-
7140/5449 - LEAVE RESERVE	12 118	-	12 118	-	-	-	12 118	12 118	-
7140/5476 - ECDC	7 815 867	-	7 815 867	8 090 452	-	12 999 594	2 906 725	2 906 725	-
7140/5465 - SOCIAL DEVELOPMENT PROGRAMME	-	-	-	46 941	-	-	46 941	46 941	-
0602/1217 - DBSA	-	-	-	360 329	360 329	-	-	-	-
Total Other Grant Providers	9 768 548	-	9 768 548	8 497 722	360 329	12 999 594	4 906 347	4 906 383	(36)
TOTAL	15 333 424	(52 311)	15 281 113	34 823 399	4 151 426	35 072 663	10 880 423	10 880 459	(36)

