EKURHULENI METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

General Information

LEGAL FORM OF ENTITY	Municipality and its municipal entities
LEGISLATION GOVERNING THE MUNICIPALITY'S OPERATIONS	Municipal Finance Management Act (Act No. 56 of 2003)
MAYORAL COMMITTEE	New mayoral commmittee because on the Local Government Election held on 18 May 2011.
Executive Mayor	Clr M Gungubele
Councillors	Speaker: Clr P Kumalo
	Chief Whip: Clr R Mashego
	MMC SRAC: Clr Z Tshongweni
	MMC Finance: Clr M Makwakwa
	MMC Environmental Development: Clr T V Mabena
	MMC City Planning and Economic Development: Clr B Nikani
	MMC Human Settlements: Clr Q Duba
	MMC Community Safety: Clr M Siboza
	MMC Public Transport, Planning and Provision: Clr T Mahlangu
	MMC Health and Social Development: Clr M Maluleke
	MMC Roads and Stormwater: Clr P Nkunjana
	MMC Water and Energy: Clr A Nxumalo
GRADING OF LOCAL AUTHORITY	The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.
ACCOUNTING OFFICER	K Ngema 011 999 0481
CHIEF FINANCIAL OFFICER (CFO)	Z G Myeza 011 999 6514
REGISTERED OFFICE	Corner Cross and Rose Street Germiston 1400
BUSINESS ADDRESS	Corner Cross and Rose Street Germiston 1400
POSTAL ADDRESS	Private Bag X69 Germiston 1400
BANKERS	ABSA Bank
AUDITORS	Auditor General 61 Central Street, Houghton

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The reports and statements set out below comprise the annual financial statements presented to the municipal council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
WCA	Workmen's Compensation
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MIG Cities	Municipal Infrastructure Grant for Metropolitan Municipalities
GMRF	Germiston Municipal Retirement Fund
USDG	Urban Settlement Development Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the economic entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The annual financial statements set out on pages 4 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011:

Accounting Officer
K NGEMA

Germiston

31 August 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
ASSETS			
Current Assets			
Inventories	11	144,813,919	147,362,841
Other Investments	8	20,000,000	246,305,961
Other receivables from exchange transactions	12	244,692,564	107,275,313
Other receivables from non-exchange transactions	13	130,187,427	163,381,813
Consumer debtors	14	1,475,872,894	1,217,263,683
Current portion of long term receivables		124,849,681	113,219,274
Cash and cash equivalents	15	1,338,863,442	664,625,409
		3,479,279,927	**2,659,434,294**
Non-Current Assets			
Investment property	4	126,279,203	106,717,857
Property, plant and equipment	5	46,239,742,100	46,455,434,238
Intangible assets	6	31,396,293	24,316,844
Investments in controlled entities	7	306	306
Other Investments	8	230,895,311	84,670,381
Long-term receivables		126,635,520	177,601,115
		46,754,948,733	**46,848,740,741**
Total Assets		**50,234,228,660**	**49,508,175,035**
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	19	2,463,874,078	2,339,237,686
Deposits	20	487,038,111	417,027,259
Unspent conditional grants and receipts	17	133,880,895	200,485,475
Provisions	18	232,612,266	275,420,461
Current portion of long-term liabilities	16	175,354,221	419,494,477
		3,492,759,571	**3,651,665,358**
Non-Current Liabilities			
Long-term liabilities	16	3,715,713,955	2,276,068,354
Retirement benefit obligation	10	1,378,112,990	1,281,182,918
Provisions	18	503,152,405	450,773,773
Other long term liabilities		-	17,243,027
		5,596,979,350	**4,025,268,072**
Total Liabilities		**9,089,738,921**	**7,676,933,430**
Net Assets		**41,144,489,739**	**41,831,241,605**
NET ASSETS			
Net Assets Attributable to Net Asset Holders of Controlling Entity			
Accumulated surplus		41,144,489,734	41,831,241,605

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	23	2,416,331,522	2,131,999,385
Property rates - penalties and collection charges		62,530,966	71,207,519
Service charges	24	10,505,855,677	8,100,302,359
Rental of facilities and equipment		49,063,908	48,719,059
Interest earned - outstanding debtors		212,198,108	270,958,631
Fines		135,348,768	97,679,269
Licences and permits		30,049,466	27,662,851
Income from agency services		186,876,573	156,773,259
Government grants & subsidies	25	3,397,688,308	2,876,826,076
Other income		69,723,590	92,012,250
Interest revenue	31	119,552,608	90,343,076
Total Revenue		**17,185,219,494**	**13,964,483,734**
Expenditure			
Employee related costs	28	(4,364,281,072)	(3,971,687,008)
Remuneration of councillors	29	(66,908,485)	(62,513,464)
Debt impairment	30	(1,445,304,490)	(1,417,262,543)
Depreciation and amortisation	32	(2,114,462,827)	(2,081,909,359)
Repairs and maintenance		(1,155,269,966)	(1,004,887,004)
Finance costs	34	(382,613,438)	(307,457,612)
Bulk purchases	39	(6,435,216,842)	(5,150,063,183)
Contracted services	37	(614,833,794)	(563,519,769)
Grants and subsidies paid	38	(123,792,034)	(57,093,069)
Impairment of assets	33	101,698	(330,955)
Collection costs		(112,614,930)	(73,529,768)
General Expenses	26	(1,036,873,776)	(842,873,554)
Total Expenditure		**(17,852,069,956)**	**(15,533,127,288)**
Gain on disposal of assets		4,871,992	34,665,026
Loss on disposal of assets		(24,773,397)	(926,212)
Deficit for the year		**(686,751,867)**	**(1,534,904,740)**

Statement of Changes in Net Assets

Figures in Rand	Share premium	Fair value adjustment assets-available-for-sale reserve	Accumulated surplus	Minority interest	Total net assets
Opening balance as previously reported	-	-	43,322,663,411	-	43,322,663,411
Adjustments					
Change in accounting policy	-	-	83,741,340	-	83,741,340
Prior period error	-	-	(40,258,406)	-	(40,258,406)
Balance at 01 July 2009 as restated	**-**	**-**	**43,366,146,345**	**-**	**43,366,146,345**
Changes in net assets					
Surplus/(Deficit) for the year	-	-	(1,534,904,740)	-	(1,534,904,740)
Total changes	-	-	(1,534,904,740)	-	(1,534,904,740)
Balance at 01 July 2010	**-**	**-**	**41,831,241,601**	**-**	**41,831,241,601**
Changes in net assets					
Surplus/(Deficit) for the year	-	-	(686,751,867)	-	(686,751,867)
Total changes	-	-	(686,751,867)	-	(686,751,867)
Balance at 30 June 2011	**-**	**-**	**41,144,489,734**	**-**	**41,144,489,734**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Property rates		2,078,226,423	1,826,877,056
Sale of goods and services		9,035,824,208	6,870,921,168
Grants		3,331,083,728	2,918,078,371
Interest income		331,750,716	361,301,707
Other receipts		533,593,269	492,884,199
		15,310,478,344	12,470,062,501
Payments			
Employee costs		(4,364,281,071)	(3,864,225,217)
Suppliers		(8,078,135,283)	(6,320,217,958)
Finance costs		(382,613,438)	(307,457,612)
Other payments		(1,257,400,377)	(984,935,894)
		(14,082,430,169)	(11,476,836,681)
Net cash flows from operating activities	40	**1,228,048,175**	**993,225,820**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	5	(1,913,683,900)	(1,927,503,432)
Proceeds from the sale of property, plant and equipment	5	4,499,472	38,600,927
Proceeds from sale of investment property	4	54,000	-
Purchase of intangible assets	6	(12,369,099)	(9,788,613)
Proceeds from sale of financial assets		80,081,031	14,676,709
Movement in current portion of long term receivables		(11,630,407)	(75,313,338)
Net movement in long term receivables - non-current		50,965,595	(99,236,441)
Net cash flows from investing activities		**(1,802,083,308)**	**(2,058,564,188)**
Cash flows from financing activities			
Movement in long term liabilities		1,439,645,601	618,648,261
Movement in deposits		70,010,852	43,873,066
Movement in other long term liabilities		(261,383,283)	2,517,001
Net cash flows from financing activities		**1,248,273,170**	**665,038,328**
Net increase/ (decrease) in cash and cash equivalents		**674,238,037**	**(400,300,040)**
Cash and cash equivalents at the beginning of the year		664,625,409	1,064,925,449
Cash and cash equivalents at the end of the year	15	**1,338,863,446**	**664,625,409**

Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

These economic entity annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted 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 policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

1.2 Property, plant and equipment (PPE)

Property, plant and equipment (PPE) 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 period.

Property, plant and equipment (PPE) is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Accounting Policies

1.2 Property, plant and equipment (PPE) (continued)

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

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 management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The estimated useful lives are as follows:

Item	**Average useful life**
Land	Indefinite
Motor vehicles	
• Specialised vehicles	5 - 15 years
• Other vehicles	4 - 25 years
Infrastructure	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	30 years
• Electricity	5 – 60 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	50 years
• Solid Waste	5 – 60 years
• Servitudes	Indefinite
Community	
• Buildings	30 years
• Recreational facilities	20 – 30 years
• Security	11 – years
• Landfill sites	15 years
Other property, plant and equipment	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 – 33 years
• Specialised plant and equipment	10 – 26 years
• Other items of plant and equipment	2 – 25 years

The asset management policy contains the details of the components and their specific useful life estimates.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an 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.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

Accounting Policies

1.2 Property, plant and equipment (PPE) (continued)

The economic entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

1.3 Investments in controlled entities

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the municipality's Separate Financial Statements, investments in controlled entities are accounted for at cost less any accumulated impairment.

1.4 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

1.4 Financial instruments (continued)

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.4 Financial instruments (continued)

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment financial assets
- Loans and receivables financial assets
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when the economic entity becomes party to the contractual provisions of the instrument.

Measurement

When a financial asset or financial liability is recognised initially, the economic entity measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the economic entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the economic entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The economic entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the economic entity applies the following to determine the amount of any impairment loss:

Financial assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables or held-to maturity investments carried at amortised cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the economic entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial

1.4 Financial instruments (continued)

assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

De-recognition

Financial assets

A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the economic entity has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when the economic entity transfers the contractual rights to receive the cash flows of the financial asset. Where the economic entity has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the economic entity’s continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Categorisation

The economic entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.
A financial asset is any asset that is:

1.4 Financial instruments (continued)

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The economic entity has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:
• Investments
• Long term receivables
• Consumer debtors
• Other receivables
• Cash and cash equivalents
• Unlisted shares

In accordance with IAS 39.09 the financial assets of the economic entity are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Investments	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other receivables	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale

A financial liability is any liability that is:
- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The economic entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:
• Long term liabilities
• Trade and other payables
• Consumer deposits
• Unspent conditional grants and receipts

There are two main categories of financial liabilities, classified based on how they are measured.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the economic entity are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
Long term liabilities	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants and receipts	Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows.

At each reporting date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Sundry Deposits:
Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors:
Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Capital Projects:
Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital

Accounting Policies

1.4 Financial instruments (continued)

Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Insurance Claims:
Insurance Claims are respect of expenditure incurred for assets replaced by the economic entity and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims:
Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

1.5 Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity, the lease is classified as a finance lease.

Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the economic entity.

Finance leases - As lessor

The economic entity recognise lease payments receivable as assets in the statement of financial position. The economic entity present such assets as a receivable at an amount equal to the net investment in the lease.

The recognition of finance revenue is based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases – As lessee

At the commencement of the lease term, the economic entity recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the economic entity's incremental borrowing rate is used. Any initial direct costs of the economic entity are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the economic entity will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - As lessor

The economic entity present assets subject to operating leases in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the economic entity in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the economic entity's normal depreciation policy for similar assets.

Operating leases – As lessee

Lease payments under an operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

1.5 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Inventories

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

Where inventory is acquired by the economic entity 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.

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 in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. 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. The first-in-first-out method is the basis of allocating costs to inventories.

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

Accounting Policies

1.7 Employee benefits

Benefits

Retirement Funds

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The economic entity does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

1.8 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A provision is recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The economic entity 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 probable.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

a) Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b) COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 6.10% (2010 - 7.00%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 11.50% (2010 - 12.00%).

c) Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 11.50% (2010 - 12.00%).

The economic entity has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a economic entity incurs as a consequence of having used the property during a particular period for landfill purposes. The economic entity estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

d) Workmenscompensation provision

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

e) Long service awards provision

The economic entity offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

f) GMRF provision

The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

g) Bonus provision

The provision is to provide for performance bonusses of the economic entity's section 57 employees and, where applicable, independant contractors.

1.9 Revenue from exchange transactions

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

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

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

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, 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.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity were an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

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. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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 gazetted tariff. This includes the issuing of licences and permits.

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

Dividends are recognised when the economic entity’s right to receive payment is established.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:
- The economic entity has transferred to the buyer the significant risks and rewards of ownership.
- The economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.14 and 1.15. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

1.10 Borrowing costs (continued)

Extended periods is periods that exceeds 3 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

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

1.11 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.12 Investment property

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.

At initial recognition, the economic entity 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.

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is provided to write down the cost by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	60 years (2010 - 50 years)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.13 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the economic entity from which the economic entity expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the economic entity, i.e. is capable of being separated or divided from the economic entity and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The economic entity 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 economic entity; and the economic entity can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the economic entity acquires intangible assets, it recognises them as assets in the statement of financial position at cost.

Where the economic entity generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the economic entity can demonstrate all of the following:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The economic entity does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.
The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.
Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.
Theeconomic entity assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.
The economic entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.
The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the economic entity expects to use the asset.
Theeconomic entity reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	**Useful life**
Computer software	3 - 14 years

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

1.14 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

1.14 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

1.14 Impairment of cash-generating assets (continued)

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

1.14 Impairment of cash-generating assets (continued)

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating 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 a non-cash-generating 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. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the economic entity 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized 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 economic entity. Where public contributions have been received but the economic entity has not met the related conditions, a deferred income (liability) is recognized.

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 economic entity.

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.

1.17 Comparative figures

Budget information has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where 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.

1.18 Unauthorised expenditure

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

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Internal Reserves

Asset Fair Value Adjustment Reserve

On the implementation of GRAP 17, certain assets were adjusted to reflect the fair values of the assets, where insufficient cost were previously capitalized. This fair value adjustment have been transferred to the Asset Fair Value Adjustment Reserve via the accumulated surplus account.

The Asset Fair Value Adjustment Reserve is transferred to accumulated surplus on a basis that is appropriate as to realise this reserve on a straight-line basis over a pre-determined period, which is in line with service delivery objectives of the economic entity.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the economic entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Segmental information

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

Refer to note on statement of comparatives and actual information.

1.25 Going concern

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

Figures in Rand	2011	2010

2. CHANGES IN ACCOUNTING POLICY

Post Retirement Benefit

During the year, the municipality changed its accounting policy with respect to the treatment of post retirement benefits. To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:

Statement of financial position

Retirement benefit obligation		
Adjustment	99,244,675	-
Opening accumulated surplus		
Adjustment	(83,741,340)	-

Statement of Financial Performance

Employee related costs		
Adjustment	(15,503,335)	-

3. NEW STANDARDS AND INTERPRETATIONS

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The impact of this standard is currently being assessed.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 July 2011.

The impact of this standard is currently being assessed.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 21: Impairment of non-cash-generating assets

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

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Notes to the Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

- a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
- a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
- an increase that reflects the passage of time (also referred to as the unwinding of the discount).

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

The issues addressed in this Interpretation of the Standards of GRAP are:
- the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
- a contributor's right to access the assets is restricted.

A residual interest in a fund that extends beyond a right to reimbursement, such as a right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of the Standard of GRAP on Financial Instruments and is not within the scope of this Interpretation of the Standards of GRAP.

The issues addressed in this Interpretation of the Standards of GRAP are:
- how should a contributor account for its interest in a fund?
- when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The questions addressed in this Interpretation of the Standards of GRAP are:
- how should the requirement '… stated in terms of the measuring unit current at the reporting date' in paragraph .10 of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) be interpreted when an entity applies the Standard of GRAP?
- a contributor's right to access the assets is restricted.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP applies to customer loyalty award credits that:
- an entity grants to its customers as part of a transaction, i.e. a sale of goods, rendering of services, use by a customer of entity assets; and
- subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The issues addressed in this Interpretation of the Standards of GRAP are:

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by
  - allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers); or
  - providing for the estimated future costs of supplying the awards; and
- if consideration is allocated to the award credits:
  - how much should be allocated to them;
  - when revenue should be recognised; and
  - if a third party supplies the awards, how revenue should be measured.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of assets in exchange transactions directly or through subcontractors. The construction of assets entered into by entities where funding to support the construction activity will be provided by an appropriation or similar allocation of general government revenue or by aid or grant funds are excluded from the scope of this Interpretation of the Standards of GRAP.

Agreements in the scope of this Interpretation of the Standards of GRAP are agreements for the construction of assets in exchange transactions. In addition to the construction of assets in exchange transactions, such agreements may include the delivery of other goods or services.

The Interpretation of the Standards of GRAP addresses two issues:

- Is the agreement within the scope of the Standard of GRAP on Construction Contracts (as revised in 2010) or the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010)?
- When should revenue from the construction of assets in exchange transactions be recognised?

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 9: Distributions of Non-cash Assets to Owners

3. NEW STANDARDS AND INTERPRETATIONS (continued)

This Interpretation of the Standards of GRAP applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

- distributions of non-cash assets (e.g. items of property, plant and equipment, entity combinations as defined in the Standard of GRAP on Entity Combinations, ownership interests in another entity or disposal groups as defined in the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations (as revised in 2010)); and
- distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation of the Standards of GRAP applies only to distributions in which all owners of the same class of residual interests are treated equally.

This Interpretation of the Standards of GRAP does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

This Interpretation of the Standards of GRAP does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. The Standard of GRAP on Entity Combinations states that 'A group of individuals shall be regarded as controlling an entity when, as a result of binding arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.' Therefore, for a distribution to be outside the scope of this Interpretation of the Standards of GRAP on the basis that the same parties control the asset both before and after the distribution, a group of individual owners receiving the distribution must have, as a result of binding arrangements, such ultimate collective power over the entity making the distribution.

This Interpretation of the Standards of GRAP does not apply when an entity distributes some of its ownership interests in a controlled entity but retains control of the controlled entity. The entity making a distribution that results in the entity recognising a minority interest in its controlled entity accounts for the distribution in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements.

This Interpretation of the Standards of GRAP addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by owners who receive such a distribution.

When an entity declares a dividend or similar distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend or similar distribution payable. Consequently, this Interpretation of the Standards of GRAP addresses the following issues:

- When should the entity recognise the dividend or similar distribution payable?
- How should an entity measure the dividend or similar distribution payable?
- When an entity settles the dividend or similar distribution payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend or similar distribution payable?

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of items of property, plant and equipment by entities that receive such assets from their customers.

Agreements within the scope of this Interpretation of the Standards of GRAP are those in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP does not apply to agreements in which the receipt occurs as part of a non-exchange transaction as defined in the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), or infrastructure used in a public-private partnership agreement (see the Guideline on Accounting for Public-private Partnerships), or assets received in a transfer of functions.

The Interpretation of the Standards of GRAP addresses the following issues:

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- Is the definition of an asset met?
- If the definition of an asset is met, how should the received item of property, plant and equipment be measured on initial recognition?
- If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- How should the entity account for a receipt of cash from its customer?

The effective date of the interpretation is for years beginning on or after) 01 July 2011.

The impact of this amendment is currently being assessed.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 13: Operating Leases – Incentives

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

- how to determine whether a series of transactions is linked and should be accounted for as one transaction;
- whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,
  - whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
  - how the entity should account for other obligations resulting from the arrangement; and
  - how the entity should account for a fee it might receive from an investor.

The effective date of the interpretation is for years beginning on or after) 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.

In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

Notes to the Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the amount of revenue can be measured reliably in terms of paragraph .20(a) in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010). This Interpretation of the Standards of GRAP only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010).

The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

The effective date of the interpretation is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:
- Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:
- Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:
- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

Notes to the Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies
- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies
- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates

Terminology changes:

Where reference has been made to the net realisable values of inventories, current replacement cost has also been included to allow for the appropriate valuation of inventories where they are distributed as part of a non-exchange transaction. Reference to ‘trade’ receivables has been amended to ‘receivables’.

Monetary items:

Paragraph .15 clarifies that child support grants are ‘payables’, and not just ‘obligations’ in terms of the current requirements of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies

3. NEW STANDARDS AND INTERPRETATIONS (continued)

Certain terminology changes:
- The reference to ‘current cost’ in paragraph .30 has been deleted.
- Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

Net monetary position:
References to ‘surplus’ or ‘deficit’ have been changed, throughout the document, to ‘gain’ or ‘loss’.

Interpretations:
Text included in this Standard of GRAP from IFRIC Interpretation 7 on Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies has been deleted.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 11 (as revised 2010): Construction Contracts

The revision resulted in certain terminology changes:

Other amendments:
- An example has been added to clarify when an entity acts as a contractor in a construction contract arrangement.
- The example in paragraph .11 has been deleted as it is inappropriate for the South African public sector.
- The explanatory text relating to ‘contractors’ has been amended to clarify that an entity can be a contractor if it performs construction related activities itself or through subcontractors.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 14 (as revised 2010): Events After the Reporting Date

Existence of a liability for dividends or similar distributions:
Paragraph .13 of GRAP 14 was amended to clarify that no liability exists at the reporting date for dividends or similar distributions declared after the reporting date.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are ‘payables’, as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board’s decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .07 has been added to clarify the application of other Standards of GRAP to assets classified as non-current assets (or disposal groups) held for sale.

Plan to sell the controlling interest in a controlled entity:

- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control in a controlled entity shall classify all the assets and liabilities of that controlled entity as held for sale when the required criteria are met.
- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control of a controlled entity shall disclose the information required when the controlled entity is a disposal group that meets the definition of a discontinued operation.

Examples included in Appendix:
An additional example has been included regarding sale expected to be completed within one year.

Amendments to be applied as follow:
Paragraphs .13 and .42 were added by the Improvements to GRAP. An entity shall apply those amendments prospectively for annual periods beginning on or after 01 July 2011. If an entity elects to apply the amendments earlier, it shall disclose this fact.

- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 105: Transfers of functions between entities under common control

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. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2011.

The impact of this amendment is currently being assessed.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2011.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality 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;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to the municipality's operations.

Figures in Rand	2011	2010

4. INVESTMENT PROPERTY

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	126,872,935	(593,732)	126,279,203	106,717,857	-	106,717,857

Reconciliation of investment property - 2011

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	106,717,857	(54,000)	20,209,078	(593,732)	126,279,203

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	106,717,857	106,717,857

Details of property

The municipality has, during the 2010-2011 financial year, elected to early apply the revised Standard of GRAP on Investment Property (GRAP 16), which is only effective for financial periods beginning on or after 1 April 2011

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality and its controlled entities.

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,229,565,565	-	1,229,565,565	1,224,101,666	-	1,224,101,666
Infrastructure	41,097,201,929	(4,997,409,895)	36,099,792,034	39,842,254,988	(3,329,838,515)	36,512,416,473
Community	3,825,122,464	(529,984,422)	3,295,138,042	3,451,571,635	(357,852,699)	3,093,718,936
Other property, plant and equipment	6,690,926,394	(1,154,075,120)	5,536,851,274	6,434,138,085	(887,336,107)	5,546,801,978
Heritage	78,395,185	-	78,395,185	78,395,185	-	78,395,185
Total	**52,921,211,537**	**(6,681,469,437)**	**46,239,742,100**	**51,030,461,559**	**(4,575,027,321)**	**46,455,434,238**

Reconciliation of property, plant and equipment (ppe) - 2011

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment reversal	Total
Land	1,224,101,666	14,907,399	(1,970,500)	(7,473,000)	-	-	-	1,229,565,565
Infrastructure	36,512,416,473	1,228,226,121	-	27,043,843	(320,202)	(1,667,675,899)	101,698	36,099,792,034
Community	3,093,718,936	379,981,152	-	9,021,659	(15,451,982)	(172,131,723)	-	3,295,138,042
Other property, plant and equipment	5,546,801,978	290,569,228	(22,430,377)	(9,021,659)	(296,074)	(268,771,822)	-	5,536,851,274
Heritage	78,395,185	-	-	-	-	-	-	78,395,185
	46,455,434,238	**1,913,683,900**	**(24,400,877)**	**19,570,843**	**(16,068,258)**	**(2,108,579,444)**	**101,698**	**46,239,742,100**

Reconciliation of property, plant and equipment (ppe) - 2010

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,223,471,538	4,566,029	(3,935,901)	-	-	-	1,224,101,666
Infrastructure	36,828,307,822	1,346,047,799	(770,705)	-	(1,660,837,488)	(330,955)	36,512,416,473
Community	3,111,994,401	247,250,117	-	(92,853,603)	(172,671,979)	-	3,093,718,936
Other property, plant and equipment	5,464,341,264	329,639,487	(155,508)	-	(247,023,265)	-	5,546,801,978
Heritage	78,395,185	-	-	-	-	-	78,395,185
	46,706,510,210	**1,927,503,432**	**(4,862,114)**	**(92,853,603)**	**(2,080,532,732)**	**(330,955)**	**46,455,434,238**

Figures in Rand	2011	2010

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

Borrowing costs capitalised

Infrastructure	44,342,373	5,723,674
Community	9,383,669	178,965
Other property, plant and equipment	3,969,028	268,827
	57,695,070	**6,171,466**

Capitalisation rates used during the year were 10.68%, 10.56% 10.72% respectively (2010 - 11%), depending on the finance source or external loan facility.

Work-in-progress reconciliation of the controlling entity

Included in the cost price is the following work-in-progress projects:

Work-in-progress		
Opening balance	1,813,525,882	780,886,890
Capital expenditure towards work-in-progress	1,303,429,668	1,231,074,481
Transferred to completed projects	(922,684,772)	(198,435,489)
	2,194,270,778	**1,813,525,882**

The gross carrying amount of property, plant and equipment fully depreciated and still in use at year end is R 656,503,332 (2010 - R354,868,554).

The municipality has, during the 2010-2011 financial year, elected to early apply the revised Standard of GRAP on property, plant and equipment (GRAP 17), which is only effective for financial periods beginning on or after 1 April 2011

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality and its controlled entities.

6. INTANGIBLE ASSETS

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	40,233,712	(8,837,419)	31,396,293	27,864,612	(3,547,768)	24,316,844

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	24,316,844	12,369,099	(5,289,650)	31,396,293

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	15,904,858	9,788,613	(1,376,627)	24,316,844

Work-in-progress

Reconciliation of work-in-progress of the controlling entity

Included in additions is the following amounts relating to software still in development:

6. INTANGIBLE ASSETS (continued)

Work-in-progress

	2011	2010
Opening balance	18,471,873	11,644,258
Software development incurred during the year	9,572,314	6,827,615
Work in progress cleared during the year	(17,145,312)	-
	10,898,875	**18,471,873**

7. INVESTMENTS IN CONTROLLED ENTITIES

Name of company	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
Brakpan Bus Company	100.00 %	100.00 %	6	6
Ekurhuleni Development Company	100.00 %	100.00 %	100	100
East Rand Water Care Company	97.00 %	97.00 %	-	-
Pharoe Park Housing Company	93.46 %	93.46 %	100	100
Germiston Phase II Housing Company	92.59 %	92.59 %	100	100
Lethabong Housing Institute	100.00 %	100.00 %	-	-
			306	**306**

8. OTHER INVESTMENTS

	2011	2010
Available-for-sale		
Unlisted shares	4,000,000	4,000,000
Held to maturity		
Investments	246,895,311	326,976,342
Total other financial assets	**250,895,311**	**330,976,342**
Non-current assets		
Available-for-sale	4,000,000	4,000,000
Held to maturity	226,895,311	80,670,381
	230,895,311	**84,670,381**
Current assets		
Held to maturity	20,000,000	246,305,961
	250,895,311	**330,976,342**

Available-for-sale equity investments not at fair value

Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

	2011	2010
Rand Airport 20% interest in ordinary shares	4,000,000	4,000,000

The Company's Equity amounted to R535,728,513 (2010 - R535,737,521) represented by Share Capital of R5,201,000 (2010 - R5,201,000), Reserves of R165,755,503 (2010 - R165,755,503) as well as Retained Income of R364,772,010 (2010 - R364,781,018) as at 28 February 2011.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R224,185,159 (2010 - R 301,501,285) is encumbered in respect of long term liabilities as disclosed in the long-term liabilities note..

8. OTHER INVESTMENTS (continued)

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

9. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	246,895,311	-	246,895,311
Long term receivables	251,485,201	-	-	251,485,201
Consumer debtors	1,489,669,316	-	-	1,489,669,316
Other receivables	374,879,991	-	-	374,879,991
Cash and cash equivalents	-	-	1,338,863,442	1,338,863,442
Unlisted shares	-	-	4,000,000	4,000,000
	2,116,034,508	**246,895,311**	**1,342,863,442**	**3,705,793,261**

2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	326,976,342	-	326,976,342
Long term receivables	290,820,389	-	-	290,820,389
Consumer debtors	1,217,263,683	-	-	1,217,263,683
Other receivables	270,657,123	-	-	270,657,123
Cash and cash equivalents	-	-	664,625,412	664,625,412
Unlisted shares	-	-	4,000,000	4,000,000
	1,778,741,195	**326,976,342**	**668,625,412**	**2,774,342,949**

10. EMPLOYEE BENEFIT OBLIGATIONS

Retirement Funds
The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.
The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

Defined Contribution Funds
Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans
The economic entity does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply “defined benefit accounting” was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as “defined benefit accounting”. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds. The following funds have been treated as definded contribution plans although they are defined benefit funds:
1. Joint Municipal Pension Fund
2. Municipal Employees Pension Fund
3. South African Local Authorities Pension Fund

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Accrued Leave Pay
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

10. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Post retirement medical aid plan

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

An actuarial valuation was performed by ARCH Actuarial Consulting at 30 June 2011 as well as at 30 June 2010.

The amounts recognised in the statement of financial position are as follows:

	2011	2010
Present value of the defined benefit obligation-wholly unfunded	(1,471,976,148)	(1,117,959,386)
Net actuarial gains or losses not recognised	93,863,158	(163,223,532)
	(1,378,112,990)	**(1,281,182,918)**

Movements for the year

	2011	2010
Opening balance	(1,281,182,918)	(1,174,754,665)
Benefits paid	45,056,688	40,883,760
Net expense recognised in the statement of financial performance	(141,986,760)	(147,312,013)
	(1,378,112,990)	**(1,281,182,918)**

Net expense recognised in the statement of financial performance

	2011	2010
Current service cost	(43,519,609)	(45,297,300)
Interest cost	(101,013,071)	(102,014,713)
Actuarial gains (losses)	2,545,920	-
	(141,986,760)	**(147,312,013)**

Key assumptions used

Assumptions used on last valuation on 30 June 2011.

	2011	2010
Discount rates used	8.63 %	9.22 %
Health care cost inflation rate	7.29 %	7.27 %

Other assumptions:

Key Demographic Assumptions

Assumption	**Value**
Average retirement age	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%
Proportion of eligible non-member employees joining the scheme by retirement	20%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1

	Age	**Females**	**Males**
Withdrawal from service (sample annual rates)	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Figures in Rand	2011	2010

11. INVENTORIES

Electrical Stock	24,168,766	91,795,321
Sewerage	-	58,304
Cleansing	85,642	31,501
Consumable stores	1,447,482	4,294,877
Maintenance materials	81,591,094	4,826,697
Water	3,944,875	14,789,686
Unsold Properties Held for Resale	25,430,100	25,430,100
Food and Beverage	24,178	21,050
Fleet and Transport	2,452,134	2,013,817
Fuel (Diesel, Petrol)	6,657,807	6,270,614
Land disposed	(710,400)	-
	145,091,678	149,531,967
Provision for obsolete Inventories	(277,759)	(2,169,126)
	144,813,919	**147,362,841**

12. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Other receivable	216,064,129	75,585,304
Debtor for interest on investments	2,752,911	1,130,110
VAT debtor	22,920,163	35,721,154
Lease rental receipts asset	16,790,042	16,159,827
Provision for debt impairment	(13,834,681)	(21,321,082)
	244,692,564	**107,275,313**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

13. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Current	130,187,427	163,381,813

Consists of Grant debtors R124,713,283 (2010 - R160,493,614), Health subsidy R 84,960,000 (2010 - R 0) and Traffic Fine debtors of R3,786,227 (2010 - R2,888,198).

14. CONSUMER DEBTORS

Gross balances		
Rates	1,721,579,539	1,522,569,228
Electricity	1,308,611,327	1,097,337,445
Water	2,178,169,403	1,798,859,518
Waste water	638,435,618	511,287,467
Refuse	715,176,525	592,942,615
Housing rental	36,508,601	30,768,516
Other	2,064,974,443	1,918,537,482
	8,663,455,456	**7,472,302,271**

Less: Provision for debt impairment		
Rates	(1,429,410,883)	(1,202,745,486)
Electricity	(1,188,669,860)	(860,920,549)
Water	(1,890,019,366)	(1,528,436,128)
Waste water	(546,370,753)	(477,605,182)
Refuse	(611,327,852)	(436,121,255)
Housing rental	(36,508,601)	(30,768,516)
Other	(1,485,275,247)	(1,718,441,472)
	(7,187,582,562)	**(6,255,038,588)**

Figures in Rand	2011	2010

14. CONSUMER DEBTORS (continued)

Net balance

	2011	2010
Rates	292,168,656	319,823,742
Electricity	119,941,467	236,416,896
Water	288,150,037	270,423,390
Waste water	92,064,865	33,682,285
Refuse	103,848,673	156,821,360
Other	579,699,196	200,096,010
	1,475,872,894	**1,217,263,683**

Rates

	2011	2010
Current (0 -30 days)	242,674,240	160,187,754
31 - 60 days	72,242,561	69,975,935
61 - 90 days	48,820,505	48,647,248
91 - 120+ days	1,357,842,233	1,243,758,291
	1,721,579,539	**1,522,569,228**

Electricity

	2011	2010
Current (0 -30 days)	488,745,819	428,580,382
31 - 60 days	113,260,766	87,807,802
61 - 90 days	74,527,515	40,010,434
91 - 120+ days	632,077,227	540,938,827
	1,308,611,327	**1,097,337,445**

Water

	2011	2010
Current (0 -30 days)	143,923,745	112,873,725
31 - 60 days	79,283,449	72,763,623
61 - 90 days	69,075,222	60,868,489
91 - 120+ days	1,885,886,987	1,552,353,681
	2,178,169,403	**1,798,859,518**

Waste water

	2011	2010
Current (0 -30 days)	48,416,710	25,635,278
31 - 60 days	25,930,872	23,125,685
61 - 90 days	21,431,414	17,827,004
91 - 120+ days	542,656,622	444,699,500
	638,435,618	**511,287,467**

Refuse

	2011	2010
Current (0 -30 days)	37,989,010	31,663,399
31 - 60 days	21,682,920	18,003,230
61 - 90 days	18,701,197	15,818,160
91 - 120+ days	636,803,398	527,457,826
	715,176,525	**592,942,615**

Housing rental

	2011	2010
Current (0 -30 days)	665,965	543,386
31 - 60 days	815,189	786,926
61 - 90 days	740,374	808,535
91 - 120+ days	34,287,073	28,629,669
	36,508,601	**30,768,516**

Figures in Rand	2011	2010

14. CONSUMER DEBTORS (continued)

Other	2011	2010
Current (0 -30 days)	53,775,736	111,371,246
31 - 60 days	29,359,337	48,347,258
61 - 90 days	30,953,141	35,634,821
91 - 120+ days	1,950,886,229	1,723,184,157
	2,064,974,443	**1,918,537,482**

Reconciliation of debt impairment provision	2011	2010
Balance at beginning of the year	(6,255,038,588)	(5,433,743,327)
Contributions to provision	(1,445,304,490)	(1,383,962,067)
Debt impairment written off against provision	512,760,516	562,666,806
	(7,187,582,562)	**(6,255,038,588)**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past, nor due, nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Arrangements

The carrying value of consumer debtors that would otherwise be past due or impaired whose terms have been renegotiated is R124,849,681 (2010 - R113,219,274).

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	483,610	480,060
Bank balances	1,338,379,832	664,145,349
	1,338,863,442	**664,625,409**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Figures in Rand	2011	2010

15. CASH AND CASH EQUIVALENTS (continued)

ABSA

	2011	2010
Alberton income account	2,517,470	3,311,582
Benoni Income Account	5,067,159	3,027,128
Benoni Direct Banking	1,106,234	1,337,862
Boksburg Income Account	3,164,906	3,650,827
Brakpan Income Account	3,695,677	1,019,870
Germiston Income Account	7,380,967	5,909,250
Kempton Park Income Account	3,437,801	8,095,380
Kempton Park Direct Banking Account	769,521	850,560
Lethabong Direct Banking Account	259,570	149,990
Lethabong Income Account	2,670,918	467,337
Nigel Income Account	3,206,833	1,859,622
Springs Income Account	102,736	502,402
Springs Direct Banking Account	714,667	1,125,912
Springs Market Account	(629,801)	1,220,120
RSC Levies Account	802,650	802,650
External Finance Fund Account	542,045,629	275,133,232
Capital Replacement Reserve Account	769	753
Primary Bank Account (Capital from revenue account)	142,303,806	136,953,414
Salary Account	32,393,374	4,235,901
Treasury Account	389,622,245	63,266,255
Expenditure Imprest Account	(8,365,408)	(19,255,230)
Chip Account (MIG)	84,806,962	51,311,824
Housing Account	99,377,265	116,240,993
Short Term Deposits at various institutions with dates within 3 months	117,006	2,927,434
ABSA Licence income bank account	-	284
Lease bank account	20,505,576	-
Guarantee Account	1,305,300	-
Petty Cash and Floats	483,610	480,060
	1,338,863,442	**664,625,412**

The economic entity had the following bank accounts

15. CASH AND CASH EQUIVALENTS (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK - Income Alberton-111-841-0641	-	-	-	2,517,470	3,311,582	1,621,885
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	-	-	-	4,972
ABSA BANK - Income Benoni - 4055327394	-	-	-	5,067,159	3,027,128	7,269,973
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	1,106,234	1,337,862	-
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	-	-	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	3,164,906	3,650,827	4,825,630
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	-	-	-	-	-
ABSA BANK - Direct Banking BT Boksburg - 230000255	-	-	-	-	-	(1,800)
ABSA BANK - Income Brakpan - 240000024	-	-	-	-	-	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	3,695,677	1,019,870	1,137,043
ABSA BANK - Prepaid Sales Account Brakpan-240159392	-	-	-	-	-	1,239,490
ABSA BANK - Income Germiston - 2500002277	-	-	(15,289,000)	7,380,967	5,909,250	(4,733,719)
ABSA BANK - Direct Banking Germiston - 250000804	-	-	-	-	-	-
ABSA BANK - Direct Banking Kempton Park - 260181599	-	-	-	769,521	850,560	-
ABSA BANK - Income Kempton Park - 260000004	-	-	-	3,437,801	8,095,380	1,728,306
ABSA BANK - Income Lethabong - 4055442546	-	-	-	2,670,918	467,337	1,675,273
ABSA BANK - Direct Banking Lethabong - 4055442596	-	-	-	259,570	149,990	13,459
ABSA BANK - Income Nigel - 270000010	-	-	-	3,206,833	1,859,622	1,908,206
ABSA BANK - Income Springs - 280000051	-	-	-	102,736	502,402	6,065
ABSA BANK - Direct Springs - 280000094	-	-	-	714,667	1,125,912	2,316,785
ABSA BANK - Fresh Produce Market - 1135470160	191,534	1,220,120	49,454	(629,801)	1,220,120	49,454
ABSA BANK - RSC Levies - 1018470132	-	-	-	802,650	802,650	-
ABSA BANK - EFF Account (EX CLF) - 4053834321	542,045,629	275,133,232	337,581,381	542,045,629	275,133,232	337,581,381
ABSA BANK - C R R Account (EX CDF) - 4053834779	769	753	703	769	753	703
ABSA BANK - Primary Bank Acc - 4053835084	142,303,806	136,953,414	91,655,748	142,303,806	136,953,414	91,655,748
ABSA BANK - Salary Account - 4055571973	34,087,292	6,226,280	13,091,058	32,393,374	4,235,901	10,834,395
ABSA BANK - Treasury Account - 4055571931	389,622,245	63,266,255	39,037,346	389,622,245	63,266,255	39,037,345
ABSA BANK - Expenditure Imprest Acc - 4055571915	15,051,689	4,084,411	78,810,003	(8,365,408)	(19,255,230)	52,030,565
ABSA BANK - MIG Account - 4055571884	84,806,962	51,311,824	88,578,883	84,806,962	51,311,824	88,578,883
ABSA BANK - Housing Account - 4055571842	99,377,265	116,240,993	81,831,809	99,377,265	116,240,993	81,831,809
ABSA BANK - Solid Waste - 1026820134	-	-	-	-	-	1,499,014
ABSA BANK - Lease Income - 4075756252	20,551,720	-	-	20,505,576	-	-
ABSA BANK - Guarantee account -	-	-	-	1,305,300	-	-

Notes to the Annual Financial Statements

Figures in Rand				2011		2010

15. CASH AND CASH EQUIVALENTS (continued)

Petty Cash and Floats	-	-	-	483,610	480,060	464,480
Short Term Deposits at various institutions with dates within 3 months	117,006	2,927,434	342,354,104	117,006	2,927,434	342,354,104
ABSA licences income bank account	-	-	-	-	284	-
EMM - 4075756252	-	804,183	-	-	-	-
Total	**1,328,155,917**	**658,168,899**	**1,057,701,489**	**1,338,863,442**	**664,625,412**	**1,064,929,449**

16. LONG-TERM LIABILITIES

	2011	2010
Held at amortised cost		
Bank Loans	2,108,087,111	2,244,077,002
Development Bank of South Africa	167,675,719	218,359,796
Stock Loans	305,346	233,126,033
Municipal bonds	1,615,000,000	-
	3,891,068,176	**2,695,562,831**
Held at amortised cost - current		
Bank loans	(117,849,358)	(368,713,578)
Development Bank of South Africa	(57,411,274)	(50,683,899)
Stock Loans	(92,590)	(97,000)
	(175,353,222)	**(419,494,477)**
	3,715,714,954	**2,276,068,354**
Non-current liabilities		
At amortised cost	3,891,068,176	2,695,562,831
At amortised cost - current portion	(175,354,221)	(419,494,477)
	3,715,713,955	**2,276,068,354**

Investments with a carrying value of R224,185,159 (2010 - R301,501,285) is encumbered in respect of long term liabilities above with a carrying value of R2,268,364,605 (2010 - R553,141,796) as disclosed in the Investment note.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants comprises

Figures in Rand	2011	2010

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (continued)

Restructuring	-	281,975
HIV / Aids Grant	-	1,249,227
Bontle Ke Botho	-	200,313
Environment & Tourism	-	390,976
Demilitarisation Project	-	5,989
Township Initiatives	7,211,274	5,300,126
UEM Danida	-	3,916,058
UEM Danida - Capex	639,757	-
Lethabong Housing Institute	-	598,945
Zonki Trust	725,181	725,181
Local Economic Development (LED) Grant	-	9,040
Consolidated Metropolitan Transport Fund (CMTF)	-	122,947
International Council For Local Environment Initiatives (ICLEI)	-	78,070
Public Transport Infrastructure Fund	33,978,118	45,508,940
Rondebult Water - Public Contribution	961,041	961,041
Department of Water Affairs & Forestry (DWAF)	582,545	582,545
Local Economic Development (LED) - Industrial Hives	-	838,348
Local Economic Development (LED) - Street Trading Facilities	9,950,000	300,000
Expanded Public Works Programme	-	12,985,972
Gautrans	-	1,184,381
Provincial Housing Board (PHB)	65,689,902	66,129,857
Neighbourhood Development Partnership Grant	-	809,701
Eastgate Substation Public Contribution	-	2,815,347
Community Care Centres	-	7,578,278
Accreditation Capacity Enhancement	3,163,049	3,341,449
PHB Interest	6,035,352	42,682,365
Roodekop Ext - Public Contribution	1,844,676	1,844,676
Health - Public Contribution	-	43,728
HDA Urban Renewal	3,100,000	-
	133,880,895	**200,485,475**

Movement during the year

Balance at the beginning of the year	200,485,475	159,233,181
Additions during the year	3,351,501,294	2,918,078,370
Income recognition during the year	(3,397,688,308)	(2,876,826,076)
Refunded to National Treasury	(18,400,000)	-
Appropriations	(2,017,566)	-
	133,880,895	**200,485,475**

See note 25 for reconciliation of grants from National/Provincial Government.

18. PROVISIONS

Reconciliation of provisions - 2011

	Opening Balance	Additions/Interest /Unwinding	Utilised/adjusted during the year	Under / (over) provision prior year	Total
COID provision	14,433,627	6,493,693	(1,510,270)	354,221	19,771,271
Leave and bonus provision	179,969,975	102,665,614	(73,866,198)	(1,168,191)	207,601,200
Landfill rehabilitation provision	113,357,825	13,602,939	(25,834,953)	-	101,125,811
WCA provision	7,068,916	7,706,273	(5,716,201)	-	9,058,988
Long service awards	243,344,197	93,165,905	(32,392,903)	-	304,117,199
GMRF	168,019,694	5,497,962	(79,427,454)	-	94,090,202
	726,194,234	**229,132,386**	**(218,747,979)**	**(813,970)**	**735,764,671**

Reconciliation of provisions - 2010

	Opening Balance	Additions/Interest /Unwinding	Utilised during the year	Reversed during the year	Under / (over) provision prior year	Total
COID provision	19,657,530	2,358,904	(1,098,763)	(436,542)	(6,047,502)	14,433,627
Leave and bonus provision	178,737,641	60,264,724	(59,032,390)	-	-	179,969,975
Landfill rehabilitation provision	217,468,979	27,425,546	(131,536,700)	-	-	113,357,825
WCA provision	-	19,073,770	(12,004,854)	-	-	7,068,916
Long service awards	223,109,156	48,690,139	(28,455,098)	-	-	243,344,197
GMRF	127,971,029	94,500,301	(54,451,636)	-	-	168,019,694
	766,944,335	**252,313,384**	**(286,579,441)**	**(436,542)**	**(6,047,502)**	**726,194,234**

	2011	2010
Non-current liabilities	503,152,405	450,773,773
Current liabilities	232,612,266	275,420,461
	735,764,671	**726,194,234**

Figures in Rand	2011	2010

18. PROVISIONS (continued)

COID provision
This provision is made for future expected outflows as a result of the economic entity's obligation to contribute to the pension fund and medical expenses that was incurred due to past contractual arrangements with various employees in the old Benoni- and Germiston local municipalities. The discount rate used in determining the present value of the obligation was 11.50% (2010 - 12.00%) and the inflation assumption used for the increase in expenses/contributions is 6.10% (2010 - 7.00%).

Leave and bonus provision
The liability is based on the total accrued leave days at year end. A section 57 bonus provision is also provided for.

Landfill rehabilitation provision
In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. Due to the decrease from 5.00% to 3.90% of the CPIX there was a reduction in the provision (2010 - due to the substantial decrease of the CPIX from 12,20% to 5.00%, there was a substantial reduction in the provision). The discounting rate for 2011 is 11.50% (2010 - 12.00%). The net result of the re-estimation had the following effect on the current year amounts:

Reduction in the provision for Landfill site rehabilitation	R25,834,953 (2010 - R131,536,700)
Reduction in the cost of property, plant and equipment	R15,408,360 (2010 - R92,853,604)
Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset	R10,426,593 (2010 - R38,683,096)

Workmenscompensation provision
The provision is for the period March 2011 to June 2011 (2010 - March 2010 to June 2010) which has been estimated in the latest return submitted to the compensation commissioner.

Long service awards provision
The economic entity offers various types of long service awards to its employees.
The key actuarial financial assumptions are as follows:

- Discount rate:	7.46% (2010 - 9.06%)
- General salary inflation (long-term)	6.13% (2010 - 6.40%)

An actuarial valuation was performed by ARCH Actuarial Consulting at 30 June 2011 as well as at 30 June 2010.

GMRF provision
The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2011	2010
Trade payables	1,682,577,165	1,657,261,021
Receipts in advance	400,915,727	364,697,290
Lease rental payments liability	937,757	692,452
Other payables	169,503,032	102,763,252
Retentions	209,940,397	213,823,671
	2,463,874,078	**2,339,237,686**

20. DEPOSITS

	2011	2010
Electricity and water	487,038,111	417,027,259

Guarantees in lieu of electricity and water deposits is R67,013,292 (2010 - R73,069,121).

21. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2011

21. FINANCIAL LIABILITIES BY CATEGORY (continued)

	Financial liabilities at amortised cost	Total
Long term and other liabilities	3,891,068,176	3,891,068,176
Deposits	487,038,111	487,038,111
Trade and other payables	2,463,874,078	2,463,874,078
Unspent conditional grants	140,497,025	140,497,025
	6,982,477,390	**6,982,477,390**

2010

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,695,562,831	2,695,562,831
Deposits	417,027,259	417,027,259
Trade and other payables	2,339,237,686	2,339,237,686
Unspent conditional grants	200,485,475	200,485,475
	5,652,313,251	**5,652,313,251**

22. REVENUE

	2011	2010
Property rates	2,416,331,522	2,131,999,385
Property rates – Penalties imposed and collection charges	62,530,966	71,207,519
Service charges	10,505,855,677	8,100,302,359
Rental of facilities and equipment	49,063,908	48,719,059
Income from agency services	186,876,573	156,773,259
Fines	135,348,768	97,679,269
Licences and permits	30,049,466	27,662,851
Government grants and subsidies	3,397,688,308	2,876,826,076
Interest earned - outstanding debtors	212,198,108	270,958,631
Interest received - external investment	119,552,608	90,343,076
Other income	69,723,590	92,012,250
	17,185,219,494	**13,964,483,734**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2011	2010
Service charges	10,505,855,677	8,100,302,359
Rental of facilities and equipment	49,063,908	48,719,059
Income from agency services	186,876,573	156,773,259
Licences and permits	30,049,466	27,662,851
Interest earned - outstanding debtors	212,198,108	270,958,631
Interest received - external investment	119,552,608	90,343,076
Other income	69,723,590	92,012,250
	11,173,319,930	**8,786,771,485**

The amount included in revenue arising from non-exchange transactions is as follows:

	2011	2010
Taxation revenue		
Property rates	2,416,331,522	2,131,999,385
Property rates – Penalties imposed and collection charges	62,530,966	71,207,519
Fines	135,348,768	97,679,269
Transfer revenue		
Government grants and subsidies	3,397,688,308	2,876,826,076
	6,011,899,564	**5,177,712,249**

Figures in Rand	2011	2010

23. PROPERTY RATES

Rates received

	2011	2010
Residential	1,648,099,498	1,424,234,294
Commercial	1,109,305,048	1,023,197,584
State	19,317,918	6,564,461
Small holdings and farms	81,627,353	27,027,144
Vacant land	174,760,123	155,790,898
Other properties	19,319,018	11,220,441
Less: Income forgone	(636,097,436)	(516,035,437)
	2,416,331,522	**2,131,999,385**

Valuations (R'000)

	2011	2010
Residential	217,636,674	210,543,870
Commercial	80,795,614	78,234,916
Provincial and National Government	1,105,221	1,554,164
Municipal	5,369,809	5,410,910
Small holdings and farms	3,769,604	11,661,180
Sectional title	37,110,185	35,996,110
Vacant land	7,828,225	6,812,163
Other	10,912,508	1,255,866
	364,527,840	**351,469,179**

Valuations on land and buildings are performed every 3 to 5 years. The last general valuation roll came into effect on 1 July 2009 and the valuations have accordingly been adjusted in the current financial year. The previous valuation roll was based on land values only and the new roll is based on land values as well as improvements value and therefore the huge increase in valuations in the current year. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis. Interest is levied on rates outstanding after due date.

24. SERVICE CHARGES

	2011	2010
Sale of electricity	7,403,442,588	5,617,639,155
Sale of water	1,764,991,548	1,414,367,745
Solid waste	618,192,526	564,339,330
Sewerage and sanitation charges	662,933,910	454,098,541
Fresh produce market	14,911,186	16,245,039
Other service charges	41,383,919	33,612,549
	10,505,855,677	**8,100,302,359**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

25. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	2,588,173,933	2,087,357,684
Ambulance Subsidy	52,870,000	96,850,000
National Government grants	515,068,519	492,331,874
Provincial Government grants	91,492,900	50,371,008
Public contributions	25,357,113	41,549,568
Health Subsidies	113,431,459	94,603,579
SETA	11,294,384	13,762,363
	3,397,688,308	**2,876,826,076**

National Government grants

Balance unspent at beginning of year	63,633,529	44,732,175
Current-year receipts	471,280,742	376,083,625
Conditions met - transferred to revenue	(515,068,519)	(492,331,874)
Refunded to National Treasury	(18,400,000)	-
Debtor	36,277,960	135,149,603
	37,723,712	**63,633,529**

Provincial Government grants

Balance unspent at beginning of year	83,905,728	70,412,211
Current-year receipts	85,592,921	63,864,525
Conditions met - transferred to revenue	(91,492,900)	(50,371,008)
Transferred to appropriations	(455,635)	-
Debtor	6,026,241	-
	83,576,355	**83,905,728**

Equitable share

Current-year receipts	2,588,173,933	2,087,357,684
Conditions met - transferred to revenue	(2,588,173,933)	(2,087,357,684)
	-	**-**

Public contributions

Balance unspent at beginning of year	10,263,855	6,645,206
Current-year receipts	23,200,665	44,964,205
Conditions met - transferred to revenue	(25,357,113)	(41,549,568)
Transferred to appropriations	(1,561,931)	-
Debtor	-	204,012
	6,545,476	**10,263,855**

Ambulance Subsidy

Current-year receipts	52,870,000	96,850,000
Conditions met - transferred to revenue	(52,870,000)	(96,850,000)
	-	**-**

Provincial Health Subsidies

Current-year receipts	113,431,459	94,603,579
Conditions met - transferred to revenue	(113,431,459)	(94,603,579)
	-	**-**

SETA

Current-year receipts	11,294,384	13,762,363

Figures in Rand	2011	2010
25. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Conditions met - transferred to revenue	(11,294,384)	(13,762,363)
	-	-

26. GENERAL EXPENSES

	2011	2010
Advertising	7,135,509	8,780,704
Auditors remuneration	14,186,136	12,972,809
Bank charges	9,026,193	7,506,620
Consulting and professional fees	140,828,145	110,777,791
Consumables	18,154,660	17,717,316
Stock adjustments and write-offs	8,803,832	3,757,910
Entertainment	1,115,249	1,745,583
Animal Costs	2,181,264	1,670,428
Gifts	224,333	322,386
Insurance	53,487,422	61,627,938
IT expenses	26,303,825	13,823,528
Rentals	99,494,956	45,017,494
Fleet	110,248,618	98,648,531
Marketing	6,864,614	10,211,084
Magazines, books and periodicals	594,724	363,136
Fuel and oil	3,400,850	3,221,297
Productions	279,928	1,965,868
Postage and courier	16,883,663	16,089,837
Printing and stationery	26,897,326	30,622,078
Software expenses	3,781,839	421,169
Staff welfare	3,932,070	4,277,424
Subscriptions and membership fees	9,811,773	9,206,975
Telephone and fax	50,198,731	61,064,629
Training	26,574,555	15,490,140
Travel - local	5,783,179	5,408,439
Travel - overseas	1,342,472	3,583,145
Refuse	29,861,122	33,268,008
Title deed search fees	686,767	647,186
Uniforms	18,867,791	29,402,021
Venue expenses	4,955,493	4,258,193
Other expenses	334,966,737	229,003,887
	1,036,873,776	**842,873,554**

27. OPERATING DEFICIT

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

	2011	2010
Lease rentals on operating lease - Other		
• Contractual amounts	99,494,956	45,017,494

	2011	2010
Surplus on sale of property, plant and equipment (PPE)	4,871,992	34,665,026
Reversal of impairment / (impairment) on property, plant and equipment	101,698	(330,955)
Deficit on sale of non-current assets held for sale and net assets of disposal groups	24,773,397	926,212
Amortisation on intangible assets	5,289,651	-
Depreciation and amortisation	2,114,462,826	2,081,909,359
Employee costs	4,431,189,557	4,034,200,472

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

28. EMPLOYEE RELATED COSTS

Basic	2,919,622,483	2,693,452,194
Medical aid - entity contributions	342,535,724	322,418,496
UIF	20,979,264	19,996,919
WCA	23,513,034	19,073,769
SDL	31,468,038	28,445,736
Other payroll levies	788,114	718,323
Leave pay provision charge	95,130,761	58,989,363
Standby Allowances	18,107,835	16,589,856
Post-employment benefits - Pension - Defined contribution plan	547,258,257	490,515,218
Overtime payments	332,031,382	323,022,782
Long-service awards	60,813,260	20,556,800
Ad Hoc Travelling	1,009,551	1,164,876
Allowances	7,267,580	6,420,328
Less: Employee costs capitalised to PPE	(36,244,211)	(29,677,652)
	4,364,281,072	**3,971,687,008**

Remuneration of municipal manager

Annual Remuneration	2,059,140	1,833,600

Deputy City Managers

Annual Remuneration - average	1,550,790	1,360,703

Remuneration of executive directors

Annual Remuneration - average	1,172,976	1,036,973

29. REMUNERATION OF COUNCILLORS

Executive Mayor	964,260	952,586
Mayoral Committee Members	7,955,112	7,764,372
Speaker	747,408	751,764
Councillors	51,709,725	47,874,493
Councillors' pension contribution	5,531,980	5,170,249
	66,908,485	**62,513,464**

In-kind benefits

The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor has full-time bodyguards. From time to time this service is also used by other councillors.

30. DEBT IMPAIRMENT

Contributions to debt impairment provision	1,445,304,490	1,417,262,543

31. INTEREST REVENUE

Interest revenue		
Bank	73,941,609	51,575,046
External investments	37,518,506	38,119,753
Interest received - other	8,092,493	648,277
	119,552,608	**90,343,076**

Figures in Rand	2011	2010

32. DEPRECIATION AND AMORTISATION

Property, plant and equipment (PPE)	2,109,173,176	2,080,532,732
Intangible assets	5,289,651	1,376,627
	2,114,462,827	**2,081,909,359**

33. IMPAIRMENTS OF ASSETS

Reversal of impairments		
Property, plant and equipment (PPE)	(101,698)	330,955

Impairment

2011

In the 2009/10 financial year it was confirmed that Van Dyk Park Pump station in Silver street, Van Dyk Park had been taken out of commission & components removed because sewage flew directly into the ERWAT outfall sewer. This financial year it was confirmed that the pump station is still functional.

The pump station was recognised in the 2010/11 asset register at the carrying value of the pump station had there been no impairment last year.

The reversal of impairment occurred on 30 June 2011 therefore no depreciation is charged for the financial year.

2010

During 2010 impairments occurred in the Roads and Storm water and the Community facility sectors. The date the impairments were recorded was 30 June 2010.
The impairment amounts were calculated as follows:
The recoverable amount is the highest of:
1. Fair value less cost to sell: Depreciated Replacement Cost less cost to sell
2. Value in use: Depreciated Replacement Cost
Once the current replacement cost (CRC) has been determined, the depreciated replacement cost (DRC) will be calculated. DRC is a powerful technique to determine the fair value of assets.
To determine the DRC, one requires knowledge of the following:
- The estimated useful life (EUL) of the asset or component under review;
- The estimated current replacement cost (CRC) – CRC is an estimate of replacing the asset with a modern equivalent of similar capacity.
DRC is calculated as follows:
DRC = RUL/EUL x CRC
Where RUL = Remaining Useful life.

Roads and stormwater
• Road Bridge
Flood damage as a result of high intensity rainfall caused the water, carried by the stream, to exceed the capacity of the bridge. The flood water washed away parts of the embankment, the bridge abutments and the floor and part of the substructure of the bridge. It is also evident that the river course has deviated from the original, possibly as a result of the flooding and silting, with the result that the water approaches the bridge diagonally which will increase the risk of damage.
Carrying value before the impairment:R508,448
Recoverable amount is calculated as the highest of:
- Fair value less cost to sell: Depreciable Replacement Cost less cost to sell: R177,494
- Value in use: Depreciable Replacement Cost: R177,494
The road bridge will not be sold; therefore there will not be any selling cost to deduct from the fair value.
The recoverable amount is R177,494.
Impairment of the road bridge: R330,954

34. FINANCE COSTS

Non-current borrowings	361,665,572	264,140,253
Trade and other payables	114,930	-
Other interest paid	20,832,936	43,317,359
	382,613,438	**307,457,612**

Figures in Rand	2011	2010

35. AUDITORS' REMUNERATION

Fees	14,186,136	12,972,809

36. RENTAL OF FACILITIES AND EQUIPMENT

Facilities and equipment		
Rental of facilities	49,030,072	48,676,993
Rental of equipment	33,836	42,066
	49,063,908	**48,719,059**

Included in the above rentals are operating lease rentals at straight-lined amounts of R12,136,096 (2010 - R14,172,056).

37. CONTRACTED SERVICES

Information Technology Services	6,873,455	7,791,679
Security contracts	139,549,070	121,356,224
Meter management contracts	120,841,556	78,702,023
Environment contracts	245,442,870	257,572,255
Other Contractors	102,126,843	98,097,588
	614,833,794	**563,519,769**

38. GRANTS AND SUBSIDIES PAID

Other subsidies		
Urban renewal Germiston	94,845	-
Discretionary grant: Sport and Social support	3,940,090	4,141,449
Subsidy: SPCA	2,430,750	2,315,000
Discretionary grant: General	20,296,421	-
Free basic electricity	87,210,149	42,811,835
Discretionary grant: Educational	6,777,172	5,633,159
Grants: Education (External)	3,042,607	2,191,626
	123,792,034	**57,093,069**

39. BULK PURCHASES

Electricity	4,746,661,733	3,755,448,110
Water	1,357,614,155	1,128,744,933
Sewer purification	330,940,954	265,870,140
	6,435,216,842	**5,150,063,183**

Figures in Rand	2011	2010

40. CASH GENERATED FROM OPERATIONS

Deficit	(686,751,867)	(1,534,904,740)
Adjustments for:		
Depreciation and amortisation	2,114,462,827	2,081,909,359
Gain on sale of assets and liabilities	(4,871,992)	(34,665,026)
Loss on sale of non-current assets and disposal groups	24,773,397	926,212
Impairment	(101,698)	330,955
Debt impairment	1,445,304,490	1,417,262,543
Movements in retirement benefit assets and liabilities	96,930,072	106,428,252
Movements in provisions through surplus and deficit	24,978,797	52,103,505
Movements in PPE through statement of financial performance	(12,076,181)	-
Changes in working capital:		
Inventories	(24,494,920)	29,762,544
Other receivables from exchange transactions	(137,417,251)	126,603,491
Consumer debtors	(1,703,913,701)	(1,465,694,795)
Movement in long term receivables through bad debt provision	-	11,979,393
Trade and other payables from exchange transactions	124,636,396	292,933,270
Other receivables	33,194,386	(133,001,437)
Unspent conditional grants and receipts	(66,604,580)	41,252,294
Movement in Consumer deposits	-	-
	1,228,048,175	**993,225,820**

Figures in Rand	2011	2010

41. COMMITMENTS

Authorised capital expenditure

Already contracted and provided for		
• Community	84,080,000	172,373,675
• Infrastructure	447,479,812	552,404,381
• Other assets	164,861,850	222,900,186
	696,421,662	**947,678,242**

Not yet contracted for and authorised		
• All	1,678,363,823	1,212,412,865

This committed expenditure relates to Property, plant and equipment and will be financed by available bank facilities, retained surpluses, external funding (bond issue, loans, grants, contributions etc) , existing cash resources etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	10,714,322	12,255,596
- in second to fifth year inclusive	4,507,494	10,484,680
	15,221,816	**22,740,276**

Operating lease payments represent rentals payable by the municipality for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from two years to five years, for office building, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 8.45% for office buildings and 0.00% for photocopier machines.

The actual lease contract amounts range between R8,000 and R300,000 (2010 - R8,000 and R300,000) per month on the office buildings and between R62 and R2,200 (2010 - R62 and R2,200) per month on the photocopier machines.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	9,276,103	12,317,569
- in second to fifth year inclusive	25,749,617	28,142,005
- later than five years	121,344,032	120,749,928
	156,369,752	**161,209,502**

Certain of the economic entity's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R 0 (social benefit) up to R 368,294 (2010 - R 368,294).

42. CONTINGENCIES

Controlling entity

Category A:Claims exceeding R 500 000.

Category B: Claims less than R 500 000.

Category C: Other legal matters.

42. CONTINGENCIES (continued)

CONTINGENT LIABILITIES

Category A Claims:	**CCC/Region**	**2011**	**2010**
Engen Petroleum Ltd/Atlas road - Claim as a result of rerouting of a provincial road	Kempton Park	-	14,061,088.00
WLT Advertising CC - Claim for damages as a result of conduct	Metro	-	31,706,247.00
Dehal Inc - Advocates claim for work done	Metro	2,600,000.00	2,600,000.00
Van Deventer- Claim for damages arising from cancelled land transaction	Kempton Park	30,000,000.00	30,000,000.00
South African Rail Commuter Corporation Ltd - Claim for damages due to derailment of passenger train	Kempton Park	-	2,200,362.00
Snyman & Robbertse - Claim for legal costs and damages following not guilty verdict of disciplinary hearing	Metro	-	5,000,000.00
Neiljud - Claim for arrear rates	Metro	20,000,000.00	20,000,000.00
Summer Symphony 264 CC - Claim for compensation resulting from expropriation of a portion of the Strydom Land for Housing purposes	Metro	39,000,000.00	39,000,000.00
Hentic (Pty) Ltd and Merces Cura - Appeal against finding	Springs	-	2,500,000.00
Technology Corporate Management - Council Attorneys were served with notice of a summary judgement and furnished Council with instructions to invest trust moneys in terms of section 78 (2A) of the Attorneys Act	Metro	5,279,949.00	5,279,949.00
Group 15 - Possible claim submitted by employees of EMM**	Metro	2,000,000,000.00	2,000,000,000.00
Hometalk - Possible claim for losses in respect of developments	Metro	65,000,000.00	65,000,000.00
Other	Metro	4,487,107.00	6,823,010.00
	Sub-Total	**2,166,367,056.00**	**2,224,170,656.00**

Group 15
The grading dispute in the EMM stemmed from employees who were of the opinion that the EMM should be graded at higher grade upon amalgamation. They opined that the remuneration structure should be linked to the determination of the Minister on the upper limits regarding remuneration of public office bearers. This resulted in a dispute been declared by the employees. The dispute was arbitrated & the employees were awarded a back pay implementation of a higher grade retrospective to 1 July 2003. The award is currently subjected to a Labour Court review. The matter will thus probably be set down in the 2011 calander year. The amount disclosed is a management estimate and the calculation, as well as factor,s are subject to estimation uncertainty. The nature of the contingent liability as well as amount disclosed could thus differ substantially from the actual outcome.

	CCC/Region	**2011**	**2010**
Category B Claims: Other Claims	Metro	1,153,350.00	1,746,217.00
Category C Claims: Other Matters	Metro	618,898.00	240,000.00
	Sub-Total	**1,772,248.00**	**1,986,217.00**

CONTINGENT ASSETS

Category A Claims:	**CCC/Region**	**2011**	**2010**
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	Metro	4,000,000.00	4,000,000.00
Summer Symphony - Compensation claim instituted by Plaintiff as a result of a non-settled Expropriation proceedings by EMM	North	0.00	49,562,700.00

Figures in Rand		2011	2010

42. CONTINGENCIES (continued)

Other contingent Assets	Metro	860,000.00	3,444,776.00
	Sub-Total	**4,860,000.00**	**57,097,476.00**

	CCC/Region	**2011**	**2010**
Category B Claims: Other Claims	Metro	0.00	888,413.00
Category C Claims: Other Matters	Metro	0.00	95,459.00
	Sub-Total	**0.00**	**983,872.00**

Figures in Rand	2011	2010

43. RELATED PARTIES

Relationships	
Controlled entities	Refer to note 7
Close family member of key management	Declarations are retained in a register at tender office.

Tenders awarded to family members of staff.

2011
1.C-ED 03/2011: Appointment os a contractor to operate the Rietfontein Waste Site 1Dec- 30 June 2011 for the amount of R3,431,900.

2.C-CL 02/2011: The appointment of attorneys to provide legal services-as and when until 30 June 2012 for the amount of R 577,300.

3.C-ED 70/2010: The cutting and cleaning of metro parks grass maintenance areas.Kwa Thema & Springs South for the amount of R3,000,000.

4. C-CS 07/2011: The maintenace os grass areas and gardens of community safety stands, on an as and when basis,from date of award until 30 June 2013 for the amount of R301 600.

5. C-IS 137/2010: The hire of plant and equipment for all customer care centres on an as and when basis, with effectyof award until 30 June 2013 for the amount of R850,000.

6. C-CL 02/2011: The appointment os attorneys to provide legal service- as and when until 30 June 2012

2010
1. IS (CW) 55/2009: Construction of ablution blocks and upgrading of stores at Kempton Park Roads Depot:
Awarded 15 March 2010 to Motshethale/Seletje Joint Venture (SJ Lekgwathi has 40% ownership)
For the amount of R7,975,780.00 (PM Lekgwathi employed at Boksburg Finance Dept is the wife of SJ Lekgwathi)

2. A-ED (WMS) 12/2009: The appointment of a development contractor to appoint community based contractors to render comprehensive refuse removal services in specified areas from 1 July 2010 until 30 June 2014. Awarded May 2010 but with effect of 1 July 2010 until 30 June 2015
Awarded 17 May 2010 to Tedcor (Pty) Ltd and Mazambane Trading (Pty) Ltd Joint Venture to form Hlanzekile Waste Services (Pty) Ltd (SJ Lekgwathi has 50% ownership.)
** Portion of bid for South of N17, Van Dyk Park, Buhle Park Phase 2 and Boksburg – estimated amount of R110,500,000 (R110,5 Million) for the period of the contract
** Portion of bid for Tembisa and adjacent area – estimated amount of R182,000,000. R182 Million) for the period of the contract. (PM Lekgwathi employed at Boksburg Finance Dept is the wife of SJ Lekgwathi)

3. Zolile Zozo Trading and Projects: Thandi Sylvia Sekgomane's son, Zolile is operating as a supplier to the municipality. The total amount of transactions for the 2009/20101 year totals to R 906,384.

Related party balances

Amounts included in Trade Receivable and Consumer Debtors regarding related parties - municipal entities		
ERWAT	2,545,903	8,462,335
Pharoe Park Housing Company	-	1,814,626
Brakpan Bus Company	659,552	16,177,371
Lethabong Housing Institute	106,837	1,000,202
Pharoe Park Phase II	21,068	2,738,344
Ekurhuleni Development Company	1,336	7,476

Amounts included in Trade Payable regarding related parties - municipal entities		
ERWAT	26,581,512	18,533,273
Pharoe Park Housing Company	7,070	-
Brakpan Bus Company	3,780	9,735

Related party transactions

Sales to related parties - municipal entities		
ERWAT	34,688,802	32,684,458
Pharoe Park Housing Company	2,142,215	2,397,991
Pharoe Park Phase II	3,119,005	2,691,587
Ekurhuleni Development Company	18,191	30,123

Figures in Rand	2011	2010

43. RELATED PARTIES (continued)

Lethabong Housing Institute	124,023	839,195

Purchases from (sales to) related parties - municipal entities

ERWAT	330,940,954	289,391,002

Grants to related parties - municipal entities

Pharoe Park	4,187,301	-
Ekurhuleni Development Company	7,476	-
Pharoe Park Phase II	6,865,669	-
ERWAT	17,153,779	15,977,926
Lethabong Housing Institute	1,011,509	-

44. CHANGE IN DISCOUNT RATE

Discount rate

Management revised the discount rate used for calculating provisions in the current period. The discount rate was adjusted from 12.00% to 11.50% (2010 - from 14.00% to 12.00%) due to the weighted average cost of capital remaining the same.

45. PRIOR PERIOD ERRORS

2011 Controlling entity

Retirement benefit obligation: The actuaries based the valuation of the obligation on a 70% subsidy in the prior periods, but was subsequently corrected to the correct percenatge of 60%.

2010 Controlling entity

Property, Plant & Equipment
Write-off of immovable assets recorded in the BAUD asset register system to be replaced by immovable properties which are componentised in the IMQS asset register system.

Write-off of immovable assets which could not be verified in the past but that were never corrected in the register - Validation of asset register.

Asset register validations.

Propety held for sale has been reallocated from Property, plant and equipment to Inventory.

Library books were accounted for in the current year within Property, plant and equipment - these books were previosuly expensed immediately.

Other receivables from Exchange Transactions (VAT) and Service Charges (Sale of electricity)
Pre-paid electricity over declared on agent sales.

Other receivables from Exchange Transactions (Agent debtors) and Service Charges (Sale of electricity)
Additional pre-paid electricity and relating debtor on agent sales when accrual accounting is applied.

Provisions and Employee Related Cost
Provision for Germiston retirement Fund contractual obligation in respect of shortfall in growth of investments.

Intangible Assets and Operating expenditure
Intangible Assets incorrectly charged to operating expenditure in the past.

Leases as Lessor
The lease register was validated during the current year and a subsequent adjustments were made.

Retirement benefit obligation
The economic entity obtained an acuarial valuation for the determination of the obligation and adjusted it retrospectively.

Long service awards
The economic entity obtained an actuarial valuation for the determination of the obligation and adjusted it retrospectively.

Notes
Utilization of Long-term Liabilities Reconciliation were disclosed with incorrect amounts. The note has been amended to reflect the correct amounts.

Figures in Rand	2011	2010

45. PRIOR PERIOD ERRORS (continued)

The correction of the errors results in adjustments as follows:

Statement of financial position		
Property, plant and equipment (PPE)	-	8,159,560,116
Intangible assets	-	12,213,926
Provisions	-	(351,080,185)
Other receivables from exchange transactions	-	(22,558,582)
Inventories	-	25,430,100
Investment property	-	32,926,886
Retirement benefit obligation	(163,223,531)	(1,218,237,600)
Opening accumulated surplus	40,258,406	(6,953,029,778)

Statement of Financial Performance		
Service charges	-	(5,499,569)
Rental of facilities and equipment	-	4,417,003
Finance costs	-	14,862,177
General expenses	-	(10,690,971)
Depreciation	-	227,217,468
Deficit on disposal of assets	-	(6,331,623)
Employee related costs	122,965,125	92,360,163
Impairment of assets	-	(1,559,532)

46. COMPARATIVE FIGURES

Certain comparative figures have been renamed and certain descriptions have changed:

Statement of Financial Position
Some amounts were re-classified.

Statement of Financial Performance
Some amounts were re-classified.

Notes
Certain notes have been amended.

47. RISK MANAGEMENT

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in note 16 and cash and cash equivalents disclosed in note 15.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2011 and 2010 respectively were as follows:

Total borrowings			
Other financial liabilities	16	(175,354,221)	(419,494,477)
Less: Cash and cash equivalents	15	1,338,863,442	664,625,412
Net debt		(1,514,217,663)	(1,084,119,889)
Total equity		41,144,489,734	41,895,220,463
Total capital		**39,630,272,071**	**40,811,100,574**

47. RISK MANAGEMENT (continued)

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance.

Risk management is carried out by the risk management department under policies approved by the accounting officer. Economic entity treasury identifies, evaluates and hedges financial risks in close co-operation with the economic entity's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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 facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	12,642,968	48,297,548	552,209,927	3,277,917,733
Trade and other payables	2,463,874,078	-	-	-

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term and other liabilities	269,517,218	35,616,282	651,191,552	1,756,480,806
Trade and other payables	2,339,237,686	-	-	-

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At year end, financial instruments exposed to interest rate risk is as follows:

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	13.00 %	1,475,872,894	-	-	-	-
Long-term receivables	13.00 %	83,828,400	83,828,400	83,828,400	-	-

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years	Due after five years
Long-term and other liabilities	12.00 %	12,642,968	48,297,548	552,209,927	3,277,917,733	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors. The municipality only deposits cash with major banks and makes investments in entities with high quality credit standing and limits exposure to any one counter-party.

47. RISK MANAGEMENT (continued)

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regular monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2011	2010
Other investments	250,895,311	326,976,342
Long-term receivables	251,485,201	290,820,389
Consumer debtors	1,475,872,894	1,217,263,683
Other receivables	374,879,991	270,657,123
Cash and cash equivalents	1,338,863,442	664,625,412
Unlisted shares	4,000,000	4,000,000

Price risk

The municipality is exposed to equity price risk because of investments held by the municipality and classified on the statement of financial position as available-for-sale. The municipality is not exposed to commodity price risk.

The economic entity has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

48. GOING CONCERN

2011

Controlling entity

Cash and Cash Equivalents, Investments and Liquidity Ratio's

The Metro's cash and cash equivalents held at financial year end were as follows over the last three years:
Table 31: Cash and cash equivalents as at 30 June 2011

	June 2009	June 2010	June 2011
Cash and Cash Equivalents	1,064,929,448	664,626,412	1,338,863,442
Liquidity Ratio	0.95	0.73	1.00
Acid Ratio	0.90	0.69	0.96
Number of days total cash held (total cash and investments)	49.49	20.23	40.50
Number of days total cash held (operating cash)	31.90	14.19	12.16
Number of days total cash held (Un-encumbered cash)	(8.26)	(20.76)	(14.67)
Cost coverage	1.44	0.80	0.40

Cash and cash equivalents have increased significantly as a result of the following:

- Increased borrowings to fund long term infrastructure
- Increased collections
- On-going cost reduction strategies – all heads of departments have cost savings targets included in the performance agreements

2010

Controlling entity

The Metro's cash and cash equivalents held at financial year end were as follows over the last three years:

	June 2008	June 2009	June 2010
Cash and Cash Equivalents	2,318,386,503	1,064,929,449	664,625,412
Liquidity Ratio	1.72	0.96	0.73
Acid Test Ratio	1.66	0.90	0.69
Number of Days Cash on Hand (Actual Cash)	114.15	49.49	20.23
Cash Adjusted for capital funding only received in July 2010			1,479,627,133
Adjusted Liquidity Ratio			0.96
Adjusted Acid Test Ratio			0.92
Adjusted Number of Days Cash on Hand (Actual Cash)			45.00

The fact that a portion of the long term funding for the capital projects for the 2009/10 financial year was only taken up in July 2010, had a significant impact on the closing cash. Had the transaction been finalised by 30 June 2010, the closing cash balance would have been R1,479,625,412 - a 39% increase from June 2009. The liquidity position has increased as a result of three key factors:

1. A strategic decision was taken to fund long term infrastructure from long term funding and not cash reserves as in the past.

2. Debtors collection levels increased to just below 91% - this is the highest collection level that the Metro has achieved since inception of the Metro in 2000.

3. A Revenue Management and Enhancement Project has been embarked upon to increase the Metro's revenue base.

The above indicators as well as the power to levy taxes suggest that the Going Concern Assumption is appropriate.

49. EVENTS AFTER THE REPORTING DATE

2011

Controlling entity
Separation of Powers
The mandate for Local Government (section 152 of the Constitution) is to:

- Promote democratic and accountable government for local communities;
- Ensure the provision of sustainable services to communities;
- Promote a safe and healthy environment;
- Encourage community participation in local government.

Inadequacies in accountability and poor governance at Local Government level were highlighted amongst other challenges in the State of Local Government Overview Report (COGTA 2009).

Separation of powers between the legislative and executive arms of government is congruent with internationally accepted principles of good governance. It creates independent oversight of the effective achievement of the municipal mandate. It further establishes an appropriate level of accountability, representation and participation through:

- Clear delineation of powers and functions among the spheres of government;
- Executive accountability for service delivery and development;
- Independent and representative oversight by the Legislative arm.

The Ekurhuleni Metropolitan Municipality accordingly in April 2011 (Item A-RC {15-2011}) approved in principle the separation of legislative and executive powers and the implementation thereof. The final approval for the implementation was granted by Council on the 18th August 2011.

2010

Controlling entity

1. Issuing of Municipal Bond for the funding of the 2009/10 Capital Expenditure
The Ekurhuleni Metropolitan Municipality has raised R815m in a 10-year, fixed-rate bond issuance for the funding of the 2009/10 capital infrastructure. R1.516 billion total bids were received (1.9x oversubscribed). The bond is priced at 185 basis points over the relevant government benchmark bond (R208), with a final rate of 10.56%. Ekurhuleni is the third metropolitan municipality in South Africa to issue in the local debt capital market following the City of Johannesburg and the City of Cape Town. The transaction was concluded on the 28th July 2010.

2. Write-off of Municipal Services Accounts of Municipal Entities
The Ekurhuleni Metropolitan Municipality will consider the writing off of municipal arrears of the Municipal Entities at a Council Meeting in September 2010. The following amounts are involved:

ERWAT – R8 224 466,01 (Including VAT)
Ekurhuleni Development Company – R5 571 955,39

3. Resignation of Senior Staff
The Deputy City Manager for Operations, Mr. Johan Leibbrandt has resigned during July 2010 and left the employ of the municipality at the end of August 2010.

The General Manager: 2010, Mr. Joe Mojapelo has resigned during July 2010 and left the employ of the municipality at the end of September 2010.

4. Provision of Guarantees for Loans of Municipal Entities
Council resolved to provide the following guarantees to loans of municipal entities:

Guarantee already approved:
Brakpan Bus Company: Nedbank loan of R15 million over a 5 year period at a floating interest rate of prime less 150 basis points nacm, the effective rate at balance sheet date was 8,5%.

Guarantee approved in principle:
ERWAT: Nedbank loan of R550 million over a 20 year period at a floating interest rate of JIBAR plus 3.1%, the effective rate at balance sheet date was 9,75%.

5. Approval of a Turnaround Strategy for the Ekurhuleni Development Company
Council approved the implementation of a Turnaround Strategy for the Ekurhuleni Development Company during July 2010. With the implementation of this strategy, a subsidy of R6.5 million per year will be paid over to the Ekurhuleni Development Company for the next three financial years.

Figures in Rand	2011	2010

49. EVENTS AFTER THE REPORTING DATE (continued)

6. Approval of Service Level Agreement between EMM and the Brakpan Bus Company

Council approved a Service Level Agreement between the EMM and the Brakpan Bus Company during July 2010.

7. Extension of Free Basic Electricity funding agreement with ESKOM

Council approved the extension of the existing funding agreement for the rendering of Free Basic Electricity by Eskom. The first funding agreement provided for the roll out of Ekurhuleni funded free units of electricity to all households in the areas supplied by Eskom, as well as the payment of monthly accounts for the free basic electricity rendered by Eskom. Council has now extended the agreement to ensure the continuation of the roll out of free basic electricity to Eskom supply areas within the Ekurhuleni boundaries until 30 June 2013. The expense to Council is estimated at R5 million per month at a number of 100 000 customers and at a rate of 100 kilowatt-hours per month targeted to the Eskom Homelight tariff customers. This value is calculated at 2009/2010 costs.

8. Resignation of Executive Mayor

The Executive Mayor has resigned with effect from November 2010. A new mayor has been appointed with effect from November 2010.

50. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

2011

Controlling entity

Department	Description	Amount	Classification
Finance	Irregular processing of auto journals by officials at Kempton Park CCA	R1,307,584.54	Fruadulent act
Finance	Procurement irregularities committed by officials of EMM with regards to transactions involving Zolile Zozo Trading and Project CC and Jonono Construction and Projects CC	R1,141,940.67	Irregular

2010

Controlling entity

Department	Description	Amount	Classification
Finance	Investigation into unbanked cash from sales of prepaid electricity by cashiers from a number of CCC's	R3,404,156.00	Loss of income
Environmental Development	Investigation into allegations of higher rates charged by suppliers whom have been engaged to provide specialized waste removal vehicles to EMM outside of contract.	R1,017,750.00	Fruitless & wasteful
Environmental Development	Investigation into alleged irregularities by EMM contract employee who used her company to provide council with energy saving air conditioners, which some of these were not installed.	R 474,109.00	Irregular expenditure

51. IN-KIND DONATIONS AND ASSISTANCE

The economic entity received the following in-kind donations and assistance:

Two chartered accountants (up to 31 March 2011) and seven registered engineers (up to 31 May 2011) have been seconded to the economic entity as part of the partnership between DLG and SAICA.

52. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

	2011	2010
Current year subscription / fee	9,811,773	8,650,000
Amount paid - current year	(9,811,773)	(8,650,000)
	-	-

Material losses through criminal conduct

	2011	2010
Current year	7,086,603	-

Figures in Rand	2011	2010

52. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Audit involving possible pre-paid electricity income fruad committed by the cashiers at the Finance department - R 3,404,116.

Monry rolling scheme by six (6) cashiers at Boksburg licencung station - R 3,682,487.

Audit fees

Opening balance	386,185	-
Current year fees	14,186,136	12,972,809
Amount paid - current year	(14,572,321)	(12,586,624)
	-	**386,185**

PAYE and UIF

Current year payroll deductions	566,989,131	495,522,895
Amount paid - current year	(566,989,131)	(495,522,895)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	792,775,976	955,032,473
Amount paid - current year	(792,775,976)	(955,032,473)
	-	-

Councillors' arrear consumer accounts

52. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

	Outstanding Less than 90 Days	Outstanding more than 90 days				Total (Ex VAT)
		Normal Account	Arrangement	Hand-Over	Credit	
BABA NJ	470.90	1,115.05	-	-	-	1,585.95
BALE NE	2,911.19	-	5,536.66	-	-	8,447.85
BODIBE RS	669.13	-	-	37,448.90	-	38,118.03
CHAUKE HM	1,108.32	1,579.00	-	12,326.61	-	15,013.93
DHLADHLA MK	1,369.05	21.87	572.14	3,911.23	-	5,874.29
DUBA QB	140.23	595.00	-	-	-	735.23
GERSBACH GAK	-	1,189.00	-	-	-	1,189.00
GUMEDE T	3,376.79	1,455.29	-	4,641.47	-	9,473.55
KHUMALO TL	275.00	1,182.56	-	11,028.28	-	12,485.84
KLAAS GS	-	-	7,011.99	5,312.94	-10,150.67	2,174.26
KOMANE CL	1,869.31	35,646.56	-	-	-	37,515.87
KWILI MS	2,466.93	1,537.56	-	-	-	4,004.49
LESHABANE SM	670.84	-	6,466.04	62,203.83	-	69,340.71
LETSIMO ST	438.40	1,901.18	-	77,331.14	-	79,670.72
LETSOHA KT	947.66	1,383.75	-	32,488.79	-	34,820.20
MABASO SJ	302.21	1,282.02	-	23,330.96	-	24,915.19
MABENA VM	-	-	900.17	-	-505.40	394.77
MABUZA TH	1,982.56	2,600.67	-	36,064.67	-	40,647.90
MALOPE S	187.25	-	-	6,440.83	-	6,628.08
MARAQANA SR	1,138.64	14,046.55	-	12,056.37	-	27,241.56
MASHININI SJ	1,770.03	7,885.00	-	-	-	9,655.03
MOKHETHOA SS	217.71	362.62	7,219.79	-	-	7,800.12
MORAKE P	-	-	2,539.25	3,075.86	-26.55	5,588.56
MOTAUNG A	684.80	928.45	-	17,154.47	-	18,767.72
MXABANGELI VS	386.06	-	-	1,860.64	-	2,246.70
NGOBESE AK	3,821.23	12,414.64	-	21,929.12	-	38,164.99
NGOBESE SS	527.14	905.66	-	7,797.82	-	9,230.62
NKOSI CL	591.95	325.84	-	-	-	917.79
NKOSI MI	885.54	721.73	-	31,672.55	-	33,279.82
NTOMBELA SI	1,305.28	15,249.69	-	-	-	16,554.97
NXUMALO IS	106.11	-	-	13,417.17	-	13,523.28
PAPU EM	1,709.02	6,384.02	-	20,127.20	-	28,220.24
RADEBE NM	1,269.91	9,630.12	-	-	-	10,900.03
RADEBE TG	563.12	1,462.44	-	9,788.74	-	11,814.30
RAMPAI TC	674.18	627.30	-	-	-	1,301.48
SENTSHO LD	9,799.67	9,672.97	-	-	-	19,472.64
SHABALALA RR	858.27	731.62	-	10,060.33	-	11,650.22
SHABALALA HV	1.90	57.66	-	-	-	59.56
SHABANGU SP	3,248.70	909.27	-	-	-	4,157.97
SITHOLE MM	167.80	312.32	-	3,719.44	-	4,199.56
SWANEPOEL CD	3,767.67	758.13	-	-	-13.49	4,512.31
TERBLANCHE HJ	953.22	1,726.31	-	2,846.50	-	5,526.03
ZIDE VG	676.98	356.42	-	-	-	1,033.40
ZUMA LZ	1,251.89	305.86	-	6,645.96	-	8,203.71
ZWANE TS	1,831.76	4,891.75	-	-	-	6,723.51
Total Councillor Arrears	**57,394.35**	**142,155.88**	**30,246.04**	**474,681.82**	**-10,696.11**	**693,781.98**

52. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillor Arrears 30 June 2011

Declared municipal services accounts in respect Councillors have been monitored on monthly basis to ensure compliance with provisions of Systems act which states that councillor account may not be in arrears for periods in excess of 90 day's.

Status of councillor accounts as at end May 2011, prior to municipal elections can be summarized as follows :

•	Number of accounts linked	192	
•	Accounts in arrears (+90 Days)	3	R 19 465.00
•	Accounts with arrangement	1	R 1 060.02
•	Arrear Debt (30 – 90 Days)	54	R 30 405.06

Municipal elections on 18 May 2011 however resulted in approximately 129 new councillors being elected. Personal details in respect of all elected councillors were received during August 2011.

Verification process against billing data basis was performed based on submitted id numbers and re-elected councillor information.

The results can be summarized as follows :

•	Linked accounts	
o	Number of councillors	154
o	Number of accounts linked	248
o	Accounts in arrears (+90 Days – June 2011)	R 693 781
•	Not linked (No positive link to billing account)	50

PROCESS.

- Letter to all councillors to confirm linked accounts	- September 2011
- Letter to all councillors in arrears to settle or arrange debt	- September 2011
- Letter to all councillors NOT linked to submit account details	- September 2011

- Monthly deductions against salary accounts based on outstanding debt and arrangement instalment as from September 2011.he following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Khumalo JV	1,801	3,892	5,693
Mabena VM	1,668	112	1,780
Mabena VM	-	2,288	2,288
Mashinini SJ	1,440	471	1,911
Mashinini SJ	-	48,015	48,015
Mofokeng GJ	352	769	1,121
Radebe ML	407	231	638
Ndita M	-	17,502	17,502
Mafanga ZL	758	9,273	10,031
Sibeko G	-	109	109
Radebe GT	688	9,601	10,289
Dube NA	3,794	1,913	5,707
	10,908	**94,176**	**105,084**

53. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2011	2010
Outstanding long-term liabilities	2,695,562,832	2,076,914,571
Redemption of loans	(419,494,477)	(181,351,739)
New loans	1,615,000,000	800,000,000
	3,891,068,355	2,695,562,832
Used to finance property, plant and equipment: Opening Balance	(3,360,682,443)	(2,076,914,571)
Redemption of loans	600,846,216	181,351,739
Capital financed from external loans for the year	(1,043,571,750)	(1,283,767,872)
Long term liabilities taken up in following financial year in respect of capital expenditure of current year	-	815,000,000
Unspend long term liabilities	**87,660,378**	**331,232,128**

Figures in Rand	2011	2010

53. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION (continued)

Cash set aside for the repayment of long-term liabilities for the year is R175,354,221 (2010 - R297,061,904).
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

	2011	2010
The expenses incurred, as listed hereunder, have been approved/condoned		
Emergencies	13,092,617	2,185,119
Sole supplier	45,169,059	16,248,779
Appointment of consultants	29,210,530	18,228,827
Upgrade electricity infrastructure	1,419,892	4,331,861
Upgrade water infrastructure	1,469,100	5,051,795
Events	2,382,208	11,869,741
Other	147,832,842	185,010,849
Extension of contract	75,942,258	67,126,413
Deviations less than R200,000	3,266,684	4,926,318
	319,785,190	**314,979,702**

55. UNACCOUNTED ELECTRICITY AND WATER

Electricity

	2010/2011		2009/2010	
	Units	**Value**	**Units**	**Value**
Units purchased	10,838,522,687.00	4,708,908,535.47	10,872,634,812.00	3,725,462,920.18
Units sold	10,506,921,076.04	4,543,779,184.95	10,577,771,862.87	3,624,429,361.85
Units lost	33,601,610,96	165,129,350.52	294,862,949.13	101,033,558.33
Units lost %	3.06%	3.51%	2.71%	2.71%

Water

	2010/2011		2009/2010	
	Units	**Value**	**Units**	**Value**
Units on hand 1 July	2,720,000.00	9,621,456.00	2,720,000.00	8,834,016.00
Units purchased	332,557,257.00	1,353,017,318.87	319,747,745.00	1,128,744,933.37
	335,277,257.00	1,362,638,774.87	322,467,745.00	1,137,578,949.37
Units on hand 30 June	1,246,000.00	5,069,381.42	2,720,000.00	9,621,456.00
Units for sale	334,031,257.00	1,357,569,393.45	319,747,745.00	1,127,957,493.37
Units sold	235,171,946.78	955,425,771.99	214,012,502.00	754,960,773.62
Units lost	98,859,310.22	402,143,621.46	105,735,243.00	372,996,719.75
Units lost %	29.60%	29.62%	33.07%	33.07%

Notes to the Annual Financial Statements

Figures in Rand

56. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	2,627,703,474	2,627,703,474	2,627,703,474	2,478,862,488	148,840,986	94 %	94 %
Service charges	10,963,980,877	10,963,998,877	10,963,998,877	10,505,855,677	458,143,200	96 %	96 %
Investment revenue	56,373,001	56,373,001	56,373,001	119,552,608	(63,179,607)	212 %	212 %
Transfers recognised - operational	2,805,410,707	2,869,458,614	2,869,458,614	3,386,393,924	(516,935,310)	118 %	121 %
Other own revenue	830,032,272	836,658,760	836,658,760	688,132,405	148,526,355	82 %	83 %
Total revenue (excluding capital transfers and contributions)	**17,283,500,331**	**17,354,192,726**	**17,354,192,726**	**17,178,797,102**	**175,395,624**	**99 %**	**99 %**
Employee costs	(4,624,898,032)	(4,441,821,592)	(4,441,821,592)	(4,364,281,072)	(77,540,520)	98 %	94 %
Remuneration of councillors	(69,740,424)	(69,740,424)	(69,740,424)	(66,908,485)	(2,831,939)	96 %	96 %
Debt impairment	(1,372,736,652)	(1,658,089,305)	(1,658,089,305)	(1,445,304,490)	(212,784,815)	87 %	105 %
Depreciation and asset impairment	(1,951,840,280)	(1,951,840,280)	(1,951,840,280)	(2,114,361,129)	162,520,849	108 %	108 %
Finance charges	(469,833,466)	(438,408,966)	(438,408,966)	(382,613,438)	(55,795,528)	87 %	81 %
Materials and bulk purchases	(6,608,759,554)	(6,607,894,254)	(6,607,894,254)	(6,435,216,842)	(172,677,412)	97 %	97 %
Transfers and grants	(139,785,450)	(138,552,620)	(138,552,620)	(123,792,034)	(14,760,586)	89 %	89 %
Other expenditure	(3,285,191,383)	(3,313,522,511)	(3,313,522,511)	(2,944,365,863)	(369,156,648)	89 %	90 %
Total expenditure	**(18,522,785,241)**	**(18,619,869,952)**	**(18,619,869,952)**	**(17,876,843,353)**	**(743,026,599)**	**96 %**	**97 %**
Surplus/(Deficit)	**(1,239,284,910)**	**(1,265,677,226)**	**(1,265,677,226)**	**(698,046,251)**	**(567,630,975)**	**55 %**	**56 %**

Notes to the Annual Financial Statements

Figures in Rand

56. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	686,703,643	792,321,200	792,321,200	11,294,384	781,026,816	1 %	2 %
Surplus (Deficit) after capital transfers and contributions	**(552,581,267)**	**(473,356,026)**	**(473,356,026)**	**(686,751,867)**	**213,395,841**	**145 %**	**124 %**
Surplus/(Deficit) for the year	**(552,581,267)**	**(473,356,026)**	**(473,356,026)**	**(686,751,867)**	**213,395,841**	**145 %**	**124 %**

Notes to the Annual Financial Statements

Figures in Rand

56. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	2,160,091,107	2,237,722,181	2,237,722,181	1,926,052,998	311,669,183	86 %	89 %
Sources of capital funds							
Transfers recognised - capital	682,398,000	761,672,554	761,672,554	573,716,524	187,956,030	75 %	84 %
Public contributions and donations	19,506,000	17,844,676	17,844,676	22,677,262	(4,832,586)	127 %	116 %
Borrowing	1,100,001,800	1,099,330,414	1,099,330,414	1,043,571,750	55,758,664	95 %	95 %
Internally generated funds	358,185,307	358,874,537	358,874,537	286,087,462	72,787,075	80 %	80 %
Total sources of capital funds	**2,160,091,107**	**2,237,722,181**	**2,237,722,181**	**1,926,052,998**	**311,669,183**	**86 %**	**89 %**
Cash flows							
Net cash from (used) operating	1,433,753,000	1,504,877,000	1,504,877,000	1,228,048,175	276,828,825	82 %	86 %
Net cash from (used) investing	(1,938,297,000)	(2,136,919,000)	(2,136,919,000)	(1,802,083,308)	(334,835,692)	84 %	93 %
Net cash from (used) financing	700,091,000	1,195,506,000	1,195,506,000	1,248,273,170	(52,767,170)	104 %	178 %
Net increase/(decrease) in cash and cash equivalents	**195,547,000**	**563,464,000**	**563,464,000**	**674,238,037**	**(110,774,037)**	**120 %**	**345 %**
Cash and cash equivalents at the beginning of the year	1,031,243,000	664,624,000	664,624,000	664,625,409	(1,409)	100 %	64 %
Cash and cash equivalents at year end	**1,226,790,000**	**1,228,088,000**	**1,228,088,000**	**1,338,863,446**	**(110,775,446)**	**109 %**	**109 %**

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
LONG-TERM LOANS							
Stock Loan @ 10%	2010/09/30	10,000	-	10,000	-	-	-
Stock Loan @ 10%	2011/12/31	5,000	-	-	5,000	-	-
Stock Loan @ 10%	2011/03/31	45,000	-	45,000	-	-	-
Stock Loan @ 10%	2011/03/31	10,000	-	10,000	-	-	-
Stock Loan @ 15.8%	2011/06/30	29,000,000	-	29,000,000	-	-	-
Stock Loan @ 16.3	2011/06/30	25,000,000	-	25,000,000	-	-	-
Stock Loan @ 16.5%	2011/06/30	2,400,000	-	2,400,000	-	-	-
Stock Loan @ 16.5%	2011/06/30	73,319,100	-	73,319,100	-	-	-
Stock Loan @ 10%	2011/06/30	32,000	-	32,000	-	-	-
Stock Loan @ 15.8%	2011/06/30	31,000,000	-	31,000,000	-	-	-
Stock Loan @ 15.65%	2011/06/30	50,000,000	-	50,000,000	-	-	-
Stock Loan @ 16.7%	2011/06/30	22,004,587	-	22,004,587	-	-	-
Stock Loan @ 10%	2011/09/30	14,333	-	-	14,333	-	-
Stock Loan @ 10%	2011/12/31	60,000	-	-	60,000	-	-
Stock Loan @ 10%	2012/06/30	5,257	-	-	5,257	-	-
Stock Loan @ 10%	2012/06/30	9,000	-	-	9,000	-	-
Stock Loan @ 10%	2013/03/31	10,000	-	-	10,000	-	-
Stock Loan @ 10%	2013/06/30	1,190	-	-	1,190	-	-
Stock Loan @ 10%	2013/06/30	18,733	-	-	18,733	-	-
Stock Loan @ 10%	2013/06/30	20,000	-	-	20,000	-	-
Stock Loan @ 10%	2013/06/30	5,000	-	-	5,000	-	-
Stock Loan @ 10%	2013/09/30	13,333	-	-	13,333	-	-
Stock Loan @ 10%	2013/12/31	7,000	-	-	7,000	-	-
Stock Loan @ 14.2%	2014/11/30	32,620,000	-	-	32,620,000	-	-
Stock Loan @ 10%	2014/09/30	69,000	-	-	69,000	-	-
Stock Loan @ 10%	2014/12/31	26,667	-	-	26,667	-	-
Stock Loan @ 10%	2014/12/31	16,667	-	-	16,667	-	-
Stock Loan @ 10%	2015/06/30	4,166	-	-	4,166	-	-
Stock Loan @ 10%	2015/06/30	20,000	-	-	20,000	-	-
		265,746,033	**-**	**232,820,687**	**32,925,346**	**-**	**-**
STRUCTURED LOANS							
		-	-	-	-	-	-
INCA @ 16.5%	2011/06/30	19,453,504	-	19,453,504	-	-	-
INCA @ 12.25%	2011/12/31	35,522,692	-	22,973,313	12,549,379	-	-
DBSA NO 2 @ 12.2%	2013/03/31	68,416,282	-	20,173,657	48,242,625	-	-
DBSA NO 1 @ 13.5%	2014/06/30	149,943,513	-	30,510,420	119,433,093	-	-
ABSA @ 11.99%	2014/06/30	400,000,000	-	-	400,000,000	-	-
NEDBANK @ 10.78%	2018/12/24	956,480,806	-	73,550,483	882,930,323	-	-
ABSA R800m 2009/2010	2010/03/03	400,000,000	-	9,565,020	390,434,980	-	-

APPENDIX A

	Redeemable Rand	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
ABSA R800m 2009/2010	2010/03/03	200,000,000	-	5,256,047	194,743,953	-	-
ABSA R800m 2009/2010	2010/03/03	200,000,000	-	5,191,522	194,808,478	-	-
ABSA R815 EMM01 BOND	2020/07/28	-	815,000,000	-	815,000,000	-	-
ABSA R800 EMM02 BOND	2021/03/11	-	800,000,000	-	800,000,000	-	-
		2,429,816,797	**1,615,000,000**	**186,673,966**	**3,858,142,831**	**-**	**-**
FUNDING FACILITY		**-**	**-**	**-**	**-**	**-**	**-**

APPENDIX A

	Redeemable Rand	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DEVELOPMENT BANK OF SOUTH AFRICA		**-**	**-**	**-**	**-**	**-**	**-**
TOTAL EXTERNAL LOANS							
LONG-TERM LOANS		265,746,033	-	232,820,687	32,925,346	-	-
STRUCTURED LOANS		2,429,816,797	1,615,000,000	186,673,966	3,858,142,831	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		2,695,562,830	**1,615,000,000**	**419,494,653**	**3,891,068,177**	**-**	**-**

Ekurhuleni Metropolitan Municipality

APPENDIX B for the period ended 30 June 2011
June 2011

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Historical Cost					Accumulated Depreciation and Impairment					
	Opening Balance Rand	Additions Rand	Transfers Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions and Impairments Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Heritage											
Conservation areas	16,078,825	-	-	-	**16,078,825**	-	-	-	**-**	**16,078,825**	**-**
Historical Buildings And Structures	10,201,178	-	-	-	**10,201,178**	-	-	-	**-**	**10,201,178**	**-**
Other heritage	52,115,182	-	-	-	**52,115,182**	-	-	-	**-**	**52,115,182**	**-**
	78,395,185	**-**	**-**	**-**	**78,395,185**	**-**	**-**	**-**	**-**	**78,395,185**	**-**
Land											
Land	1,224,101,666	14,907,399	(7,473,000)	1,970,500	**1,229,565,565**	-	-	-	**-**	**1,229,565,565**	**-**
	1,224,101,666	**14,907,399**	**(7,473,000)**	**1,970,500**	**1,229,565,565**	**-**	**-**	**-**	**-**	**1,229,565,565**	**-**
Infrastructure											
Electricity Network	14,022,816,384	342,613,818	25,337,003	-	**14,390,767,205**	973,846,698	499,415,547	-	**1,473,262,245**	**12,917,504,960**	**-**
Sanitation Network	2,851,206,960	28,520,619	-	-	**2,879,727,579**	119,456,733	59,711,420	-	**179,168,153**	**2,700,559,426**	**-**
Roads and Stormwater Network	18,903,594,992	491,366,085	-	-	**19,394,961,077**	1,863,251,965	893,627,629	-	**2,756,879,594**	**16,638,081,483**	**-**
ICT Network	47,620,581	-	-	-	**47,620,581**	4,121,610	2,060,805	-	**6,182,415**	**41,438,166**	**-**
Water Network	3,331,632,048	313,676,905	1,706,840	-	**3,647,015,793**	280,370,803	142,097,183	-	**422,467,986**	**3,224,547,807**	**-**
Rail Network	685,061,004	52,048,694	-	-	**737,109,698**	88,787,886	70,763,316	-	**159,551,202**	**577,558,496**	**-**
	39,841,931,969	**1,228,226,121**	**27,043,843**	**-**	**41,097,201,933**	**3,329,835,695**	**1,667,675,900**	**-**	**4,997,511,595**	**36,099,690,338**	**-**

Ekurhuleni Metropolitan Municipality

APPENDIX B for the period ended 30 June 2011
June 2011

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Historical Cost					Accumulated Depreciation and Impairment					
	Opening Balance Rand	Additions Rand	Transfers Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions and Impairments Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Community											
Airports	2,649,959	-	-	-	**2,649,959**	443,168	221,584	-	**664,752**	**1,985,207**	**-**
Centres	159,604,763	807,295	-	-	**160,412,058**	16,950,728	8,475,364	-	**25,426,092**	**134,985,966**	**-**
Cemetries/Crematoria	148,647,267	42,719,347	-	-	**191,366,614**	18,295,020	9,200,846	-	**27,495,866**	**163,870,748**	**-**
Clinics and Care Centres	327,612,194	115,564,268	6,745,968	-	**449,922,430**	42,492,509	22,286,214	-	**64,778,723**	**385,143,707**	**-**
Galleries	1,010,313	1,537,504	-	-	**2,547,817**	109,957	54,979	-	**164,936**	**2,382,881**	**-**
Halls	153,275,796	-	-	-	**153,275,796**	17,007,237	8,503,618	-	**25,510,855**	**127,764,941**	**-**
Libraries	198,041,337	4,063,797	-	-	**202,105,134**	25,461,944	12,695,780	-	**38,157,724**	**163,947,410**	**-**
Market and Stalls	74,930,236	11,746,608	-	-	**86,676,844**	8,040,297	4,020,148	-	**12,060,445**	**74,616,399**	**-**
Museums	3,876,652	415,945	-	-	**4,292,597**	408,720	204,360	-	**613,080**	**3,679,517**	**-**
Parks	594,977,483	66,601,973	-	-	**661,579,456**	44,832,556	23,548,309	-	**68,380,865**	**593,198,591**	**-**
Public Ablution Facilities	282,765	-	-	-	**282,765**	56,420	28,210	-	**84,630**	**198,135**	**-**
Public Open space	2,730,825	-	-	-	**2,730,825**	477,256	238,628	-	**715,884**	**2,014,941**	**-**
Taxi/Bus Terminals	68,165,636	-	-	-	**68,165,636**	8,597,538	4,281,954	-	**12,879,492**	**55,286,144**	**-**
Theatres	10,091,070	-	-	-	**10,091,070**	1,248,355	624,178	-	**1,872,533**	**8,218,537**	**-**
Solid Waste	575,035,210	55,489,070	(15,395,067)	-	**615,129,213**	64,480,535	20,413,987	-	**84,894,522**	**530,234,691**	**-**
Indoor Sport facilities	71,097,527	18,712,893	-	-	**89,810,420**	7,060,879	3,701,561	-	**10,762,440**	**79,047,980**	**-**
Outdoor Sport facilities	1,061,761,378	62,322,452	-	-	**1,124,083,830**	101,889,578	53,632,002	-	**155,521,580**	**968,562,250**	**-**
	3,453,790,411	**379,981,152**	**(8,649,099)**	**-**	**3,825,122,464**	**357,852,697**	**172,131,722**	**-**	**529,984,419**	**3,295,138,045**	**-**
Other property, plant and equipment											
Animals	159,316	-	-	-	**159,316**	-	-	-	**-**	**159,316**	**-**
Computer Equipment	114,696,269	18,002,868	-	-	**132,699,137**	77,854,605	15,829,892	-	**93,684,497**	**39,014,640**	**-**
Fire/Ambulance Stations	229,643,250	9,764,655	-	-	**239,407,905**	24,549,727	12,483,767	-	**37,033,494**	**202,374,411**	**-**
Furniture and Fittings	145,830,191	12,621,872	-	-	**158,452,063**	101,793,749	10,477,278	-	**112,271,027**	**46,181,036**	**-**
Other Housing	12,192,849	-	-	-	**12,192,849**	1,129,522	564,630	-	**1,694,152**	**10,498,697**	**-**
Social Housing	3,794,151,607	-	-	22,917,820	**3,771,233,787**	151,766,064	75,768,090	1,260,127	**226,274,027**	**3,544,959,760**	**-**
Laboratories	124,937	-	-	-	**124,937**	16,010	8,005	-	**24,015**	**100,922**	**-**
Municipal Offices	921,277,262	49,817,127	(6,745,968)	-	**964,348,421**	104,301,375	52,888,712	-	**157,190,087**	**807,158,334**	**-**
Pay / Enquiry points	11,507,797	1,856,343	-	-	**13,364,140**	1,318,894	659,447	-	**1,978,341**	**11,385,799**	**-**
Plant And Equipment	194,738,356	42,982,839	-	-	**237,721,195**	92,460,034	28,432,551	-	**120,892,585**	**116,828,610**	**-**
Stores	70,880,998	2,065,884	-	-	**72,946,882**	9,117,480	4,558,740	-	**13,676,220**	**59,270,662**	**-**
Testing Stations	73,966,474	7,611,133	-	-	**81,577,607**	9,661,754	4,847,117	-	**14,508,871**	**67,068,736**	**-**
Vehicles	663,866,362	140,872,834	-	-	**804,739,196**	264,720,299	49,324,511	-	**314,044,810**	**490,694,386**	**-**
Workshops	97,412,888	4,367,369	-	-	**101,780,257**	14,566,928	7,283,169	-	**21,850,097**	**79,930,160**	**-**
Yards	41,612,756	-	-	-	**41,612,756**	7,188,777	3,522,331	-	**10,711,108**	**30,901,648**	**-**
Library Items	59,505,011	606,347	-	1,545,366	**58,565,992**	26,890,889	2,123,583	772,638	**28,241,834**	**30,324,158**	**-**
	6,431,566,323	**290,569,271**	**(6,745,968)**	**24,463,186**	**6,690,926,440**	**887,336,107**	**268,771,823**	**2,032,765**	**1,154,075,165**	**5,536,851,275**	**-**

Total

Ekurhuleni Metropolitan Municipality

APPENDIX B for the period ended 30 June 2011
June 2011

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Historical Cost					Accumulated Depreciation and Impairment					
	Opening Balance Rand	**Additions Rand**	**Transfers Rand**	**Disposals Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Additions and Impairments Rand**	**Disposals Rand**	**Closing Balance Rand**	**Carrying Value Rand**	**Budget Additions Rand**
Heritage	78,395,185	-	-	-	**78,395,185**	-	-	-	**-**	**78,395,185**	**-**
Land	1,224,101,666	14,907,399	(7,473,000)	1,970,500	**1,229,565,565**	-	-	-	**-**	**1,229,565,565**	**-**
Infrastructure	39,841,931,969	1,228,226,121	27,043,843	-	**41,097,201,933**	3,329,835,695	1,667,675,900	-	**4,997,511,595**	**36,099,690,338**	**-**
Community	3,453,790,411	379,981,152	(8,649,099)	-	**3,825,122,464**	357,852,697	172,131,722	-	**529,984,419**	**3,295,138,045**	**-**
Other property, plant and equipment	6,431,566,323	290,569,271	(6,745,968)	24,463,186	**6,690,926,440**	887,336,107	268,771,823	2,032,765	**1,154,075,165**	**5,536,851,275**	**-**
	51,029,785,554	**1,913,683,943**	**4,175,776**	**26,433,686**	**52,921,211,587**	**4,575,024,499**	**2,108,579,445**	**2,032,765**	**6,681,571,179**	**46,239,640,408**	**-**

GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Transfers Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
2010 Office	-	-	-	-	**-**	-	-	-	**-**	**-**
City Development	10,353,401	1,053,266	-	-	**11,406,667**	7,380,049	1,114,754	-	**8,494,803**	**2,911,864**
City Manager's Office	1,369,760	46,829	-	-	**1,416,589**	676,879	172,765	-	**849,644**	**566,945**
Communications and Marketing	2,373,431	205,863	-	-	**2,579,294**	1,527,027	304,988	-	**1,832,015**	**747,279**
Community Safety	382,002,685	24,412,062	-	-	**406,414,747**	69,369,443	27,127,258	-	**96,496,701**	**309,918,046**
Council General	-	-	-	-	**-**	-	-	-	**-**	**-**
Customer Care Centres	1,096,039,349	53,431,533	(6,745,968)	-	**1,142,724,914**	124,377,324	62,560,270	-	**186,937,594**	**955,787,320**
Deputy City Manager	-	-	-	-	**-**	-	-	-	**-**	**-**
Economic development	76,669,742	11,978,411	-	-	**88,648,153**	8,959,149	4,263,133	-	**13,222,282**	**75,425,871**
Electricity and energy	14,038,180,108	344,775,539	25,337,003	-	**14,408,292,650**	983,797,384	501,124,243	-	**1,484,921,627**	**12,923,371,023**
Environmental development	680,427,157	67,482,980	-	-	**747,910,137**	47,263,136	24,402,199	-	**71,665,335**	**676,244,802**
Finance	112,225,823	12,623,288	-	-	**124,849,111**	38,407,165	9,054,887	-	**47,462,052**	**77,387,059**
Fleet management	-	-	-	-	**-**	-	-	-	**-**	**-**
Health	362,136,458	127,250,908	6,745,968	-	**496,133,334**	64,734,876	26,195,907	-	**90,930,783**	**405,202,551**
Housing	3,801,159,654	499,736	-	22,917,820	**3,778,741,570**	156,553,266	76,464,609	1,260,127	**231,757,748**	**3,546,983,822**
Human resources management	10,572,545	737,255	-	-	**11,309,800**	8,129,741	926,866	-	**9,056,607**	**2,253,193**
Information communication technology	693,227,562	54,663,888	-	-	**747,891,450**	93,703,867	71,916,659	-	**165,620,526**	**582,270,924**
Integrated development plan	1,184,826	57,146	-	-	**1,241,972**	765,493	130,875	-	**896,368**	**345,604**
Internal audit	1,644,828	69,938	-	-	**1,714,766**	952,968	207,425	-	**1,160,393**	**554,373**
Land	1,224,101,666	14,907,399	(7,473,000)	1,970,500	**1,229,565,565**	-	-	-	**-**	**1,229,565,565**
Legal and administrative services	22,337,568	1,060,977	-	-	**23,398,545**	16,108,052	2,175,337	-	**18,283,389**	**5,115,156**
Market	-	-	-	-	**-**	-	-	-	**-**	**-**
Political office	2,710,094	340,296	-	-	**3,050,390**	1,499,223	350,790	-	**1,850,013**	**1,200,377**
Research and development	543,297	1,596,132	-	-	**2,139,429**	291,868	65,920	-	**357,788**	**1,781,641**
Roads, transport and civil works	19,948,399,868	649,842,942	-	-	**20,598,242,810**	2,233,955,936	975,615,672	-	**3,209,571,608**	**17,388,671,202**
Solid waste	595,535,999	57,999,925	(15,395,067)	-	**638,140,857**	70,558,134	22,612,390	-	**93,170,524**	**544,970,333**
Sport, recreation, arts and culture	1,773,625,570	142,750,597	-	1,545,366	**1,914,830,801**	239,320,437	98,859,553	772,638	**337,407,352**	**1,577,423,449**
Water and waste water	6,192,964,158	345,897,033	1,706,840	-	**6,540,568,031**	406,693,083	202,831,244	-	**609,524,327**	**5,931,043,704**
	51,029,785,549	**1,913,683,943**	**4,175,776**	**26,433,686**	**52,921,211,582**	**4,575,024,500**	**2,108,477,744**	**2,032,765**	**6,681,469,479**	**46,239,742,103**

Ekurhuleni Metropolitan Municipality

APPENDIX D for the period ended 30 June 2011
June 2011

GOVERNMENT TEMPLATE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

CORE Current year 2010 Yrly Per. Bud. Amt June Year to Date Rand	MUNICI Current year 2010 Yrly Per. Act. Bal. June Year to Date Rand	Variance Rand	% Var		CORE Current year 2010 Yrly Per. Bud. Amt June Year to Date Rand	MUNICI Current year 2010 Yrly Per. Act. Bal. June Year to Date Rand	Variance Rand	% Var	Explanation of Significant Variances greater than 10% versus Budget
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-	Less Inter-Dep Charges Total	-	-	-	-	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	

Ekurhuleni Metropolitan Municipality

APPENDIX E(1) for the ended 30 June 2011
June 2011

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	Current year 2010 Bud. Amt R'000	Current year 2010 Act. Bal. R'000	Variance R'000	Explanation of Significant Variances greater than 10% versus Budget
Revenue				
Other income				
Expenses				

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2011**

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Explanation of Significant Variances greater than 5% versus Budget
Infrastructure						
City developemnt	885,129	-	**885,129**	1,600,000	(714,871)	ICT equipment delayed
City manager	34,602	-	**34,602**	105,300	(70,698)	ICT equipment delayed
Communications and merketing	394,130	-	**394,130**	319,200	74,930	
Community safety	41,169,981	-	**41,169,981**	42,912,884	(1,742,903)	
Council general	7,942,643	-	**7,942,643**	14,909,570	(6,966,927)	Germiston Precinct project in planning phase
Customer care centres	41,034,214	-	**41,034,214**	76,318,089	(35,283,875)	Delays in finalising tenders for Greenfields projects
Deputy city managers	79,989	-	**79,989**	109,200	(29,211)	ICT equipment delayed and cost savings measures applied
Economic development	33,456,632	-	**33,456,632**	47,237,247	(13,780,615)	Grant funding received too late and therefore could not spend
Electricity and energy	357,956,670	-	**357,956,670**	327,359,949	30,596,721	
Environmental development	4,820,484	-	**4,820,484**	10,218,435	(5,397,951)	Delay in awarding of the air quality monitoring stations tender
Finance	14,628,199	-	**14,628,199**	18,658,000	(4,029,801)	ICT equipment delayed
Fleet management	1,646,201	-	**1,646,201**	3,527,182	(1,880,981)	Cost saving measrues applied on equipment
Health	119,561,690	-	**119,561,690**	116,389,440	3,172,250	
Housing	189,563,439	-	**189,563,439**	333,183,907	(143,620,468)	Delays in design approvals and awarding temders
Human resources	617,136	-	**617,136**	670,000	(52,864)	
Information communication technology	62,048,332	-	**62,048,332**	73,604,588	(11,556,256)	
Integrated development planning	4,852,905	-	**4,852,905**	6,011,500	(1,158,595)	Savings
Internal audit	438,449	-	**438,449**	445,000	(6,551)	
Legal and administration services	2,590,221	-	**2,590,221**	4,118,000	(1,527,779)	ICT equipment delayed
Political office	2,458,358	-	**2,458,358**	4,749,600	(2,291,242)	ICT equipment delayed
Research and Development	38,216	-	**38,216**	50,000	(11,784)	Costs savings measures applied
IS - Roads and civil works	495,727,652	-	**495,727,652**	551,032,215	(55,304,563)	IRPTN project is only on design phase
Solid waste	135,255,271	-	**135,255,271**	147,995,965	(12,740,694)	
Sport recreations arts & culture	90,988,811	-	**90,988,811**	120,711,000	(29,722,189)	Rain delays resulted in loss of 28 days on the OR Tambo porject
IS - Water services	199,069,616	-	**199,069,616**	208,895,547	(9,825,931)	
Ekurhuleni Police department	14,359,373	-	**14,359,373**	21,948,300	(7,588,927)	Delays in awarding tenders for the 2 precinct stations
Metro Parks	104,534,655	-	**104,534,655**	104,642,063	(107,408)	
	1,926,152,998	**-**	**1,926,152,998**	**2,237,722,181**	**(311,569,183)**	**-**

Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Explanation of Significant Variances greater than 5% versus Budget

Ekurhuleni Metropolitan Municipality

APPENDIX F for the ended 30 June 2011
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	n
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No	
Finance Management Grant	NT	1,000,000	-	-	-	480,390	281,547	238,063	-	Yes	
		-	-	-	-	-	-	-	-	Yes	
Transforamtion Grant	NT	-	-	-	-	-	-	-	-	Yes	
		-	-	-	-	-	-	-	-	Yes	
Restructuring Grant	NT	-	-	-	-	-	-	276,904	5,069	Yes	
		-	-	-	-	-	-	-	-	Yes	
LED Grant	DFEA	-	-	-	-	-	112,920	113,510	165,324	Yes	
HIV/AidsGrant	DLG	-	-	-	-	633,674	415,665	(467,425)	667,312	Yes	
Indigent Burials	DLG	-	-	-	-	-	-	-	-	Yes	
Bontle Ke Botle	GDACE	410,000	-	-	-	31,991	119,919	25,636	432,767	Yes	
Environmental & Tourism	GDACE	-	-	-	-	-	-	137,374	253,602	Yes	
		-	-	-	-	-	-	-	-	Yes	
Skills & Development Grant - SETA	LGSETA	2,419,107	20,000	8,855,276	-	2,264,336	174,771	8,845,195	10,081	Yes	
Community Care Programme (door-to-door)	GDSocDev	-	1,436,985	-	-	-	-	1,248,992	639,210	Yes	
Municipal Revenue Enhancement Programme	NT	-	-	-	-	-	-	-	-	Yes	
WSDP	DWAF	-	-	-	-	-	-	-	-	Yes	
Township Initiatives - SRAC	GPDSRAC	1,120,000	5,100,000	-	-	39,602	514,529	1,037,964	2,716,757	Yes	
CMTF	DOT	-	-	-	-	903	-	-	122,044	Yes	
Zonki Trust	GDRTPW	-	-	-	-	-	-	-	-	Yes	
ICLEI- Foreign	ICLEI	-	-	-	-	-	-	-	78,070	Yes	
UEM Danida - Foreign	Govt of Denmark	-	5,000,000	-	-	284,802	976,387	52,943	6,758,157	Yes	
CLGF - Foreign	LondonBorough of Lewinsahm	-	-	-	-	-	-	-	-	Yes	
Xenophobic Assistance	Public Contribution	-	-	-	-	-	-	-	-	Yes	
Demilitarisation Project	DPLG - from Vuna & Public Contribution	-	-	-	-	-	-	-	5,989	Yes	
Indigent management	Public Contribution	-	2,471,277	-	-	-	-	746,218	1,725,059	Yes	
Health (Abedare)	Public Contribution	-	-	-	-	-	38,246	980	4,502	Yes	
OR Tambo Festival - ACSA	Public Contribution	-	-	-	-	-	-	-	-	Yes	
20 OTP	Gauteng Development Housing	-	-	94,845	-	-	-	-	94,845	Yes	
Lethabong Housing Institute	Public Contribution	-	-	-	-	388,748	194,592	-	15,604	Yes	

Tembisa Disaster	Public Contribution	-	-	-	-	-	-	-	-	Yes
PJEC	Various Municipalities Publi Contr	-	-	-	-	-	-	-	-	Yes
Mayoral Golf Day	Public Contribution	-	-	-	-	-	-	-	-	Yes
HAD Urban Renewal	Public Contribution	1,550,000	1,550,000	-	-	-	-	-	-	Yes
Health Subsidies	Gauteng Department of Health	3,333,391	25,473,269	-	84,624,800	3,333,391	25,473,269	-	84,624,800	Yes
Emergency Subsidies	DLPG	26,435,000	-	-	26,435,000	26,435,000	-	-	26,435,000	Yes
SRAC	GPDSRAC	-	-	-	-	-	-	-	-	Yes
Gautrans	GDRTPW	-	-	-	-	-	39,920	-	1,144,461	Yes
Water & Sanitation	DWAT (NT)	-	-	-	-	-	-	-	-	Yes
INEP	DME (NT)	-	10,000,000	15,000,000	-	-	-	5,039,993	21,372,994	Yes
PTIS	DoT	-	10,000,000	(8,400,000)	-	-	811,414	1,482,033	10,837,375	Yes
LED	DFEA	-	9,950,000	-	-	-	-	-	300,000	Yes
Refurbishment of Rental Stock	GDoHousing	-	15,000,000	-	-	-	8,263,156	6,285,944	450,900	Yes
Electricity Demand Management Side	DME	-	20,000,000	5,000,000	-	2,647,600	4,699,866	7,781,107	9,842,848	Yes
Substations Electricity	Public Contributions	-	-	-	-	-	-	-	1,253,416	Yes
PHB	Gauteng Department of Housing	-	-	4,085,286	843,638	652,100	21,881	4,366,216	328,684	Yes
MIG Cities	DPLG (NT0	167,131,000	167,131,000	167,133,000	-	43,784,286	125,108,328	57,485,158	174,402,699	Yes
PHB Interest	Gauteng Deparment of Housing	-	-	-	-	-	-	5,110,587	31,536,424	Yes
Community Care Centre	Gauteng Provincial Gov	-	-	11,000,000	-	3,361,326	5,002,137	3,682,638	12,107,201	Yes
Str Trading Facilities	Gauteng Provincial Gov	-	-	-	-	-	-	-	-	Yes
NDPG	NT	10,229,057	12,262,403	11,543,885	-	5,412,762	15,376,244	7,194,147	6,861,893	Yes
EPWP	DPW	-	-	-	-	-	-	369,484	12,974,967	Yes
Fuel levy	NT	372,255,000	372,255,000	372,255,000	-	372,255,000	372,255,000	372,255,000	-	Yes
Equitable Shares	NT	613,087,185	490,469,748	367,852,000	-	613,087,185	490,469,748	367,852,000	-	Yes
Accreditation Capacity Enhancement	NDoHousing	-	-	-	-	-	-	29,850	148,550	Yes
		1,198,969,740	1,148,119,682	954,419,292	111,903,438	1,075,093,096	1,050,349,539	851,190,511	408,316,604	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.