

CAMDEBOO MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2011

Auditor-General
Issued 31 August 2011

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	Municipality (MFMA)
Mayoral committee	H Makoba
Executive Mayor	A Booysen
	M Blok
Councillors	I J van Zyl
	T J C Eksteen
	T Nonnies
	S J Jankovich-Besan
	D J Coetzee
	F E Sigonyela
	A F Pannies
	A D Gradwell
	J D Swemmer
	M B Meishik
	A R Knott-Craig
Grading of local authority	Grade 3
Province	Eastern Cape
Municipal Manager	M G Langbooi langbooi@camdeboo.gov.za
Chief Finance Officer (CFO)	J Joubert joubertj@camdeboo.gov.za
Registered office	Graaff-Reinet
Business address	Town Hall Square Graaff-Reinet 6280
Postal address	P O Box 71 Graaff-Reinet 6280
Telephone number	049 807 5700
Fax number	049 892 6137
AFS rounding	R (to nearest R1)
Auditors	Auditor-General carynb@agsa.co.za

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Approval of Annual Financial Statements	3
Report of the Chief Financial Officer	4 - 10
Statement of Financial Position	11
Statement of Financial Performance	12
Statement of Changes in Net Assets	13
Cash Flow Statement	14
Accounting Policies	15 - 32
Notes to the Annual Financial Statements	33 - 69

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income statement	70
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	71
Appendix C: Segmental analysis of Property, Plant and Equipment	72
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	73
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	74
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	75

Abbreviations

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
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
MIG	Municipal Infrastructure Grant (Previously CMIP)

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Approval of Annual Financial Statements

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 11 to 69, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M G Langbooi
Municipal Manager

31 August 2011

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

1. Introduction

These 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 standards and pronouncements that form the GRAP Reporting Framework for the 2009/10 financial period is set out in Directive 4 and Directive 5 issued by the Accounting Standards Board (ASB) on 11 March 2009.

Despite having instituted various control measures in order to improve the overall financial results of the municipality, the collection of arrear debt remains a challenge. The increase in the debtors book together with the increased number of indigent customers is indicative of the poverty that exists within the municipal area. However, the on-going reviewing and monitoring of debt collection performance is expected to result in an improvement in the collection of arrears.

2. Key financial indicators

The following indicators give some insight into the financial results of the year under review.

Financial statement ratios:

Indicator	2011	2010
Surplus / (Deficit) before appropriations	16,465,900	19,557,637
Surplus / (Deficit) at the end of the year	-	28,286,880
Expenditure categories as a percentage of total expenses:		
Employee related costs	35.57%	40.01%
Remuneration of councillors	1.55%	1.90%
Collection costs	0.00%	0.20%
Depreciation and amortisation	0.00%	0.00%
Impairment losses	4.44%	0.00%
Repairs and maintenance	3.19%	3.35%
Interest paid	0.00%	0.00%
Bulk purchases	21.64%	22.29%
Contracted services	0.72%	0.79%
Grants and subsidies paid	0.03%	0.09%
General expenses	32.72%	32.00%
Creditors days	30	18
Debtors days	55	38

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

3. Operating results

Details of the operating results per segmental classification of expenditure are included in Appendix "D". The overall operating results for the year ended 30 June 2011 are as follows:

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance	Budgeted 2010/2011	Variance actual / budgeted %
	R	R	%	R	
Income					
Opening surplus (deficit)	28,286,880	8,425,659	235.72%	-	-
Operating income for the year	147,857,706	120,206,329	23.00%	133,019,570	11.15%
Appropriations for the year	-	(123,334)	(100.00)%	-	-
Expenses					
Operating expenditure for the year	131,931,807	100,648,692	31.08%	134,976,598	(2.26)%
Sundry transfers	8,394,337	426,919	1,866.26%	-	-
Closing surplus (deficit)	53,147,116	28,286,881	87.89%	(14,065,924)	-

3.1. Rates and general services

Rates and general services are all types of services rendered by the municipality, excluding those listed below. The main income sources are assessment rates and sundry fees levied.

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance	Budgeted 2010/2011	Variance actual / budgeted %
	R	R	%	R	
Income	217,604,947	92,463,137	135.34%	211,796,838	2.74%
Expenditure	66,108,182	54,539,884	21.21%	64,228,266	2.93%
Surplus / (Deficit)	151,496,765	37,923,253	299.48%	147,568,572	
Surplus / (Deficit) as % of total income	69.62%	41.01%		69.67%	

3.2. Housing services

Housing services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of housing rentals.

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance	Budgeted 2010/2011	Variance actual / budgeted %
	R	R	%	R	
Income	1,385	231,927	(99.40)%	1,385	-
Expenditure	-	-		-	
Surplus / (Deficit)	1,385	231,927	(99.40)%	1,385	
Surplus / (Deficit) as % of total income	100.00%	100.00%		100.00%	

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

3.3. Waste and management services

Waste management services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance	Budgeted 2010/2011	Variance actual / budgeted
	R	R	%	R	%
Income	(10,094,834)	7,714,716	(230.85)%	(14,372,400)	(29.76)%
Expenditure	11,756,521	6,667,381	76.33%	11,541,160	1.87%
Surplus / (Deficit)	(21,851,355)	1,047,335	(2,186.38)%	(25,913,560)	
Surplus / (Deficit) as % of total income	216.46%	13.58%		180.30%	

3.4. Electricity services

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R28,247,506 (2009/2010: R22,439,179). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance	Budgeted 2010/2011	Variance actual / budgeted
	R	R	%	R	%
Income	(46,576,782)	41,723,016	(211.63)%	(50,885,629)	(8.47)%
Expenditure	40,887,778	33,120,428	23.45%	44,682,716	(8.49)%
Surplus / (Deficit)	(87,464,560)	8,602,588	(1,116.72)%	(95,568,345)	
Surplus / (Deficit) as % of total income	187.79%	20.62%		187.81%	

3.5. Water services

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance	Budgeted 2010/2011	Variance actual / budgeted
	R	R	%	R	%
Income	(13,077,010)	10,359,627	(226.23)%	(13,520,624)	(3.28)%
Expenditure	12,639,326	6,320,999	99.96%	14,524,456	(12.98)%
Surplus / (Deficit)	(25,716,336)	4,038,628	(736.76)%	(28,045,080)	
Surplus / (Deficit) as % of total income	196.65%	38.98%		207.42%	

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

4. Financing of capital expenditure

The expenditure on property, plant and equipment during the year amounted to R25,277,680 (2009/2010: R16 390 329). Full details of property, plant and equipment are disclosed in note 6 and appendices "B, C and E(2)" to the annual financial statements.

The capital expenditure of R25,277,680 were financed as follows:

Details	Actual 2010/2011	Actual 2009/2010	Percentage variance %
	R	R	
Capital Replacement Reserve	11,584,166	-	100.00%
Grants and Subsidies	13,693,514	10,434,157	31.24%
Public Contributions	-	3,307	(100.00)%
Own Funds (Accumulated Surplus)	-	5,952,865	(100.00)%
	<u>25,277,680</u>	<u>16,390,329</u>	<u>54.22%</u>

Source of funding as a percentage of total capital expenditure:

Details	2011	2010
Capital Replacement Reserve	45.83%	-
Grants and Subsidies	54.17%	63.66%
Public Contributions		0.02%
Own Funds (Accumulated Surplus)		36.32%

5. Reconciliation of budget to actual

5.1. Rates and general services

Details	2011	2010
	R	R
Variance by category:		
Budgeted surplus before appropriations	(18,422,927)	(14,065,924)
Revenue variances	14,838,136	17,270,389
Expenditure variances:		
- Employee related costs	1,358,837	4,597,704
- Remuneration of councillors	118,994	431,043
- Collection costs	-	2,797,879
- Depreciation and amortisation	-	-
- Impairment loss	(3,829,901)	-
- Repairs and maintenance	2,792,825	551,930
- Interest paid	-	-
- Bulk purchases	2,572,494	2,608,966
- Grants and subsidies paid	16,789	36,039
- General expenses	270,916	4,988,607
- Loss on disposal of property, plant and equipment	-	-
- Contracted services	283,837	341,003
Actual surplus after appropriations	<u>16,465,899</u>	<u>19,557,637</u>

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E(1)".

5.2. Capital budget

Details	Actual 2010/2011	Actual 2009/2010	Budgeted 2010/2011	Variance actual / budgeted
	R	R	R	R
Executive and council	580,743	191,620	2,699,000	(2,118,257)
Finance and administration	627,161	137,007	1,000,000	(372,839)
Health	2,702,689	140,654	6,465,000	(3,762,311)
Public safety	185,562	7,671	240,000	(54,438)
Roads and transport	1,321,339	62,250	1,740,000	(418,661)
Water	17,366,051	7,668,205	24,593,240	(7,227,189)
Electricity	2,494,135	8,255,792	7,027,500	(4,533,365)
	<u>25,277,680</u>	<u>16,463,199</u>	<u>43,764,740</u>	<u>(18,484,060)</u>

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 5% from budget, are included in Appendix "E(2)".

6. Accumulated surplus

The balance of the accumulated surplus is made up as follows:

Capital Replacement Reserve	14,412,219
Self Insurance Fund	5,458,697
Housing Account	2,056,680
Accumulated surplus	<u>31,219,520</u>
	<u>53,147,116</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

7. Long-term liabilities

The municipality does not currently have any long-term liabilities.

8. Retirement benefit liabilities

The outstanding amount of retirement benefit liabilities as at 30 June 2011 was R17,370,090 (30 June 2010: R14,460,236).

This liability is in respect of continued health care benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to note 14 for more detail.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

9. Non-current provisions

Non-current provisions amounted to R8,128,477 as at 30 June 2010 (30 June 2010: R8,666,209) and is made up as follows:

Provision for long-term service	2,028,477
Provision for rehabilitation of land-fill sites	<u>6,100,000</u>
	<u>8,128,477</u>

These provision are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to note 15 for more detail.

10. Current liabilities

Current liabilities amounted to R20,273,347 as at 30 June 2011 (30 June 2010: R26,111,763) and is made up as follows:

Consumer deposits	Note 18	1,377,051
Provisions	Note 13	3,444,200
Creditors	Note 16	6,530,535
Unspent conditional grants and receipts	Note 12	8,018,815
VAT	Note 17	689,448
Bank overdraft	Note 10	<u>213,298</u>
		<u>20,273,347</u>

Current liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no know reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated notes for more detail.

11. Property, plant and equipment

The net value of property, plant and equipment was R41,710,984 as at 30 June 2011 (30 June 2010: R17,089,789).

Refer to note 6 and appendices "B, C and E(2)" for more detail.

12. Investments

The municipality held investments to the value of R40,392,882 as at 30 June 2011 (30 June 2010: R44,473,173).

Refer to note 10 for more detail.

13. Current assets

Current assets amounted R57,189,021 as at 30 June 2011 (30 June 2010: R59,799,935) and is made up as follows:

Inventory	Note 7	2,962,269
Consumer debtors	Note 9	8,016,886
Other debtors	Note 8	5,153,573
Bank balances and cash	Note 10	<u>40,394,922</u>
		<u>57,189,021</u>

The substantial increase in consumer debtors is due to the provision for consumption of metered services from the last reading date to 30 June 2011. Council's Credit Control Policy will have to be applied strictly and adhered to in all circumstances in order to recover monies due to the municipality.

Refer to the indicated notes for more detail.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

14. Inter-governmental grants

The municipality is dependant on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to note 12 and 21, and appendix "F" for more detail.

15. Events after the reporting date

Full details of all known events, if any, after the reporting date are disclosed in note 35.

16. General recognised accounting practice (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format at 30 June 2010 and is now presented as such on continuous basis.

17. Expression of appreciation

We are grateful to the Mayor, Councillors, the Municipal Manager and Heads of Department for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these annual financial statements would not have been possible.

J Joubert
Chief Financial Officer

31 August 2011

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	7	2,962,269	2,791,915
Other receivables from non-exchange transactions	8	5,153,573	3,279,823
Consumer debtors	9	8,016,886	7,119,874
Cash and cash equivalents	10	40,394,922	46,608,325
		56,527,650	59,799,937
Non-Current Assets			
Property, plant and equipment	5	41,710,984	17,089,789
Total Assets		98,238,634	76,889,726
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	16	6,530,535	4,881,251
VAT payable	17	689,448	2,435,695
Consumer deposits	18	1,377,051	1,256,701
Unspent conditional grants and receipts	12	8,018,815	15,185,922
Provisions	13	3,444,200	2,352,196
Bank overdraft	10	213,298	-
		20,273,347	26,111,765
Non-Current Liabilities			
Operating lease liability	6	25,744	-
Retirement benefit liabilities	14	16,663,950	13,824,872
Non-current provisions	15	8,128,477	8,666,209
		24,818,171	22,491,081
Total Liabilities		45,091,518	48,602,846
Net Assets		53,147,116	28,286,880
Net Assets			
Accumulated surplus		53,147,116	28,286,880

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue		142,625,544	115,223,108
Operating expenses		(131,391,807)	(100,648,693)
Operating surplus		11,233,737	14,574,415
Investment revenue	26	5,232,162	4,983,222
Surplus for the year		16,465,899	19,557,637

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	8,425,659	8,425,659
Adjustments		
Prior year adjustments	303,584	303,584
Balance at 01 July 2009 as restated	8,729,243	8,729,243
Changes in net assets		
Surplus for the year	19,557,637	19,557,637
Total changes	19,557,637	19,557,637
Opening balance as previously reported	28,286,880	28,286,880
Adjustments		
Prior year adjustments	(784,102)	(784,102)
Balance at 01 July 2010 as restated	27,502,778	27,502,778
Changes in net assets		
Surplus for the year	16,465,899	16,465,899
Transfers	9,178,439	9,178,439
Total changes	25,644,338	25,644,338
Balance at 30 June 2011	53,147,116	53,147,116
Note(s)		

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		135,208,195	108,474,976
Interest received		5,232,162	3,297,236
		<u>140,440,357</u>	<u>111,772,212</u>
Payments			
Cash paid to suppliers and employees		(122,245,863)	(92,115,292)
Net cash flows from operating activities	31	<u>18,194,494</u>	<u>19,656,920</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(24,621,195)	(17,089,789)
Net increase/(decrease) in cash and cash equivalents		(6,426,701)	2,567,131
Cash and cash equivalents at the beginning of the year		46,608,325	44,041,194
Cash and cash equivalents at the end of the year	10	<u>40,181,624</u>	<u>46,608,325</u>

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

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 accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.1. Significant judgements and sources of estimation

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. Significant judgements include:

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 10 and 41 respectively. Provisions are discounted where the effect of discounting is material.

Offsetting

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

Going concern assumption

The annual financial statements have been prepared on the assumption that the municipality is a going concern and will continue in operation for the foreseeable future.

Presentation currency

The annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and amounts are rounded off to the nearest R1.

Revenue recognition

Accounting policy 9.1 on Revenue from Exchange Transactions and Accounting Policy 9.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities are based on judgement by management.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a) Impairment of financial assets

Accounting policy 5.4 on impairment of financial assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement.

b) Defined benefit plan liabilities

As described in accounting policy 15, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in notes 15 and 16 to the Annual Financial Statements.

c) Operating lease commitments - as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Standards, amendments to standards and interpretations issued but not yet effective

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

GRAP 18 - Segment Reporting	issued March 2005
GRAP 21 - Impairment of Non-cash-generating Assets	issued March 2009
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)	issued February 2008
GRAP 24 - Presentation of Budget Information in Financial Statements	issued November 2007
GRAP 25 - Employee benefits	issued December 2009
GRAP 26 - Impairment of Cash-generating Assets	issued March 2009
GRAP103 - Heritage Assets	issued July 2008
GRAP104 - Financial Instruments	issued October 2009

Application of all the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 allows for the municipality to select applying the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the GRAP 19 on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing appropriate accounting policies dealing with the following transactions, but have not early adopted these standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

The following other standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 - Impairment of Assets - amended version effective 1 January 2010
IAS 39 - Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all the above standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2. Investment property

Investment property is property (land or a building - or part of a building - or both held under a finance lease) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Initial recognition

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

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- land held for a currently undertermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- a building owned and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- a building that is vacant but is held to be leased out under one or more operating leases.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- property being constructed or developed on behalf of third parties;
- owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employee pay rent at market rates) and owner-occupied property awaiting disposal;
- property that is being constructed or developed for future use as investment property;
- property that is leased to another entity under finance lease;
- property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- property held for strategic purposes or service delivery.

Subsequent measurement

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

Transitional provisions

In terms of ASB Directive 4, the municipality is not required to measure investment properties for reporting periods beginning on or after a date within 3 years following the date of initial adoption of GRAP 16. The municipality elects to apply ASB directive 4 for its investment properties, and does not measure its investment properties for the above-mentioned period. However, provisional amounts for investment properties are disclosed in the Annual Financial Statement in accordance with ASB Directive 4.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3. Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement

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

Subsequent to initial recognition, items of property, plant and equipment is stated at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses, where applicable. Infrastructure assets are stated at the depreciated replacement cost.

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

Subsequent to initial recognition, land and buildings are not re-valued.

Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives at year-end:

Property, plant and equipment 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.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

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 or 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.

Item	Years
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20-30
• Water	15-20
• Sewerage	15-20
• Housing	30
• Landfill sites	30
• Community improvements	30
• Recreational facilities	20-30
• Security	5
Other	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other plant and equipment	2-5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate. These were not reviewed in the previous and current financial years as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the year ending 30 June 2011 but must comply with the measurement requirements for the year ending 30 June 2012. It must however identify and correctly classify all PPE on an assets register for the year ending 30 June 2011.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available into use.

Finance leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Heritage assets

These are assets that are defined as culturally significant resources which are not depreciated owing to the uncertainty regarding their estimated useful lives. The municipality applied ASB Directive 4 relating to heritage assets.

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at depreciated replacement cost. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Impairment of cash and non-cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual assets.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GRAP 17. The municipality applied ASB 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the year ending 30 June 2010 but must comply with the measurement requirements for the year ending 30 June 2012. It must however identify and correctly classify all PPE on an assets register for the year ending 30 June 2010.

Landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the municipality's accounting policy on non-current provisions - see accounting policy 11 on Provisions. Rehabilitation costs capitalised to the cost of the landfill site, are written off on a straight-line basis over the estimated useful lives of the site.

Transitional provisions

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GRAP 17. The municipality applied ASB Directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2011 but must comply with the measurement requirements for the year ending 30 June 2012. The estimated useful lives and depreciation methods will be reviewed for the year ended 30 June 2012 (and retrospectively where practicable), and any changes therein will be implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

The municipality did not perform impairment testing on its cash generating assets and non-cash generating assets in the previous financial year. The municipality applied ASB Directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2011 but must comply with the measurement requirements for the year ending 30 June 2012. The testing for impairment of cash generating assets and non-cash generating assets will be performed for the year ending 30 June 2012 in accordance with the requirements of GRAP 21, GRAP 26 and ASB Directive 4.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4. Intangible assets

Initial recognition

Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, where applicable.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement, amortisation and impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

The estimated useful lives and amortisation methods were not reviewed in the current financial year as required by GRAP 102. The municipality also did not perform impairment testing on its intangible assets during the year under review. The estimated useful lives and amortisation methods will be reviewed and impairment testing will be done for the year ended 30 June 2012 (and retrospectively where practicable), and any changes therein will be implemented in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

Derecognition

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

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5. Financial instruments

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

Financial asset - Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in fixed deposits (banking institutions, etc.)
- Long-term receivables
- Consumer debtors
- Certain other debtors
- Short-term investment deposits
- Bank balances and cash

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Financial instrument	Classification
Short-term investment deposits - Call	Loans and receivables
Short-term investment deposits - Notice	Loans and receivables
Bank balances and cash	Loans and receivables
Long-term receivables	Loans and receivables
Other debtors	Loans and receivables
Investment in fixed deposits	Held to maturity investments

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

The classification is dependant on the purpose for which the financial asset is acquired and is as follows:

Financial asset at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the statement of financial performance.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as *Financial assets at fair value through the statement of financial performance, loans and receivables, or held to maturity investments*.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

213298 (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable dates of maturity which the municipality intend and are able to keep to maturity.

Financial liabilities - Classification

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

- Long-term liabilities
- Creditors
- Bank overdraft
- Short-term loans
- Current portion of long-term liabilities
- Consumer deposits

There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Other financial liabilities at amortised cost

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Initial and subsequent measurement

Financial assets

Held-to-maturity investments and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial assets at fair value and available-for-sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial liabilities

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected lifespan of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or liability.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

213298 (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer debtors are stated at cost less a provision for bad debts. The provision is made so that the recoverability of consumer debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment, as the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

De-recognition of financial assets

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

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

De-recognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6. Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee.

Operating leases are those leases that do not fall within the scope of the above definition.

The municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investments outstanding in respect of the leases or instalment sale agreements.

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

The municipality as lessee

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.7. Inventories

Initial recognition

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

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods to be consumed within the municipality are measured at the lower of cost and current replacement cost because they are distributed at no charge or for a nominal charge.

Water is valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

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.

1.8. Non-current assets held for sale and disposal groups

Initial recognition

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

Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets, and is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

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

1.9. Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific events occurs.

The municipality has opted to treat its provision for leave pay as a current provision.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year-end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Long-service awards

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Post-retirement benefits

The municipality provides post-retirement benefits for its employees and councillors.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

Defined contributions plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

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

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is association, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The other Medical Aid Funds, with which the Municipality is associated, do not provide for continued membership.

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

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

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Multi-employer defined benefit plans and defined contribution plans

The municipality contributes to various National-and Provincial-administered Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 39 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.10. Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statements of Financial Performance as a finance cost as it occurs.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

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

- The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.11. Revenue recognition

Revenue comprises the fair value of the remuneration received or receivable for the sale of services or goods in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

Revenue is recognised as follows:

Revenue from exchange transactions

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

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, excepts at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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

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

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.e At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investments.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Tariff charges

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

Income from agency services

Income from 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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

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

Revenue from non-exchange transactions

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

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

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

Revenue from the issuing of summonses is only recognised when collected by the courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue when the summons is issued.

Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

(continued)

Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

1.12. Borrowing costs

The municipality capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Other borrowing costs are recognised as an expense in the Statement of Financial Performance.

It is considered inappropriate to capitalise borrowing costs where the link between funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

1.13. Comparative figures

Current year comparatives

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated except to the extent that it is impracticable to determine either the period-specific effect or the cumulative effect of the amendment. The nature and reason for the restatement is disclosed.

1.14. Unauthorised expenditure

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

1.15. 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 in the year that the expenditure was recorded and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16. Provisions and contingencies

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 Municipality's or Municipal Entities' supply chain management policies. 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.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.17. Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risk and exposure are disclosed as follows:

Credit risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirement. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cashflow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 38 to the Annual Financial Statements.

1.18. Grants and receipts

Grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

Interest on unspent grants is being phased out and no interest will be allocated to any unspent grant from 1 July 2010.

1.19. Grant-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.20. Provisions and contingencies

The municipality is registered with SARS for VAT on the payments basis, in accordance with Sec. 15(2)(a) of the Value-Added Tax Act No 89 of 1991. Due to the fact that the municipality utilises the accrual basis of accounting, VAT is accrued for upon invoicing.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.21. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

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

1.22. Foreign currencies

Transaction in foreign currencies are initially recorded at the prevailing exchange rate on the date of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.23. Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.24. Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. Events after the reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

1.26. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

2. General information

Camdeboo Municipality is a local government institution in the Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2010. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2012.

3. Standards and interpretations in issue not yet adopted

At the date of the authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of non-cash-generating assets - issued March 2009
- GRAP 23 Revenue from non-exchange transactions (taxes and transfers) - issued February 2008
- GRAP 24 Presentation of budget information in financial statements - issued November 2007
- GRAP 25 Employee benefits - issued December 2009
- GRAP 26 Impairment of cash-generating assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

4. Correction of error

Corrections were made during the previous financial years as disclosed on the Statement of Changes in Net Assets. Details of the corrections are described below:

2009/2010

Conditional grants projects completed in prior years

(303,584)

Prior period corrections 2010

(303,584)

2010/2011

Expenditure not provided for

16,774

VAT incorrectly claimed

14,188

Comprehensive infrastructure fund

189,756

Housing income

(26,907)

Salaries and wages

206,452

Debtors correction

383,839

Prior period corrections 2011

784,102

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

5. Property, plant and equipment

The municipality opted take advantage of the transitional provisions as contained in directive 4 of the Accounting Standards Board, issued in March 2009.

The municipality did not measure all property, plant and equipment in accordance with the standard, including the following:

- Land
- Componentised infrastructure assets
- Loose assets

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements;
- Review of the depreciation method applied to PPE recognised in the annual financial statements;
- Review of residual values of item of PPE recognised in the annual financial statements;
- Impairment of non-cash generating assets; and
- Impairment of cash generating assets.

The municipality is currently in a process of identifying all property, plant and equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2012 financial statements. The municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2012.

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	37,968,454	-	37,968,454	16,583,587	-	16,583,587
Loose assets	3,742,530	-	3,742,530	506,202	-	506,202
Total	41,710,984	-	41,710,984	17,089,789	-	17,089,789

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Capital under construction	Total
Infrastructure	16,583,587	10,263,655	11,121,212	37,968,454
Loose assets	506,202	3,236,328	-	3,742,530
	17,089,789	13,499,983	11,121,212	41,710,984

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Capital under construction	Total
Infrastructure	-	15,894,748	688,839	16,583,587
Loose assets	-	495,581	10,621	506,202
	-	16,390,329	699,460	17,089,789

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.

6. Operating lease asset (accrual)

Non-current liabilities	25,744	-
	25,744	-

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

7. Inventories

Consumable stores	2,962,269	2,791,915
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The consumable stores are held for use by the municipality, they are thus held for distribution at no charge or for a nominal charge. The consumable stores are thus measured at the lower of cost and current replacement cost.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure the following inventories:

- Unpurified water
- Water in pipelines
- Land held for sale

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12.15-18 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

8. Other receivables from non-exchange transactions

Assessment rates debtors	10,741,995	9,687,744
Sundry deposits	15,000	15,000
Sundry debtors	216,250	157,539
Government grants and subsidies	1,328,377	-
Accrued interest	84,445	1,218
Less: Provision for impairment	(7,232,494)	(6,581,678)
	5,153,573	3,279,823

Sundry deposits are in respect of cash deposits made to Kudu Motors for the supply of petrol.

The management of the municipality is of the opinion that the carrying value of other debtors approximates their fair values.

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	6,581,678	7,434,520
Contribution to provision	650,816	-
Impairment losses reversed	-	(852,842)
	7,232,494	6,581,678

The provision for bad debts was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The provision for impairment on other debtors (loans and receivables) exists predominantly due to the possibility that these debts will be not be recovered. Loan and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. The provision has now been transferred to provision for impairment on long-term receivables (see note 14).

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

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors		
Gross balances		
Electricity	9,145,787	8,187,969
Housing debtors	5,148,991	5,589,923
Meter readings not billed	1,507,892	1,030,660
Other debtors	872,387	972,513
Refuse	1,377,809	602,340
Sewerage	2,623,007	1,292,483
Unidentified deposits	(988,215)	(318,747)
Water	6,396,733	2,651,153
	26,084,391	20,008,294
Less: Provision for debt impairment		
Electricity	(6,255,151)	(5,015,569)
Housing debtors	(3,463,387)	(3,797,733)
Meter readings not billed	-	-
Other debtors	(774,482)	(455,654)
Refuse	(927,667)	(409,267)
Sewerage	(1,766,048)	(878,192)
Water	(4,880,770)	(2,332,005)
	(18,067,505)	(12,888,420)
Net balance		
Electricity	2,890,636	3,172,400
Housing debtors	1,685,604	1,792,190
Meter readings not billed	1,507,892	1,030,660
Other debtors	97,905	516,859
Refuse	450,142	193,073
Sewerage	856,959	414,291
Unidentified deposits	(988,215)	(318,747)
Water	1,515,963	319,148
	8,016,886	7,119,874
Rates		
Current (0 -30 days)	(1,413,483)	233,195
31 - 60 days	805,266	186,008
61 - 90 days	1,106,860	150,755
91 - 120 days	458,875	153,692
+ 120 days	9,784,477	8,964,094
	10,741,995	9,687,744
Electricity		
Current (0 -30 days)	2,808,882	2,289,906
31 - 60 days	476,605	214,900
61 - 90 days	280,776	147,285
91 - 120 days	189,190	110,510
+ 120 days	5,390,334	5,425,368
	9,145,787	8,187,969

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors (continued)		
Water		
Current (0 -30 days)	737,233	310,796
31 - 60 days	580,787	292,084
61 - 90 days	538,721	298,430
91 - 120 days	475,597	258,096
+ 120 days	4,064,395	1,491,747
	6,396,733	2,651,153
Sewerage		
Current (0 -30 days)	264,611	222,797
31 - 60 days	200,348	149,162
61 - 90 days	173,102	132,551
91 - 120 days	163,919	118,879
+ 120 days	1,821,027	669,094
	2,623,007	1,292,483
Refuse		
Current (0 -30 days)	137,999	90,687
31 - 60 days	104,039	66,139
61 - 90 days	91,548	56,992
91 - 120 days	85,004	52,809
121 - 365 days	959,219	335,712
	1,377,809	602,339
Other debtors		
Current (0 -30 days)	(223,440)	(217,574)
31 - 60 days	59,308	21,202
61 - 90 days	14,806	11,954
91 - 120 days	253,688	11,827
+ 120 days	768,025	1,145,104
	872,387	972,513
Housing debtors		
Current (0 -30 days)	(19,293)	(20,897)
31 - 60 days	43,482	2,449
61 - 90 days	822	2,485
91 - 120 days	815	2,321
+ 120 days	5,123,165	5,603,565
	5,148,991	5,589,923
Summary of debtors by customer classification		
Household		
Current (0 -30 days)	2,209,517	1,599,290
31 - 60 days	1,156,479	659,429
61 - 90 days	1,024,471	594,733
91 - 120 days	1,052,266	537,627
+ 120 days	24,885,094	21,295,963
	30,327,827	24,687,042

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors (continued)		
Industrial/ commercial		
Current (0 -30 days)	709,934	876,659
31 - 60 days	133,457	100,873
61 - 90 days	293,226	51,104
91 - 120 days	87,106	42,137
+ 120 days	1,150,915	828,317
	2,374,638	1,899,090
National and provincial government		
Current (0 -30 days)	(684,540)	340,932
31 - 60 days	964,895	143,006
61 - 90 days	878,674	142,087
91 - 120 days	482,687	122,581
+ 120 days	2,241,032	1,170,821
	3,882,748	1,919,427
Other debtors		
Current (0 -30 days)	57,598	92,030
31 - 60 days	15,002	28,635
61 - 90 days	10,270	12,528
91 - 120 days	5,029	5,789
+ 120 days	(366,404)	339,583
	(278,505)	478,565
Total debtors		
Current (0 -30 days)	2,292,509	2,908,910
31 - 60 days	2,269,834	931,943
61 - 90 days	2,206,641	800,453
91 - 120 days	1,627,088	708,133
+ 120 days	24,920,813	21,240,533
	33,316,885	26,589,972
Less: Provision for debt impairment	(25,299,999)	(19,470,098)
	8,016,886	7,119,874
Reconciliation of provision for impairment of consumer debtors		
Balance at beginning of the year	12,888,419	11,833,457
Contributions to provision	5,179,086	1,054,962
	18,067,505	12,888,419

The municipality received applications that it processes. Deposits are required to be paid for all water and electricity accounts opened. There are no consumers who represent more than 1% of the total balance of consumer debtors.

The management of the municipality is of the opinion that the carrying value of consumer debtors approximates their fair values.

The fair value of consumer debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratios of the municipality's consumer debtors.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

9. Consumer debtors (continued)

Reconciliation of provision for impairment of consumer debtors (including rates)

Opening balance	19,470,098	19,267,977
Impairment losses recognised	5,829,901	202,121
	25,299,999	19,470,098

In determining the recoverability of a consumer debtor, the municipality considers any change in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the provision for impairment.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,040	2,040
Bank balances	-	2,133,113
Call deposits	40,392,882	44,473,172
Bank overdraft	(213,298)	-
	40,181,624	46,608,325
Current assets	40,394,922	46,608,325
Current liabilities	(213,298)	-
	40,181,624	46,608,325

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in bank and investments in Money Market instruments.

Current investment deposits

Call deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5% to 7.5% per annum. Notice deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5% to 7.5% per annum.

Deposits of R8 018 815 (2010: R15 185 922) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R14 412 219 (2010: R5 000 000) are ring-fenced and attributable to the Capital Replacement Account.

Deposits of R2 072 943 (2010: R2 525 226) are ring-fenced and attributable to the Housing Development Account.

Deposits of R5 458 697 (2010: R5 700 369) are ring-fenced and attributable to the Self-Insurance Account.

The municipality had the following bank accounts

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
First National Bank - 52300007898	6,019,078	2,349,691	10,403,460	(213,298)	-	-
ABSA - 4053048940	5,542	18,183	16,211	-	-	-
Total	6,024,620	2,367,874	10,419,671	(213,298)	-	-

The secondary bank account balance was included in the cash book as an uncleared deposit at year-end.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

10. Cash and cash equivalents (continued)

Cash on hand

Cash floats and advances 2,040 2,040

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard.

11. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capital replacement reserve	Self-insurance account	Accumulated surplus (deficit) due to the results of operations	Housing development fund	Total
Opening balance	5,000,000	5,700,369	15,061,285	2,525,226	28,286,880
Insurance costs covered by municipality not covered by AON	-	(241,672)	-	-	(241,672)
Housing payments	-	-	-	(8,372)	(8,372)
Expenditure relating to fallen houses and Aberdeen storm	-	-	-	(460,174)	(460,174)
Contribution to fund	9,415,000	-	-	-	9,415,000
Refund of sale of land - Erf 2136, Umasizakhe	(2,781)	-	-	-	(2,781)
Transfers	-	-	16,158,235	-	16,158,235
	14,412,219	5,458,697	31,219,520	2,056,680	53,147,116

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Capital replacement reserve	Self-insurance account	Accumulated surplus (deficit) due to the results in operations	Housing development fund	Total
Opening balance	5,000,000	5,577,035	(4,444,674)	2,293,296	8,425,657
Transfers	-	-	19,505,959	-	19,505,959
Interest earned on investment re-allocated to account	-	123,334	-	60,791	184,125
Contribution to account re loan extinguished	-	-	-	171,139	171,139
	5,000,000	5,700,369	15,061,285	2,525,226	28,286,880

The capital replacement account is ring-fenced account that was created to finance future capital expenditure. Any expenditure incurred from the account will be replaced through budgeted contributions from the relevant functional area that utilised the funding from the account. The account is fully investment backed but the interest on the investments will not accrue to the account but will form part of the investments revenue of the municipality. Future contributions to increase the capital replacement account will be allowed in the budget, budgetary constraints allowing.

Self-insurance account is a ring-fenced account that was created to protect the municipality against insurable damages not fully covered by the external insurance provider of the municipality. Any expenditure incurred from the account will be replaced through budgeted contributions from the relevant functional area that utilised the funding from the account. The account is fully investment backed but the interest on the investment will not accrue to the account but will form part of the investment revenue of the municipality. Future contributions to increase the self-insurance account will be allowed in the budget, budgetary constraints allowing.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

11. Accumulated surplus (continued)

The housing development account was seen as a statutory fund under IMFO and was maintained in light of the regulatory requirements of the Housing Act, Act 107 of 1997. The account will be utilised purely in line with the original requirements of the Act with the proviso that it will also be utilised to correct any building defects of RDP housing that may be brought to the attention of the municipality in the future. The account is fully investment backed but the interest on the investment will not accrue to the account but will form part of the investment of the municipality.

All movements relating to the ring-fenced accounts form part of the Statement of Financial Position. Refer to Statement of Changes in Net Assets for more detail and the movement on accumulated surplus.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Conditional grants - Other	3,859,678	521,449
Conditional grants from Government	4,159,137	14,664,473
	8,018,815	15,185,922

See note 21 for the reconciliation of Grants. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Refer to Appendix "F" for more detail on conditional grants.

13. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Contributions to provision	Expenditure incurred	Transfer from non-current	Total
Bonuses	1,431,713	685,713	-	-	2,117,426
Current portion of post-retirement health care benefits liability	635,364	-	(635,364)	706,140	706,140
Current portion of long-term service	285,119	-	(285,119)	620,634	620,634
	2,352,196	685,713	(920,483)	1,326,774	3,444,200

Reconciliation of provisions - 2010

	Opening Balance	Contribution to provision	Expenditure incurred	Transfer from non-current	Total
Bonuses	997,783	433,930	-	-	1,431,713
Current portion of post-retirement health care benefits liability	568,368	-	(568,368)	635,364	635,364
Current portion of long-term service	357,406	-	(357,406)	285,119	285,119
	1,923,557	433,930	(925,774)	920,483	2,352,196

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
14. Retirement benefit liabilities		
Post-retirement health care benefits liability		
Balance at beginning of year	14,460,236	12,580,321
Contributions to provision	2,909,854	1,879,915
Balance at end of year	17,370,090	14,460,236
Transfer to current provisions	(706,140)	(635,364)
Total post-retirement health care benefits liability	16,663,950	13,824,872

The municipality provides certain post-retirement health care benefits by fund the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Arch Actuarial Services. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment health care benefit plan are made up as follows:

In-service employee members	161	160
In-service employee non-members	141	148
Continuation members (retirees, widowers and orphans)	29	28
	331	336

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

In-service members	6,898,444	5,797,716
Continuation members	10,471,646	8,662,520
	17,370,090	14,460,236

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

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

The current-service cost for the year ending 30 June 2011 is estimated to be R426 351, whereas interest-cost for the year is estimated to be R1 302 000, the cost for the ensuing year is estimated to be R 536 457 and R1 463 300 respectively (2010: R361 212 and R1 186 046 respectively).

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

Discount rate	8.60%	9.20%
Health care cost inflation rate	7.26%	7.21%
Net effective discount rate	1.25%	1.86%
Expected retirement age - Females	63	63
Expected retirement age - Males	63	63

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
14. Retirement benefit liabilities (continued)		
Movements in the present value of the defined benefit obligation were as follows:		
Balance at the beginning of the year	14,460,236	13,148,689
Current service costs	426,351	361,212
Interest cost	1,301,964	1,186,046
Benefits paid	(635,364)	(568,368)
Actuarial losses (gains)	1,816,903	332,657
Present value of fund obligation at the end of the year	17,370,090	14,460,236
Actuarial losses (gains) unrecognised	-	-
Total recognised benefit liability	17,370,090	14,460,236

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

Current service cost	426,351	361,212
Interest cost	1,301,964	1,186,046
Actuarial gains	1,816,903	332,657
Total post-retirement benefit included in employee related costs	3,548,218	1,879,915

The history of experienced adjustment is as follows:

	2011 R	2010 R	2009 R
Present value of defined benefit obligation	17,370,090	14,460,236	13,148,689
Fair value of plan assets	-	-	-
Deficit	17,370,090	14,460,236	12,928,028

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	136,400	271,800
Effect on the defined benefit obligation	2,040,600	2,161,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(287,000)	(218,400)
Effect on the defined benefit obligation	(1,489,000)	(1,776,000)

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
15. Non-current provisions		
Provision for long service awards	2,028,477	1,884,409
Provision for rehabilitation of land-fill sites	6,100,000	6,781,800
Total non-current provisions	8,128,477	8,666,209

Reconciliation of non-current provisions - 2011

	Opening Balance	Contributions to provision	Expenditure incurred	Transfer to current provisions	Total
Long service awards	1,884,409	764,702	-	(620,634)	2,028,477
Land-fill sites	6,781,800	-	(681,800)	-	6,100,000
	8,666,209	764,702	(681,800)	(620,634)	8,128,477

Reconciliation of non-current provisions - 2010

	Opening Balance	Contributions to provision	Expenditure incurred	Transfer to current provisions	Total
Long service awards	1,730,669	438,859	-	(285,119)	1,884,409
Land-fill sites	5,116,000	1,678,560	(12,760)	-	6,781,800
	6,846,669	2,117,419	(12,760)	(285,119)	8,666,209

Long service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year-end, 316 (2010: 314) employees were eligible for long-service awards.

The current service cost for the year is estimated to be R304 831 (2010: R297,396), whereas the interest-costs for the current year is estimated to be R184 229 (2010: R175,170).

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

Discount rate	7.68%	9.08%
Cost inflation rate	6.24%	5.41%
Net effective discount rate	1.35%	2.51%
Expected rate of salary increase	6.08%	6.41%
Expected retirement age - Females	63	63
Expected retirement age - Males	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	2,169,528	2,088,075
Current service costs	304,831	297,396
Interest cost	184,229	175,170
Benefits paid	(285,119)	(357,406)
Actuarial losses (gains)	275,642	(33,707)
	2,649,111	2,169,528
Present value of fund obligation at the end of the year		
Actuarial losses (gains) unrecognised	-	-
Total recognised benefit liability	2,649,111	2,169,528

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
15. Non-current provisions (continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Present value of fund obligations	2,649,111	2,169,528
Unfunded accrued liability	2,649,111	2,169,528
Unrecognised actuarial gains (losses)	-	-
Total benefit liability	2,649,111	2,169,528
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	304,831	297,396
Interest cost	184,229	175,170
Actuarial losses (gains)	275,642	(33,707)
Total post-retirement benefit included in employee related costs	764,702	438,859

The history of experienced adjustment is as follows:

	2011 R	2010 R	2009 R
Present value of defined benefit obligation	2,649,111	2,169,528	2,088,075
Fair value of plan assets	-	-	-
Deficit	2,649,111	2,169,528	2,088,075
Experienced adjustments on plan liabilities	96,249	(23,929)	-
Experienced adjustments on plan assets	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	385,673	23,137
Effect on the defined benefit obligation	514,673	129,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(346,979)	(20,881)
Effect on the defined benefit obligation	(465,979)	(119,000)

Landfill-sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R6.6 million (2010: R6,6 million) to restore the site at the end of its useful life. Provision has been made for the net present value of the cost, using the average cost of borrowing interest rate.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
16. Trade and other payables from exchange transactions		
Trade payables	4,418,017	1,869,662
Other creditors	1,438	7,001
Retentions	94,586	505,785
Accrued leave pay	1,683,129	2,238,688
Payments received in advance	333,365	260,115
	6,530,535	4,881,251

The average credit period on purchases is 30 days from the receipts of the invoice or statement as determined by the MFMA.

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

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

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

17. VAT payable

VAT payable	689,448	2,435,695
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The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991. Due to the fact that the municipality utilises the accrual basis of accounting, VAT is accrued for upon invoicing.

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

18. Consumer deposits

Electricity and water	1,377,051	1,256,701
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximates their fair values.

The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
19. Property rates		
Rates received		
Residential	7,433,442	4,711,599
Commercial	3,525,592	4,145,684
State	3,671,563	2,572,044
Small holdings and farms	928,026	1,041,721
Industrial	219,398	-
Multiple	224,143	-
	16,002,164	12,471,048

Valuations

Residential	1,194,661,161	1,197,865,300
Commercial	384,591,600	441,920,600
State	367,194,100	367,434,800
Municipal	174,925,500	175,115,000
Small holdings and farms	967,511,200	977,334,500
Exempted properties	105,734,400	106,634,400
Industrial	21,939,800	-
Multiple	22,433,800	-
	3,238,991,561	3,266,304,600

Assessment rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual values due to alterations and subdivisions.

The last valuation came into effect on 1 July 2009

An average general rate of c/R0.005 is applied to property valuations to determine assessment rates.

Rebates were allowed in line with the Rates Policy of the Council.

Rates are levied monthly on property owners and are payable the 16th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts. No interest on the 2010/2011 rates assessment was raised in line with the Rates Policy of Council.

20. Service charges

Service charges	(685,969)	-
Sale of electricity	46,243,002	36,671,492
Sale of water	13,702,185	8,272,206
Sewerage and sanitation charges	6,605,704	4,403,601
Refuse removal	3,429,445	2,488,431
Other service charges	341,237	4,252,358
	69,635,604	56,088,088

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

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Government grants and subsidies		
Equitable share	29,339,213	23,458,633
Government grant	16,715,433	5,074,981
Electricity Infrastructure - DME	-	6,704,931
Finance Management Grant - National Treasury	-	985,583
Housing Projects	600,873	604,931
Integrated Development Plan	431,137	372,962
Local Economic Development Office	426,526	311,147
MIG	-	2,398,984
MSIG - Ward Participation Assistance	-	40,570
MIG - Project Management Unit	335,420	732,349
Thina Sinako	7,906	7,906
Town Planning Project	166,455	166,455
Vuna Awards	-	2,420
Fonteinbos	1,870,656	1,911,233
Review of Water Services Development Plan	23,246	175,000
Water Conservation and Demand Management Plan	32,774	250,000
Aloe Project	29,479	77,095
Free Protestant Church Cemetary	11,072	16,598
Cradock Street Cemetary	19,126	19,126
Laing Estate	-	408,628
Comprehensive Infrastructure Plan	189,756	-
Lotto	3,800,000	-
Voting Stations	74,388	-
	54,073,460	43,719,532

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Information Technology Grant

Balance unspent at beginning of year	-	10,496
	-	10,496

Conditions still to be met - remain liabilities (see note 12)

Electricity Infrastructure - DME

Balance unspent at beginning of year	6,704,931	4,810,345
Received during the year	-	6,000,000
Conditions met - transferred to revenue: Operating expenses	-	(29,742)
Conditions met - transferred to revenue: Capital expenses	(2,675,948)	(3,627,439)
Conditions met - transferred to revenue: WIP	(243,192)	-
Conditions met - transferred to revenue: Other	(3,785,791)	-
Project completed - transferred to revenue	-	(448,233)
	-	6,704,931

Conditions still to be met - remain liabilities (see note 12)

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
Finance Management Grant - National Treasury		
Balance unspent at beginning of year	985,583	1,690,459
Received during the year	2,000,000	2,000,000
Conditions met - transferred to revenue: Operating expenses	(2,417,057)	(2,619,358)
Conditions met - transferred to revenue: Capital expenses	(568,526)	(85,518)
	-	985,583
Conditions still to be met - remain liabilities (see note 12)		
Housing Projects		
Balance unspent at beginning of year	604,931	604,226
Received during the year	-	2,200
Conditions met - transferred to revenue: Operating expenses	(4,058)	(1,495)
	600,873	604,931
Conditions still to be met - remain liabilities (see note 12)		
Integrated Development Plan		
Balance unspent at beginning of year	372,962	348,956
Received during the year	350,000	71,700
Conditions met - transferred to revenue: Operating expenses	-	(47,694)
Conditions met - transferred to revenue: Capital expenses	(5,298)	-
	431,137	372,962
Conditions still to be met - remain liabilities (see note 12)		
Local Economic Development Office		
Balance unspent at beginning of year	311,147	437,000
Received during the year	350,000	-
Conditions met - transferred to revenue: Operating expenses	(227,166)	(8,178)
Conditions met - transferred to revenue: Capital expenses	(7,455)	(117,675)
	426,526	311,147
Conditions still to be met - remain liabilities (see note 12)		
MIG		
Balance unspent at beginning of year	2,398,983	1,159,085
Current-year receipts	7,530,198	7,222,423
Conditions met - transferred to revenue: Operating expenses	-	(62,422)
Conditions met - transferred to revenue: Capital expenses	(6,247,227)	(6,543,150)
Conditions met - transferred to revenue: WIP	(3,681,954)	(688,838)
Project completed - transferred to revenue	-	1,311,885
	-	2,398,983
Conditions still to be met - remain liabilities (see note 12)		

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
MSIG - Fixed Asset Register		
Balance unspent at beginning of year	-	154,444
Project completed - transferred to revenue	-	(154,444)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
MSIG - General Valuations on Properties		
Balance unspent at beginning of year	-	192,866
Received during the year	-	410,000
Conditions met - transferred to revenue: Operating expenses	-	(602,866)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
MSIG - Ward Participation Assistance		
Balance unspent at beginning of year	40,570	9,188
Received during the year	750,000	90,000
Conditions met - transferred to revenue: Operating expenses	(790,570)	(93,527)
Project completed - transferred to revenue	-	34,909
	-	40,570
Conditions still to be met - remain liabilities (see note 12)		
MIG - Project Management Unit		
Balance unspent at beginning of year	732,349	221,112
Received during the year	-	889,739
Conditions met - transferred to revenue: Operating expenses	(384,248)	(366,705)
Conditions met - transferred to revenue: Capital expenses	(12,681)	-
Conditions met - transferred to revenue: WIP	-	(11,797)
	335,420	732,349
Conditions still to be met - remain liabilities (see note 12)		
Thina Sinako		
Balance unspent at beginning of year	7,906	67,315
Received during the year	-	-
Conditions met - transferred to revenue: Operating expenses	-	(97,185)
Interest received	-	37,777
	7,906	7,906
Conditions still to be met - remain liabilities (see note 12)		

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
Town Planning Project		
Balance unspent at beginning of year	166,455	362,705
Conditions met - transferred to revenue:	-	(196,250)
Operating expenses		
	166,455	166,455
Conditions still to be met - remain liabilities (see note 12)		
Vuna Awards		
Balance unspent at beginning of year	2,420	300,372
Received during the year	190,000	-
Conditions met - transferred to revenue:	(192,420)	(214,113)
Operating expenses		
Conditions met - transferred to revenue:	-	(83,839)
Capital expenses		
	-	2,420
Conditions still to be met - remain liabilities (see note 12)		
Fonteinbos		
Balance unspent at beginning of year	1,911,233	-
Received during the year	-	2,000,000
Conditions met - transferred to revenue:	(40,577)	(88,767)
Operating expenses		
	1,870,656	1,911,233
Conditions still to be met - remain liabilities (see note 12)		
Review of Water Services Development Plan		
Balance unspent at beginning of year	175,000	-
Received during the year	-	175,000
Conditions met - transferred to revenue:	(151,754)	-
Operating expenses		
	23,246	175,000
Conditions still to be met - remain liabilities (see note 12)		
Water Conservation and Demand Management Plan		
Balance unspent at beginning of year	250,000	-
Received during the year	-	250,000
Conditions met - transferred to revenue:	(217,226)	-
Operating expenses		
	32,774	250,000
Conditions still to be met - remain liabilities (see note 12)		

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
Aloe Project		
Balance unspent at beginning of year	77,095	491,053
Conditions met - transferred to revenue:	(47,616)	(453,638)
Operating expenses		
Interest received	-	39,680
	29,479	77,095
Conditions still to be met - remain liabilities (see note 12)		
Free Protestant Church Cemetary		
Balance unspent at beginning of year	16,598	15,187
Conditions met - transferred to revenue:	(5,526)	-
Operating expenses		
Interest received	-	1,412
	11,072	16,598
Conditions still to be met - remain liabilities (see note 12)		
Cradock Street Cemetary		
Balance unspent at beginning of year	19,126	17,500
Interest received	-	1,627
	19,126	19,126
Conditions still to be met - remain liabilities (see note 12)		
Laing Estate		
Balance unspent at beginning of year	408,628	415,328
Conditions met - transferred to revenue:	(183,008)	(42,002)
Operating expenses		
Conditions met - transferred to revenue:	(225,620)	(3,307)
Capital expenses		
Interest received	-	38,610
	-	408,628
Conditions still to be met - remain liabilities (see note 12)		
Comprehensive Infrastructure Plan		
Balance unspent at beginning of year	-	-
Received during the year	189,756	-
	189,756	-
Conditions still to be met - remain liabilities (see note 12)		

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
Voting stations		
Balance unspent at beginning of year	-	-
Received during the year	100,000	-
Conditions met - transferred to revenue:	(25,612)	-
Capital expenses	-	-
Interest received	-	-
	74,388	-
Conditions still to be met - remain liabilities (see note 12)		
Lotto		
Balance unspent at beginning of year	-	-
Received during the year	3,800,000	-
	3,800,000	-
Conditions still to be met - remain liabilities (see note 12)		
22. Other income		
Housing loan extinguished	-	171,139
Other income	195,942	59,512
Donations	172,765	3,307
Private work done	261,706	371,010
Tender documents	66,920	-
	697,333	604,968

The amounts disclosed above for other income are in respect of services, other than described in notes 11 and 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental recoveries are received from other trading and economic services.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
23. General expenses		
Advertising	293,728	373,423
Auditors remuneration	2,176,315	1,152,761
Bank charges	230,612	190,492
Consulting and professional fees	97,995	420,072
Contribution to capital budget	1,800,000	-
Contribution IGG Rec's	8,055,166	6,052,862
Contribution to capital replacement reserve	7,615,000	-
Entertainment	132,993	123,390
Expenditure under capital budget	3,814,527	4,418,847
Fund expenditure	-	224,524
Grant expenditure not capital	1,861,612	5,008,911
Insurance	841,596	642,679
Lease rentals on operating lease	214,396	-
Levies: SALGA	328,609	293,008
Levy - Water research	288,344	216,423
Materials and stock	1,258,066	1,069,268
Municipal service charges	7,606,338	5,794,771
Postage and courier	280,560	245,115
Prepaid commission	108,621	130,407
Provisions	1,438,307	1,678,560
Publicity - Assistance to Publicity Association	125,000	120,000
Running costs of vehicles	1,963,107	1,516,703
Subscriptions and membership fees	279,827	282,960
Telephone and fax	958,301	826,566
Testing biological samples	7,134	11,719
Training courses	306,753	129,298
Travelling and subsistence	383,175	382,392
Work done for private people and charged out	525,989	256,174
	42,992,071	31,561,325

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

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
24. Employee related costs		
Basic	32,696,410	28,343,038
Travel, motor car, accommodation, subsistence and other allowances	605,373	834,472
Employee related costs - Contributions to UIF, pensions and medical aids	8,771,623	7,758,491
Overtime payments	1,467,104	1,371,831
Defined benefit plan expense: Net actuarial (gains) losses recognised	3,389,437	1,961,368
	46,929,947	40,269,200

No advances were made to employees.

Remuneration of municipal manager

Annual Remuneration	650,694	670,376
Car Allowance	78,979	-
Bonus	115,490	-
Contributions to UIF, Medical and Pension Funds	114,183	112,612
	959,346	782,988

Remuneration of chief finance officer

Annual Remuneration	562,641	618,126
Car Allowance	120,000	-
Bonus	81,764	-
Contributions to UIF, Medical and Pension Funds	5,046	9,942
	769,451	628,068

Remuneration of the director: Corporate Services

Annual Remuneration	342,004	551,201
Contributions to UIF, Medical and Pension Funds	50,122	76,867
	392,126	628,068

Remuneration of the director: Infrastructure

Annual Remuneration	537,730	517,263
Car Allowance	64,687	110,805
Bonus	81,764	-
Contributions to UIF, Medical and Pension Funds	93,324	-
	777,505	628,068

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June 2011.

25. Remuneration of councillors

Executive Major	301,573	276,475
Councillors	1,618,172	1,614,449
Sundry allowances (Cellular phones, etc)	119,683	24,768
	2,039,428	1,915,692

In-kind benefits

The Councillor occupying the position of Mayor is provided with office accommodation and secretarial support at the expense of the municipality in order to enable him to perform his official duties.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

	2011	2010
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25. Remuneration of councillors (continued)

The Mayor has use of a Council owned vehicle for official duties.

26. Investment revenue

Interest revenue

Bank	182,556	239,432
Investments	2,964,866	3,057,805
Property rates: Penalties imposed and collection charges	771,396	766,293
Outstanding debtors: Outstanding billing debtors	1,313,344	919,692
	5,232,162	4,983,222

Available-for-sale financial assets	3,147,422	3,297,238
Loans and receivables	2,155,122	1,685,985
	5,302,544	4,983,223

27. Rental of facilities and equipment

Rental revenue from buildings	151,768	145,906
Rental revenue from halls	153,206	74,080
Rental revenue from other facilities	161,071	152,617
	466,045	372,603

Rental revenue earned on facilities and equipment in respect of non-financial assets rented out.

28. Grants and subsidies paid

Bursaries - Students	3,363	5,075
Grants, donations and special functions	22,848	70,386
Other	18,000	18,000
	44,211	93,461

29. Bulk purchases

Electricity	28,427,506	22,439,178
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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

30. Discontinued Operations

No operations have been discontinued.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
31. Cash generated from operations		
Surplus	16,465,899	19,557,637
Adjustments for:		
Debt impairment	5,829,901	202,121
Movements in operating lease assets and accruals	25,744	-
Movements in provisions	1,092,004	2,851,202
Correction of prior period error	(784,102)	303,584
Contributions to ring-fenced accumulated surplus accounts	9,178,436	(242,056)
Changes in working capital:		
Inventories	(170,354)	(195,560)
Other receivables from non-exchange transactions	(1,873,750)	-
Consumer debtors	(6,726,913)	(5,959,362)
Trade and other payables from exchange transactions	1,649,287	(574,947)
VAT	(1,746,247)	-
Unspent conditional grants and receipts	(7,167,107)	538,218
Consumer deposits	120,350	111,992
Retirement benefit liabilities	2,839,078	1,244,551
Non-current provisions	(537,732)	1,819,540
	18,194,494	19,656,920
32. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	8,315,000	1,173,069
• Other	-	25,897
	8,315,000	1,198,966
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	255,089	-
- in second to fifth year inclusive	328,084	-
	583,173	-

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of 36 months. No contingent rent is payable.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

33. Related parties

33.1. Related parties relationships

Councillors and/or management of the municipality have no relationships with business.

33.2. Services rendered to related parties

	Rate charges R	Service charges R	Sundry charges R	Outstanding balances R
For the year ended 30 June 2011:				
Councillors	18,277	115,183	132,862	122,621
Municipal managers and Section 57 Personnel	8,635	22,182	-	(288)
	26,912	137,365	132,862	-
For the year ended 30 June 2010:				
Councillors	10,741	31,208	4,964	7,999
Municipal managers and Section 57 Personnel	4,158	13,231	-	2,951
	14,899	44,439	4,964	10,950

34. Comparative figures

The comparative figures were restated as a result of the effect of changes in accounting policies and prior period errors.

35. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

36. Unauthorised expenditure

Waste management budget figure was R11,541,160 while the actual expenditure incurred for the year was R11,756,521.

Provision for landfill sites rehabilitation budget figure was R500,000 while the actual provision was R1,438,307. The budget was in line with the prior year movement.

37. Fruitless and wasteful expenditure

To management's best of knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.

38. Irregular expenditure

Opening balance	2,245,957	2,130,677
Add: Irregular Expenditure - current year	-	115,280
	2,245,957	2,245,957

39. In-kind donations and assistance

The municipality received R172 765. This is a security detection system for the libraries from DSRAC.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
40. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	242,515	230,745
Amount paid - current year	(242,515)	(230,745)
	-	-
Audit fees		
Current year subscription / fee	2,086,117	1,242,287
Amount paid - current year	(2,086,117)	(1,242,287)
	-	-
PAYE and UIF		
Current year subscription / fee	3,946,542	3,238,395
Amount paid - current year	(3,946,542)	(3,238,395)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	12,305,832	10,749,681
Amount paid - current year	(12,305,832)	(10,749,681)
	-	-
VAT		
VAT payable	689,448	2,435,695

VAT inputs receivables and VAT outputs receivables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor I J van Zyl	224	-	224
Councillor T J C Eksteen	1,187	-	1,187
Councillor A R Knott-Craig	1,104	28,957	30,061
Councillor M B Meishik	1,271	6,473	7,744
Councillor A D Gradwell	1,575	17,980	19,555
Councillor H Makoba	422	-	422
Councillor A F Pannies	574	-	574
Councillor A Booysen	-	31,326	31,326
Councillor M Blok	-	30,456	30,456
Councillor D J Coetzee	760	94	854
Councillor S J Jankovich-Besan	1,505	-	1,505
	8,622	115,286	123,908

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010	
40. Additional disclosure in terms of Municipal Finance Management Act (continued)			
30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor T Eksteen	-	1,462	1,462
Councillor A R Knott-Craig	-	3,965	3,965
Councillor J P Reid	115	-	115
Councillor V G Jacobs	-	1,559	1,559
	115	6,986	7,101

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Non-compliance with chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

41. Financial instruments

41.1. Classification

Financial assets:

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Financial assets	Classification		
Consumer debtors			
Electricity	Loans and receivables	2,890,636	3,172,400
Refuse	Loans and receivables	450,142	193,073
Sewerage	Loans and receivables	856,959	414,291
Meter readings not billed	Loans and receivables	1,507,892	1,030,660
Water	Loans and receivables	1,515,963	319,148
Housing debtors	Loans and receivables	1,685,604	1,602,456
Other debtors	Loans and receivables	(890,310)	389,064
Other debtors			
Assessment rates	Loans and receivables	3,509,501	3,106,066
Sundry deposit	Loans and receivables	-	-
Sundry debtors	Loans and receivables	1,644,072	157,538
Bank, cash and cash equivalents			
Funds on deposit	Loans and receivables	40,392,882	444,731,736
Bank balances	Loans and receivables	-	2,133,113
Cash floats and advances	Loans and receivables	2,040	2,040
		53,565,381	57,008,021

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand		2011	2010
41. Financial instruments (continued)			
Summary of financial assets			
Loans and receivables			
Consumer debtors	Electricity	2,890,636	3,172,400
Consumer debtors	Refuse	450,142	193,073
Consumer debtors	Sewerage	856,959	414,291
Consumer debtors	Meter readings not billed	1,507,892	1,030,660
Consumer debtors	Water	1,515,963	319,148
Consumer debtors	Housing debtors	1,685,604	1,602,456
Consumer debtors	Other debtors	(890,310)	389,064
Other debtors	Assessment rates	3,509,501	3,106,066
Other debtors	Sundry deposits	15,000	15,000
Other debtors	Sundry debtors	216,250	157,538
Other debtors	Accrued interest	84,445	157,538
Other debtors	Government grants and subsidies	1,328,377	-
Bank, cash and cash equivalents	Funds on investments	40,392,882	44,473,173
Bank, cash and cash equivalents	Bank accounts	-	2,133,113
Bank, cash and cash equivalents	Cash floats and advances	2,040	2,040
		53,565,381	57,008,021

Financial liabilities:

In accordance with IAS 39.09 the financial liabilities of the municipality are classified as follows:

Financial liabilities	Classification		
Long-term liabilities			
Electricity and water	Financial liabilities at amortised cost	1,377,051	1,256,702
Creditors			
Trade creditors	Financial liabilities at amortised cost	4,418,017	1,869,660
Payments received in advance	Financial liabilities at amortised cost	333,365	260,114
Retentions	Financial liabilities at amortised cost	94,586	505,785
Leave pay	Financial liabilities at amortised cost	1,683,129	2,238,688
Other creditors	Financial liabilities at amortised cost	1,438	7,002
Unspent conditional grants and receipts	Financial liabilities at amortised cost	8,018,815	15,185,922
VAT payable			
VAT control accounts	Financial liabilities at amortised cost	689,448	2,425,887
Bank overdraft	Payables	213,298	-
		16,829,147	23,749,758

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010	
41. Financial instruments (continued)			
Summary of financial liabilities			
Financial liabilities at amortised cost			
Consumer deposits	Electricity and water	1,377,051	1,256,702
Creditors	Trade creditors	4,418,017	1,869,660
Creditors	Payments received in advance	333,365	260,114
Creditors	Retentions	94,586	505,785
Creditors	Leave pay	1,683,129	2,238,688
Creditors	Other creditors	1,438	7,002
Unspent conditional grants and receipts	National government grants	8,018,815	15,185,922
VAT payable	VAT control accounts	689,448	2,425,887
Bank overdraft	Bank overdraft	213,298	2,425,887
		16,829,147	23,749,758

41.2. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest.
- the fair value of long-term liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.
- the management of the municipality is of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

	30 June 2011 Carrying amount R	Fair value R	30 June 2010 Carrying amount R	Fair value R
Financial assets				
Loans and receivables				
Funds held on deposit	40,392,882	40,392,882	44,473,172	44,473,172
Bank balances and cash	2,040	2,040	2,135,153	2,135,153
Consumer debtors	7,825,870	7,825,870	7,121,092	7,121,092
Other debtors	5,153,573	5,153,573	3,278,604	3,278,604
	53,374,365	53,374,365	57,008,019	57,008,019
Financial liabilities				
Bank overdraft				
	213,298	213,298	-	
Trade and other payables				
- Consumer deposits	1,377,051	1,377,051	1,256,701	1,256,701
- Creditors	6,339,520	6,339,520	4,881,248	4,881,248
- Grants	8,018,815	8,018,815	15,185,922	15,185,922
- VAT payable	689,448	785,484	2,425,887	2,425,887
	16,638,132	16,638,132	23,749,758	23,749,758
Total financial instruments	37,492,584	37,492,584	33,258,263	33,258,263

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

41. Financial instruments (continued)

41.3. Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debts, which includes long-term liabilities disclosed in note 15, bank, cash and cash equivalents and equity, comprising funds, reserves and accumulated surplus as disclosed in note 11 and the Statement of Changes in Net Assets.

Equity includes all funds and reserves of the municipality, disclosed as net assets in the Statement of Financial Performance.

41.4. Financial risk management objectives

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

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

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

41.5. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the Annual Financial Statements.

41.6. Market risk

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

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

41.6.1. Foreign currency risk management

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

41.6.2. Interest rate risk management

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

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investments operations by only dealing with well-established financial institutions of high credit standing.

No investment with a tenure exceeding twelve months shall be made without consultations with the councillor responsible for financial matters.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

41. Financial instruments (continued)

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charged", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at balance sheet date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality's exposures to interest rates on financial assets and financial liabilities are detailed in the risk management section of this note.

41.7. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which as built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements.

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

41.8. Effective interest rates and repricing analysis

In accordance with IFRS 7.40 the following tables indicate the average effective interest rates of income-earning financial assets and interest-bearing financial liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2011

	Note ref in AFS	Average effective interest rate	Total	6 months or less
	#	%	R	R
Fixed rate instruments				
Loans and receivables			44,473,173	44,473,173
Funds held on deposit	5	5% - 7.5%	44,473,173	44,473,173
Total fixed rate instruments			44,473,173	44,473,173
Variable rate instruments				
Bank balances and cash	5	3% - 4.5%	2,135,152	2,135,152
Total variable rate instruments			2,135,152	2,135,152

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010		
41. Financial instruments (continued)				
30 June 2010				
	Note ref in AFS	Average effective interest rate	Total	6 months or less
	#	%	R	R
Fixed rate instruments				
Loans and receivables			40,392,882	40,392,882
Funds held on deposit	5	5.6% - 6.65%	40,392,882	40,392,882
Total fixed rate instruments			40,392,882	40,392,882
Variable rate instruments				
Bank balances and cash		3% - 4.5%	2,135,152	2,135,152
Total variable rate instruments			2,135,152	2,135,152

41.9. Credit risk management

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

41.10. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties is monitored regularly.

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

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing.

The credit exposure to any single counterparty is managed by setting transactions/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality.

Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

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

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

41. Financial instruments (continued)

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

The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Long-term receivables	-	-
Consumer debtors	8,016,886	7,121,092
Other debtors	5,153,573	3,278,604
Bank, cash and cash equivalents	40,394,922	46,608,325
Maximum credit and interest risk exposure	53,565,381	57,008,021

Credit quality of 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:

Counterparties without external credit rating:

Consumer debtors	Group 3	7,825,870	32,199,692
Total consumer debtors		7,825,870	32,199,692

Investments:

Investments	Group 1	40,394,922	44,473,173
Total investments		40,394,922	44,473,173

Bank balances:

ABSA Bank	Group 1	-	-
First National Bank	Group 1	(213,298)	2,133,112
Total bank balances		(213,298)	2,133,112

Credit quality of groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

41. Financial instruments (continued)

None of the financial assets that are fully performing have been renegotiated in the last year.

Multi-employer retirement benefits information:

Camdeboo Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belongs to different pension schemes.

All councillors belong to the Pension fund for Municipal Councillors.

Employees belong to a variety of approved pension and provident funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and deined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

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

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

The total expense recognised in the Statement of Financial Performance of R6,2 million (2009: R5,6 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The retirement funds have been valued by making use of the discounted cash flow method of valuation.

Defined benefit schemes:

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009.

The statutory valuation performed as at 30 June 2009 revealed that the fund had a surplus of R0,0 (30 June 2009: R182,7) million, with a funding level of 100,0% (30 June 2008: 106,5%) and a solvency reserve with a closing balance of R200,6 (30 June 2008: R0,0) million. The contributions rate paid by the members (9%) and the municipalities (19%) is less than the recommended contribution rate of 32,1%.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

41. Financial instruments (continued)

Government Employee Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: R-12,78) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7%) and the municipalities (13%) is sufficient to fund the benefits accruing from the fund in the future.

South African Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2007.

The statutory valuation performed as at 1 July 2007 revealed that the fund had a surplus of R558,4 (1 July 2006: R286,0) million, with a funding level of 110% (1 July 2006: 106%). The contribution rate paid by the members (7,5% to 9%) and the municipalities (15% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,5%) and municipalities (Between 15% and 22%).

Defined Contribution Schemes

Cape Joint Pension Fund:

The scheme is subject to annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009.

The statutory valuation performed as at 30 June 2009 revealed that the investment reserve of the fund amounted to R1 171 (30 June 2008: R12 033) million, with a funding level of 100,3% (30 June 2008: 103,3%) The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009.

The statutory valuation performed as at 30 June 2009 revealed that the assets of the fund amounted to R6 842 (30 June 2008: R 6 675) million, with funding levels of 100,8% and 131,9% (30 June 2008: 101,1% and 112,2%) for the share account and the pensions account respectively. The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106,5%. The contribution rate paid by the members (13,75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147,3%.

Municipal Gratuity Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009.

The valuation performed as at 30 June 2009 revealed that the market value of the fund was R8 248,8 (30 June 2008: R8 104,4) billion. The contribution rate payable is 7,50% by the member and 22,00% by the employer. The fund was certified to be in sound financial condition as at 30 June 2007.

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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41. Financial instruments (continued)

National Fund for Municipal Workers:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2008.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of R6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,8% (1 July 2007: 100,3%) The contribution rate paid by the members (2% to 7%) and the municipalities (2% to 7%) is sufficient to fund the benefits accruing from the fund in the future, and the actuary was satisfied that the fund will continue to be able meet its liabilities.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

42. Contingent liabilities

Guarantees	60,000	60,000
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The Camdeboo Municipality has R60 000 guarantees at First National Bank ceded to Department of Mineral and Energy for the rehabilitation of the quarries.

Court proceedings	25,567	25,567
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C B Willemse instituted a claim against the municipality in the amount of R25 567 relating to training provided. The municipality did not contract the services of C B Willemse for the training. The outcome of the case is still uncertain.

The Wedge: The liability on the improvement to the property is currently under dispute. No amount can be determined at this stage.

Amatenda Housing Development: Housing developments for low income was done on municipal property. The developers are in liquidation and a dispute has arisen. No amount can be determined at this stage.

43. Private public partnerships

The municipality was not a party to any private public partnerships during the financial year 2010/2011.

44. Comparison with the budget

The comparison of the municipality's actual financial performance with that budgeted is set out in Annexure "E(1) and E(2)".

Camdeboo Municipality

Annual Financial Statements for the year ended 30 June 2011

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	19	16,002,164	12,471,048
Service charges	20	69,635,604	56,088,088
Rental of facilities and equipment	27	466,045	372,604
Income from agency fees		65,979	136,941
Fines		155,750	372,730
Licences and permits		1,329,815	1,269,817
Government grants & subsidies	21	54,073,460	43,719,532
Internal charges		199,394	187,379
Other income	22	697,333	604,969
Interest received - investment	26	5,232,162	4,983,222
Total Revenue		147,857,706	120,206,330
Expenditure			
Personnel	24	(46,929,947)	(40,269,200)
Remuneration of councillors	25	(2,039,428)	(1,915,692)
Debt impairment		(5,829,901)	(202,121)
Repairs and maintenance		(4,185,080)	(3,370,233)
Bulk purchases	29	(28,427,506)	(22,439,178)
Contracted services		(943,663)	(797,483)
Grants and subsidies paid	28	(44,211)	(93,461)
General Expenses	23	(42,992,071)	(31,561,325)
Total Expenditure		(131,391,807)	(100,648,693)
Surplus for the year		16,465,899	19,557,637

Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011

Historical cost	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Infrastructure														
Electricity: Transformer kiosks and lines	7,653,298	1,219,032	-	-	171,436	-	9,043,766	-	-	-	-	-	-	9,043,766
Roads: Storm water	62,250	-	-	-	-	-	62,250	-	-	-	-	-	-	62,250
Roads	-	-	-	-	1,158,014	-	1,158,014	-	-	-	-	-	-	1,158,014
Sewerage: Pumping stations	626,589	6,247,227	-	-	-	-	6,873,816	-	-	-	-	-	-	6,873,816
Sewerage: Pumps	73,711	-	-	-	-	-	73,711	-	-	-	-	-	-	73,711
Water: Purification plant	8,120,448	-	-	-	3,165,358	-	11,285,806	-	-	-	-	-	-	11,285,806
Water: Reservoirs and tanks	-	-	-	-	152,657	-	152,657	-	-	-	-	-	-	152,657
Water: Supply and reticulation	47,290	-	-	-	-	-	47,290	-	-	-	-	-	-	47,290
Refuse	-	2,428,248	-	-	-	-	2,428,248	-	-	-	-	-	-	2,428,248
Sewerage: Purification plant	-	-	-	(656,484)	7,058,475	-	6,401,991	-	-	-	-	-	-	6,401,991
	16,583,586	10,263,656	-	(656,484)	11,777,696	-	37,968,454	-	-	-	-	-	-	37,527,549
Community Assets														
Heritage assets														
Specialised vehicles														
Other assets														
Furniture and fittings: Cabinets and cupboards	10,621	55,878	-	-	-	-	66,499	-	-	-	-	-	-	66,499
Furniture and fittings: Chairs	59,220	139,613	-	-	-	-	198,833	-	-	-	-	-	-	198,833
Furniture and fittings: Other furniture	21,371	303,585	-	-	-	-	324,956	-	-	-	-	-	-	324,956
Furniture and fittings: Tables and desks	11,696	133,808	-	-	-	-	145,504	-	-	-	-	-	-	145,504
Motor vehicles: Trucks and bakkies	109,667	169,684	-	-	-	-	279,351	-	-	-	-	-	-	279,351
Office equipment: Computer hardware	122,054	283,856	-	-	-	-	405,910	-	-	-	-	-	-	405,910
Office machines: Plant and equipment	14,259	59,626	-	-	-	-	73,885	-	-	-	-	-	-	73,885
Plant and equipment: Lawnmowers	19,684	79,933	-	-	-	-	99,617	-	-	-	-	-	-	99,617
Plant and equipment: Other plant and equipment	125,570	1,949,199	-	-	-	-	2,074,769	-	-	-	-	-	-	2,074,769
Plant and equipment: Telecommunication equipment	12,060	61,147	-	-	-	-	73,207	-	-	-	-	-	-	73,207
	506,202	3,236,329	-	-	-	-	3,742,531	-	-	-	-	-	-	3,742,531
Total property plant and equipment														
Infrastructure	16,583,586	10,263,656	-	(656,484)	11,777,696	-	37,968,454	-	-	-	-	-	-	37,527,549
Other assets	506,202	3,236,329	-	-	-	-	3,742,531	-	-	-	-	-	-	3,742,531
	17,089,788	13,499,985	-	(656,484)	11,777,696	-	41,710,985	-	-	-	-	-	-	41,270,080
Total														
	17,089,788	13,499,985	-	(656,484)	11,777,696	-	41,710,985	-	-	-	-	-	-	41,270,080

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal.	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	16,002,164	13,499,387	2,502,777	18.5	Department of Public Works project
Service charges	69,635,604	78,963,750	(9,328,146)	(11.8)	Consumer awareness usage of water and electricity has decreased
Rental of facilities and equipment	466,045	504,980	(38,935)	(7.7)	
Income from agency services	65,979	-	65,979	100.0	Budgeted under other income
Fines	155,750	351,400	(195,650)	(55.7)	Unable to recoup fines
Licences and permits	1,329,815	1,721,000	(391,185)	(22.7)	Third party opened testing venue
Government grants & subsidies	54,073,460	33,757,000	20,316,460	60.2	Capital expenditure
Donation received	172,765	-	172,765	100.0	Donation was received
Internal charges	199,394	114,239	85,155	74.5	Greater recovery than expected
Other income	524,568	666,146	(141,578)	(21.3)	Change in consumer behaviour
Interest received - External investments	3,147,422	1,140,000	2,007,422	176.1	Smarter fund management
Interest received - Outstanding debtors	1,313,344	1,451,668	(138,324)	(9.5)	
Penalties imposed and collection charges on rates	771,396	850,000	(78,604)	(9.2)	
	147,857,706	133,019,570	14,838,136	11.2	
Expenses					
Personnel	(46,929,947)	(48,288,784)	1,358,837	(2.8)	
Remuneration of councillors	(2,039,428)	(2,158,422)	118,994	(5.5)	
Debt impairment	(5,829,901)	(2,000,000)	(3,829,901)	191.5	Change in consumer behaviour
Repairs and maintenance - General	(4,185,080)	(6,977,905)	2,792,825	(40.0)	Less breakages than expected and better management of cost associated
Bulk purchases	(28,427,506)	(31,000,000)	2,572,494	(8.3)	
Contracted Services	(943,663)	(1,227,500)	283,837	(23.1)	Better management of cost associated
Grants and subsidies paid	(44,211)	(61,000)	16,789	(27.5)	Council attempted to cut down on voluntary expenditure
General Expenses	(42,992,071)	(43,262,987)	270,916	(0.6)	
	(131,391,807)	(134,976,598)	3,584,791	(2.7)	
Other revenue and costs					
Net surplus/ (deficit) for the year	16,465,899	(1,957,028)	18,422,927	(941.4)	

Appendix E(2)

June 2011

Budget Analysis of Capital Expenditure as at 30 June 2011

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	%	variances from budget
Municipality					
Executive and Council	580,743	2,699,000	2,118,257	78	Fallen houses expenditure included in budget, not capitalised
Finance and Administration	627,161	1,000,000	372,839	37	Software expenditure not capitalised as not intangible asset
Health	2,702,689	6,465,000	3,762,311	58	Rehabilitation of waste sites delayed
Public Safety	185,562	240,000	54,438	23	Expenditure to Driving Licence Centre could not be capitalised
Roads and Transport	1,321,339	1,740,000	419,661	24	Pedestrian paveway could not be completed - Budget was not sufficient
Electricity	2,494,135	7,027,500	4,533,365	65	Sammy substation not completed - Included in roll forward budget
Sewerage and Sanitation	17,366,051	24,593,240	7,227,189	29	Development plans and accreditation expenditure was not capitalised
	25,277,680	43,764,740	18,488,060	42	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 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
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
FMG	Nat Treasury	2,000,000	-	-	-	1,426,706	588,673	639,752	1,058,463	Yes
MIG Projects	MIG	4,280,000	-	2,880,000	-	26,772	5,477,708	1,986,643	1,560,341	Yes
INEG	DME	-	-	-	-	-	-	392,017	664,142	Yes
MSIG	Province	750,000	-	-	-	13,825	421,220	46,983	267,972	Yes
Lotto	Lotto	-	-	-	3,800,000	-	-	-	-	Yes
Voting Station	DLGT	-	-	-	100,000	-	-	-	25,612	Yes
Equitable Share	Nat Treasury	-	9,779,738	12,224,672	7,334,803	-	9,779,738	12,224,672	7,334,803	Yes
		<u>7,030,000</u>	<u>9,779,738</u>	<u>15,104,672</u>	<u>11,234,803</u>	<u>1,467,303</u>	<u>6,487,601</u>	<u>15,290,067</u>	<u>10,911,333</u>	