



CHRIS HANI
DISTRICT MUNICIPALITY

SUSTAINING GROWTH
THROUGH OUR PEOPLE

2010/2011

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2011

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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GENERAL INFORMATION

EXECUTIVE MAYOR

M.C. Koyo

SPEAKER

N. Makanda

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor

Speaker

Chief Whip

N.G. Xoseni

Councillors: W.T. Bikwana
L.G. Nkwentsha
N. Matiwane

Z.R. Shweni
S.D. Plata
M.R. Xuma

GRADING OF THE LOCAL AUTHORITY

Grade 8

AUDITORS

External – Auditor General

Internal – Internal Unit

PRIMARY BANKER

First National Bank Limited

REGISTERED OFFICE

15 Bells Road
Queenstown
5319

Private Bag X7121
Queenstown
5320

Telephone: (045) 808-4600

Facsimile: (045) 838-1556

E-Mail: webmaster@chrishanidm.gov.za

Website: <http://www.chrishanidm.gov.za>

MUNICIPAL MANAGER

M. Mbambisa

CHIEF FINANCIAL OFFICER

J. Lynch

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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 122, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2011.

M MBAMBISA
MUNICIPAL MANAGER
31 August 2011

J LYNCH
CHIEF FINANCIAL OFFICER
31 August 2011

CHRIS HANI DISTRICT MUNICIPALITY
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MEMBERS OF THE COUNCIL

COUNCILLORS		PROPORTIONAL COUNCILLORS	
M C Koyo	ANC	A V Bokuva	ANC
N Makanda	ANC	S R Dyantyi	ANC
N G Xoseni	ANC	N Goniwe	ANC
N T Bikwana	ANC	M Jentile	ANC
W Gela	ANC	L Jiyose	ANC
L Gunuza-Nkwentsha	ANC	D S Kalolo	ANC
N G Magwashu	ANC	T Kulashe	ANC
N Matiwane	ANC	S Liwani	ANC
T P Nobongoza	ANC	Z Madyolo	ANC
L E Noqha	ANC	S Mbolo	ANC
B O Ntoni	ANC	Z Mbotoloshi	ANC
S D Plata	ANC	K Mdleleni	ANC
Z R Shweni	ANC	S Myataza	ANC
M R Xuma	ANC	N S Ndlebe	ANC
M N Bula	COPE	M Nontsele	ANC
R W Venske	DA	K Nqiqhi	ANC
Z C Deliwe	UDM	N P Nquma	ANC
		S Ntakana	ANC
		N Nyukwana	ANC
		M Qamngwana	ANC
		N Roskruge	ANC
		K Vimbayo	ANC
		F Erasmus	DA
		P P Mandile	DA
		H Nobongoza	UDM

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

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

M MBAMBISA
MUNICIPAL MANAGER
31 August 2011

CHRIS HANI DISTRICT MUNICIPALITY
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FOREWORD

During the 2010/11 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The district municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2010/11 financial year. The municipality will continue in the 2011/12 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.

CLR M C KOYO
EXECUTIVE MAYOR
31 August 2011

CHRIS HANI DISTRICT MUNICIPALITY
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AUDIT REPORT

The 2010/11 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Principles (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2010 and 30 June 2011 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in IAS 39 (*Financial Instruments - Recognition and Measurement*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 *Critical Judgements, Estimations and Assumptions (continued)*

1.2.3 Impairment of Financial Assets (continued)

◆ Impairment of Trade Receivables:

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

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

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

Accounting Policy 3.9 on *PPE – Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17 (*Property, Plant and Equipment*), GRAP 12 (*Inventory*) and GRAP 102 (*Intangible Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, 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.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 Presentation Currency

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

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 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
- ◆ GRAP 103 Heritage Assets - issued July 2008
- ◆ GRAP 104 Financial Instruments - October 2009

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26 and GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, 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)
- ◆ Financial Instruments (GRAP 104 - issued October 2009)

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

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

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. ACCUMULATED SURPLUS (continued)

2.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

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

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

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Initial Recognition (continued)

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

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

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

3.2 Subsequent Measurement

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

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

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

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts 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.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	25 - 30	Specialist Vehicles	10 - 15
		Other Vehicles	5 - 15
Infrastructure		Office Equipment	3 - 15
Roads and Paving	10 - 100	Furniture and Fittings	5 - 15
Pedestrian Malls	15 - 30	Watercraft	15 - 20
Water	15 - 100	Specialised Plant and	
Sewerage	15 - 60	Equipment	10 - 15
		Other Plant and	
Community		Equipment	2 - 15
Community Facilities	25 - 30		
Recreational Facilities	15 - 30		
Security	15 - 25		

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

Residual values, estimated useful lives and 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 2009 and 30 June 2010.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Finance Leases

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 Heritage Assets

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

Subsequent to measurement, Heritage Assets are carried at cost less impairment losses.

3.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.9 Derecognition of Property, Plant and Equipment

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

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21 / IAS 36.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. 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 non-monetary assets 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.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives, which are estimated to be between 3 to 5 years. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

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

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

4.3 Derecognition

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

5. INVESTMENT PROPERTY

5.1 Initial Recognition

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

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

The cost of self-constructed Investment Property is the cost at date of completion.

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

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

5. INVESTMENT PROPERTY (continued)

5.1 Initial Recognition (continued)

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 employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is being constructed or developed for future use as Investment Property;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- ◆ Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement

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

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

5.3 Derecognition

Investment Properties 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 Investment Property is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

6. IMPAIRMENT OF ASSETS

6.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable service amount of a cash generating asset is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

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

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

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

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

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

6. IMPAIRMENT OF ASSETS (continued)

6.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

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

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

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

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

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets – Classification

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

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

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Listed Investments (Shares)	Financial Assets at Amortised Cost
Unlisted Investments (Stock)	Financial Assets at Amortised Cost
Investments in Fixed Deposits	Financial Assets at Amortised Cost
Finance Lease Receivables	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Trade Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Trade Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets (continued)

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which 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 deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

7.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

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

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality may have the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities, including Finance Leases	Financial Liabilities at Amortised Cost
Creditors	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost
Consumer Deposits	Financial Liabilities at Fair Value
Bank Overdraft	Financial Liabilities at Fair Value

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

7.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

7.4.1 Financial Assets at Amortised Cost:

Accounts Receivables encompass Long-term Debtors, Trade Receivables from Exchange Transactions (Consumer Debtors) and Trade Receivables from non-exchange Transactions (Other Debtors).

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

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the municipality first assesses whether objective evidence of impairment exists individually for Financial Assets that are individually significant, and individually or collectively for Financial Assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed Financial Asset, whether significant or not, it includes the asset in a group of Financial Assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

7. FINANCIAL INSTRUMENTS (continued)

7.4 Impairment of Financial Assets (continued)

7.4.1 Financial Assets at Amortised Cost (continued)

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

7.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

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

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

7.6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

8. INVENTORIES

8.1 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.

8.2 Subsequent Measurement

8.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

8.2.2 Water Inventory:

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

8. INVENTORIES (continued)

8.2 Subsequent Measurement (continued)

8.2.3 Unsold Properties:

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

8.2.4 Other Arrangements:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of Inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

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

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 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.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

9. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

9.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

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

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

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is 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 or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

10. REVENUE RECOGNITION (continued)

10.1 General (continued)

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

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it 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 from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

10. REVENUE RECOGNITION (continued)

10.2 Revenue from Exchange Transactions (continued)

10.2.2 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- ◆ Interest earned on Unspent Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

10.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

10.2.4 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10.2.5 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.

10.2.6 Tariff Charges

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

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

10. REVENUE RECOGNITION (continued)

10.2 Revenue from Exchange Transactions (continued)

10.2.7 Revenue from Agency Services

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

10.2.8 Sale of Goods

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

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

10.3 Revenue from Non-exchange Transactions

10.3.1 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

10.3.2 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

10. REVENUE RECOGNITION (continued)

10.3 Revenue from Non-exchange Transactions (continued)

10.3.2 Public Contributions (continued)

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

10.3.3 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.4 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.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

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

The municipality has opted to treat its provision for leave pay as an accrual.

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

12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment Benefits (continued)

12.2.2 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 associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, 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.

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.

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

Long-service Allowance:

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment Benefits (continued)

12.2.2 Defined Benefit Plans (continued)

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. 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 triennially 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

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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.

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

13. LEASES

13.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

13.2 The Municipality as Lessee

13.2.1 Finance Leases

Where the municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the *Effective Interest Rate Method*. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated Accounting Policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the *Effective Interest Rate Method*. Lease finance costs are expensed when incurred. The Accounting Policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

13.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

13. LEASES (continued)

13.3 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 revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised retrospectively as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the 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 necessary to prepare the qualifying assets for its intended use have been completed.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

15. GRANTS-IN-AID

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

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

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

16. UNAUTHORISED EXPENDITURE

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

17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

18. 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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)

19. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

20. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates 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.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical.

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 impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical.

22. 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.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

23. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

25. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Chris Hani District Municipality at 30 June 2011 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) 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 2010/11 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2011 indicates an increase in Net Assets and in Current Liabilities, and an decrease in Non-current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of identifying, componentising and measuring immovable assets. The decrease in Non-current Liabilities is primarily as a result of the repayment of Long-term Loans. The increase in Current Liabilities is ascribed primarily to an increase in Unspent Conditional Grants

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	225 293 762	49 423 433
Surplus / (Deficit) at the end of the Year	3 473 025 017	3 243 423 122
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	25.62%	20.31%
Remuneration of Councillors	1.19%	0.95%
Depreciation and Amortisation	22.96%	21.21%
Impairment Losses	14.90%	6.12%
Repairs and Maintenance	2.25%	4.15%
Interest Paid	0.09%	0.09%
Bulk Purchases	2.22%	2.15%
Contracted Services	7.40%	6.71%
Grants and Subsidies Paid	10.80%	23.81%
General Expenses	11.78%	14.49%
Current Ratio:		
Creditors Days	63	63

3. OPERATING RESULTS

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

The services offered by Chris Hani District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	153 014 483	78 197 479	95.68%	-	-
Operating income for the year	783 069 785	622 925 095	25.71%	742 042 289	5.53%
Appropriations for the year	(196 226 054)	(74 757 605)	162.48%	-	-
	739 858 214	626 364 969	18.12%	742 042 289	(0.29)%
Expenditure:					
Operating expenditure for the year	557 776 023	573 501 663	(2.74)%	742 042 289	(24.83)%
Sundry transfers	(4 308 133)	(100 151 177)	(95.70)%	-	-
Closing surplus / (deficit)	186 390 324	153 014 483	21.81%	-	-
	739 858 214	626 364 969	18.12%	742 042 289	(0.29)%

3.1 General Services:

This entails the management of infrastructure and other grants, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	655 322 466	534 059 223	22.71%	679 560 690	(3.57)%
Expenditure	287 998 016	296 889 841	(2.99)%	540 046 511	(46.67)%
Surplus / (Deficit)	367 324 450	237 169 382	54.88%	139 514 179	-
Surplus / (Deficit) as % of total income	56.05%	44.41%		20.53%	

3.2 Trading Services:

This entails the operation and maintenance of all sanitation and water schemes located within the area of jurisdiction of the municipality.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	(19 729 736)	88 865 873	-	38 369 521	-
Expenditure	246 756 887	276 611 822	(10.79)%	201 995 778	22.16%
Surplus / (Deficit)	(266 486 623)	(187 745 949)	41.94%	(163 626 257)	-
Surplus / (Deficit) as % of total income	1350.69%	(211.27)%		(426.45)%	

The services were recorded for the first time in the 2009/10 financial records of the municipality.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R320 536 093 (2009/10: R212 443 279). Full details of Property, Plant and Equipment are disclosed in Note 9 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R320 536 093 was financed as follows:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Capital Replacement Reserve	1 350 703	25 735 465	(94.75)%	3 397 550	(60.24)%
Grants and Subsidies	317 177 835	186 707 813	69.88%	228 500 000	38.81%
Own Funds (Accumulated Surplus)	2 007 555	-	-	-	-
	320 536 093	212 443 279	50.88%	231 897 550	38.22%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2011	2010
Capital Replacement Reserve	0.42%	12.11%
Grants and Subsidies	98.95%	87.89%
Own Funds (Accumulated Surplus)	0.63%	-

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2011	2010
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	-	-
Revenue variances	41 027 496	35 409 874
Expenditure variances:		
Employee Related Costs	(25 042 422)	(15 666 300)
Remuneration of Councillors	(117 702)	162 943
Collection Costs	317 787	545 480
Depreciation and Amortisation	(128 007 416)	(120 551 923)
Impairment Losses	(83 111 205)	(35 096 641)
Repairs and Maintenance	(9 696 904)	(21 112 227)
Interest Paid	533 812	(16 119)
Bulk Purchases	4 224 324	(10 311 832)
Contracted Services	(40 571 111)	(38 151 976)
Grants and Subsidies Paid	477 561 057	279 348 145
General Expenses	(7 430 750)	(25 089 095)
Loss on disposal of Property, Plant and Equipment	(4 393 204)	(46 896)
Actual surplus before appropriations	225 293 762	49 423 433

DETAILS	2011	2010
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	-	-
Executive and Council	1 901 280	(224 384)
Finance and Administration	(94 532 509)	(76 955 606)
Planning and Development	143 693	101 704
Health	5 819 852	4 234 245
Community and Social Services	(1 198 021)	309 889
Public Safety	2 463 174	1 091 636
Environmental Protection	(4 569 436)	(1 341 384)
Roads and Transport	13 387 923	(320 112)
Water	(102 860 366)	(16 977 466)
Other	304 394 315	139 504 913
Actual surplus before appropriations	225 293 762	49 423 433

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 criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Variance actual 2010/11 / 2009/10 R	Budgeted 2010/2011 R	Variance actual/ budgeted R
Executive and Council	20 643	534 117	(513 474)	-	20 643
Finance and Administration	584 369 940	963 457	583 406 484	506 100	583 863 840
Planning and Development	13 879	710 011	(696 132)	228 450	(214 571)
Health	-	42 534	(42 534)	-	-
Community and Social Services	637 098	47 501	589 597	2 663 000	(2 025 902)
Housing	-	468	(468)	-	-
Public Safety	-	794 591	(794 591)	-	-
Sport and Recreation	-	346 036	(346 036)	-	-
Waste Management	3 711 504	35 233 923	(31 522 419)	72 214 811	(68 503 307)
Roads and Transport	-	7 330 597	(7 330 597)	-	-
Water	122 974 137	15 567 971	107 406 165	156 285 189	(33 311 052)
Electricity	-	6 372 543	(6 372 543)	-	-
Other	-	3 596 189	(3 596 189)	-	-
	711 727 201	71 539 938	640 187 263	231 897 550	479 829 651

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic 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 as at 30 June 2011 amounted to R3 473 025 017 (30 June 2010: R3 243 423 122) and is made up as follows:

Capital Replacement Reserve	41 249 349
Government Grants Reserve	3 245 385 343
Accumulated Surplus	<u>186 390 324</u>
	<u><u>3 473 025 017</u></u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

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.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2011 was R5 553 707 (30 June 2010: R6 628 389).

Refer to Note 17 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2011 was R21 070 779 (30 June 2010: R21 599 165).

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 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R2 866 650 as at 30 June 2011 (30 June 2010: R2 430 228) and is made up as follows:

Provision for Long-term Service	<u>2 866 650</u>
	<u><u>2 866 650</u></u>

These provisions 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 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R304 174 803 as at 30 June 2011 (30 June 2010: R281 442 814) and is made up as follows:

Provisions	Note 13	1 949 877
Creditors	Note 14	96 350 094
Unspent Conditional Grants and Receipts	Note 15	204 771 226
Operating Lease Liabilities	Note 16	28 924
Current Portion of Long-term Liabilities	Note 17	1 074 681
		<u>304 174 803</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known 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 R3 369 249 895 as at 30 June 2011 (30 June 2010: R3 183 331 1922).

An audit and valuation of all assets was done during the year during the process of compiling the asset register. As a result of this, assets to the value of R3 063 367 164, not previously recorded, have been brought into the municipality's registers as at 30 June 2009.

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R704 764 as at 30 June 2011 (30 June 2010: R1 181 884).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

An audit and valuation of all assets was done during the year during the process of compiling the asset register. As a result of this, assets to the value of R2 139 443, not previously recorded, have been brought into the municipality's registers as at 30 June 2009.

Refer to Note 10 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R436 736 297 as at 30 June 2011 (30 June 2010: R371 010 641) and is made up as follows:

Inventory	Note 2	4 451 609
Non-current Assets Held-for-Sale	Note 3	398 217
Trade Receivables from Non-exchange Transactions	Note 5	31 293 090
VAT Receivable	Note 6	17 400 329
Bank Balances and Cash	Note 7	383 193 053
		<u>436 736 297</u>

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent 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 Notes 15 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 55.

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.

17. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

Budget			Actual	
2010 R	2011 R		2011 R	2010 R
		ASSETS		
172 289 715	101 388 217	Current Assets	436 736 297	371 010 641
-	10 232	Inventory	4 451 609	10 232
-	-	Non-current Assets Held-for-Sale	398 217	-
-	57 481 598	Trade Receivables from Exchange Transactions	-	-
32 577 120	26 487 420	Trade Receivables from Non-exchange Transactions	31 293 090	14 540 188
-	-	VAT Receivable	17 400 329	14 375 418
139 704 900	12 391 733	Bank, Cash and Cash Equivalents	383 193 053	342 084 802
7 695	5 017 234	Current Portion of Long-term Receivables	-	-
370 011 330	467 782 685	Non-Current Assets	3 369 954 658	3 184 513 076
254 950 300	376 548 000	Property, Plant and Equipment	3 369 249 895	3 183 331 192
190	190	Intangible Assets	704 764	1 181 884
100	372 586	Investment Property	-	-
115 060 740	90 861 909	Non-current Investments	-	-
542 301 045	569 170 902	Total Assets	3 806 690 956	3 555 523 717
		LIABILITIES		
159 510 220	220 398 592	Current Liabilities	304 174 803	281 442 814
1 621 460	1 840 731	Provisions	1 949 877	1 840 731
37 533 550	38 934 703	Creditors	96 350 094	99 455 909
119 380 845	179 118 132	Unspent Conditional Grants and Receipts	204 771 226	179 118 131
-	-	Operating Lease Payables	28 924	4 350
974 365	505 026	Current Portion of Long-term Liabilities	1 074 681	1 023 692
28 153 605	38 080 824	Non-Current Liabilities	29 491 136	30 657 781
7 652 080	7 656 431	Long-term Liabilities	5 553 707	6 628 389
17 770 500	21 599 165	Retirement Benefit Liabilities	21 070 779	21 599 165
2 731 025	8 825 228	Non-current Provisions	2 866 650	2 430 228
187 663 825	258 479 416	Total Liabilities	333 665 939	312 100 595
354 637 220	310 691 486	Total Assets and Liabilities	3 473 025 017	3 243 423 122
354 637 220	310 691 486	NET ASSETS	3 473 025 017	3 243 423 122
354 637 220	310 691 486	Accumulated Surplus / (Deficit)	3 473 025 017	3 243 423 122
354 637 220	310 691 486	Total Net Assets	3 473 025 017	3 243 423 122

CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Budget			Actual	
2010	2011		2011	2010
R	R		R	R
		REVENUE		
		Revenue from Non-exchange Transactions		
570 277 130	663 706 000	Government Grants and Subsidies Received	629 117 745	511 226 614
-	-	Public Contributions and Donations	50 000	50 000
		Revenue from Exchange Transactions		
500 000	62 481 599	Service Charges	113 791 175	79 365 949
72 000	158 520	Rental of Facilities and Equipment	145 028	149 491
16 154 091	15 000 743	Interest Earned - External Investments	25 180 664	21 052 602
12 000	12 000	Interest Earned - Outstanding Debtors	13 531 128	9 208 027
500 000	683 427	Other Income	1 254 045	1 772 808
-	-	Gains on Disposal of Property, Plant and Equipment	-	99 604
587 515 221	742 042 289	Total Revenue	783 069 785	622 925 095
		EXPENDITURE		
100 826 819	117 855 703	Employee Related Costs	142 898 125	116 493 119
5 622 993	6 537 547	Remuneration of Councillors	6 655 249	5 460 050
545 480	322 573	Collection Costs	4 786	-
1 071 796	84 800	Depreciation and Amortisation	128 092 216	121 623 719
-	-	Impairment Losses	83 111 205	35 096 641
2 704 475	2 838 908	Repairs and Maintenance	12 535 812	23 816 702
493 470	1 041 035	Finance Costs	507 223	509 589
2 000 000	16 618 789	Bulk Purchases	12 394 465	12 311 832
318 818	691 036	Contracted Services	41 262 147	38 470 794
415 915 001	537 802 634	Grants and Subsidies Paid	60 241 577	136 566 856
58 016 369	58 249 264	General Expenses	65 680 014	83 105 464
-	-	Loss on Disposal of Property, Plant and Equipment	4 393 204	46 896
587 515 221	742 042 289	Total Expenditure	557 776 023	573 501 663
-	-	SURPLUS / (DEFICIT) FOR THE YEAR	225 293 762	49 423 433
Refer to Appendix E(1) for explanation of budget variances				

CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2010			
Balance at 30 June 2009	-	131 280 279	131 280 279
Change in Accounting Policy (Note 37)		(67 134 479)	(67 134 479)
Correction of Error - Opening Balances (Note 38)	-	3 129 220 968	3 129 220 968
Correction of Error (Note 38)	-	632 921	632 921
Restated Balance	-	3 193 999 689	3 193 999 689
Surplus / (Deficit) for the year		49 423 433	49 423 433
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Grants utilised to obtain PPE		-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2010	-	3 243 423 122	3 243 423 122
2011			
Change in Accounting Policy (Note 37)		-	-
Correction of Error (Note 38)		4 308 133	4 308 133
Restated Balance	-	3 247 731 254	3 247 731 254
Surplus / (Deficit) for the year		225 293 762	225 293 762
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Grants utilised to obtain PPE		-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2011	-	3 473 025 017	3 473 025 017

Details on the movement of the Funds and Reserves are set out in Note 20.

CHRIS HANI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

Budget			Actual	
2010 R	2011 R		2011 R	2010 R
		CASH FLOWS FROM OPERATING ACTIVITIES		
475 768 845	740 563 385	Cash receipts from Ratepayers, Government and Other	790 950 881	420 347 912
(347 097 900)	(338 203 541)	Cash paid to Suppliers and Employees	(452 956 286)	(140 243 871)
128 670 945	402 359 844	Cash generated from / (utilised in) Operations	337 994 595	280 104 040
25 340 105	14 512 000	Interest received	25 180 664	21 052 602
(486 535)	(1 034 259)	Interest paid	(507 223)	(509 589)
153 524 515	415 837 585	NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	362 668 036	300 647 053
		CASH FLOWS FROM INVESTING ACTIVITIES		
(121 411 835)	(376 547 996)	Purchase of Property, Plant and Equipment	(320 536 093)	(212 443 279)
522 325	-	Proceeds on Disposal of Property, Plant and Equipment	-	82 060
-	(9 000 000)	Decrease / (Increase) in Non-current Investments	-	-
110 030	-	Decrease / (Increase) in Long-term Receivables	-	7 695
(120 779 480)	(385 547 996)	NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(320 536 093)	(212 353 523)
		CASH FLOWS FROM FINANCING ACTIVITIES		
(927 415)	(1 034 259)	Loans repaid	(1 023 692)	(974 365)
(927 415)	(1 034 259)	NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(1 023 692)	(974 365)
31 817 620	29 255 330	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	41 108 251	87 319 165
222 948 015	230 039 619	Cash and Cash Equivalents at the beginning of the year	342 084 802	254 765 637
254 765 635	259 294 949	Cash and Cash Equivalents at the end of the year	383 193 053	342 084 802

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
1. GENERAL INFORMATION		
Chris Hani District Municipality (the municipality) is a local government institution in Queenstown, Eastern Cape, and has 8 local municipalities under its jurisdiction. 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 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and has to comply fully with GRAP by 30 June 2011.		
2. INVENTORY		
Consumable Stores - at cost	613 290	10 232
Maintenance Materials - at cost	26 773	-
Spare Parts - at cost	3 086 552	-
Water - at cost	724 994	-
Total Inventory	4 451 609	10 232

Inventory has been restated to correctly disclose the Water Stock held by the municipality. Water Stock does not qualify to be recognised as an asset of the municipality in terms of GRAP 12, paragraph 14, and now has been reduced to zero. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

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

3. NON-CURRENT ASSETS HELD-FOR-SALE		
Property Held-for-Sale - at cost	398 217	-
Net Non-current Assets Held-for-Sale	398 217	-

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2011			
Service Debtors:	209 293 714	209 293 714	-
Sewerage	86 439 281	86 439 281	-
Water	122 854 433	122 854 433	-
Total Trade Receivables from Exchange Transactions	209 293 714	209 293 714	-
As at 30 June 2010			
Service Debtors:	252 986 183	252 986 183	-
Sewerage	126 637 016	126 637 016	-
Water	126 349 168	126 349 168	-
Total Trade Receivables from Exchange Transactions	252 986 183	252 986 183	-

Trade Receivables from Exchange Transactions have been restated to correctly classify amounts held by the municipality, adjusting Consumer Debtors to the age analysis received from the Local Municipalities. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Provision for Impairment has been restated to correctly classify the recoverable amounts of Consumer Debtors held by the municipality. The municipality does not have a contractual right to receive cash in terms of IAS 39, paragraph 9, from Consumer Debtors and therefore they have been impaired in full. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R **2010**
R

Trade Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Trade Receivables.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

At 30 June 2011, the Municipality is owed R3,652 (30 June 2010: R60,672) million by National and Provincial Government.

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

4.1 Ageing of Trade Receivables from Exchange Transactions

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	2 341 621	2 010 558	2 121 195	79 965 906	86 439 281
Less: Provision for Impairment	2 341 621	2 010 558	2 121 195	79 965 906	86 439 281
Net Balances	-	-	-	-	-
Water:					
Gross Balances	4 162 808	2 998 441	4 013 280	111 679 904	122 854 433
Less: Provision for Impairment	4 162 808	2 998 441	4 013 280	111 679 904	122 854 433
Net Balances	-	-	-	-	-

As at 30 June Trade Receivables of R0 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:				
Gross Balances	5 008 999	6 134 475	191 645 810	202 789 285
Less: Provision for Impairment	5 008 999	6 134 475	191 645 810	202 789 285
Net Balances	-	-	-	-

As at 30 June 2010

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	9 859 503	18 044 619	4 056 153	94 676 741	126 637 016
Less: Provision for Impairment	9 859 503	18 044 619	4 056 153	94 676 741	126 637 016
Net Balances	-	-	-	-	-
Water:					
Gross Balances	11 947 224	17 953 241	3 330 731	93 117 971	126 349 168
Less: Provision for Impairment	11 947 224	17 953 241	3 330 731	93 117 971	126 349 168
Net Balances	-	-	-	-	-

As at 30 June Trade Receivables of R0 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:				
Gross Balances	35 997 861	7 386 884	187 794 712	231 179 456
Less: Provision for Impairment	35 997 861	7 386 884	187 794 712	231 179 456
Net Balances	-	-	-	-

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R		
4.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<i>Current:</i>				
0 - 30 days	5 877 136	456 527	90 169	80 597
<i>Past Due:</i>				
31 - 60 Days	4 345 476	440 890	186 742	35 891
61 - 90 Days	5 642 672	269 653	190 486	31 664
+ 90 Days	182 993 889	4 787 945	3 185 093	678 883
Sub-total	<u>198 859 174</u>	<u>5 955 015</u>	<u>3 652 489</u>	<u>827 036</u>
Less: Provision for Impairment	198 859 174	5 955 015	3 652 489	827 036
Total Trade Receivables by Customer Classification	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
As at 30 June 2010				
<i>Current:</i>				
0 - 30 days	2 631 584	2 142 639	17 032 505	-
<i>Past Due:</i>				
31 - 60 Days	4 081 462	2 026 318	29 890 081	-
61 - 90 Days	3 960 584	3 349 884	76 416	-
+ 90 Days	143 420 385	30 700 943	13 673 383	-
Sub-total	<u>154 094 014</u>	<u>38 219 784</u>	<u>60 672 385</u>	<u>-</u>
Less: Provision for Impairment	154 094 014	38 219 784	60 672 385	-
Total Trade Receivables by Customer Classification	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	2011	2010		
	R	R		

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	252 986 183	-
Impairment Losses recognised	-	252 986 183
Impairment Losses reversed	(43 692 470)	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	<u><u>209 293 714</u></u>	<u><u>252 986 183</u></u>

The transactions for *Provision for Impairment* have been restated to correctly disclose recoverable Billing Debtors. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Provision for Impairment of Consumer Debtors has been made for all consumer balances outstanding based on the fact that the municipality has no contractual right to receive cash from any of the Consumer Debtors in terms of GRAP 104, paragraph 13. Consumer Debtors have therefore been fully impaired.

4.4 Ageing of impaired Trade Receivables from Exchange Transactions

<i>Current:</i>			
0 - 30 Days		6 504 429	21 806 727
<i>Past Due:</i>			
31 - 60 Days		5 008 999	35 997 861
61 - 90 Days		6 134 475	7 386 884
+ 90 Days		191 645 810	187 794 712
Long-term Loan Debtors		-	-
Total		<u><u>209 293 714</u></u>	<u><u>252 986 183</u></u>

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	Gross Balances	Provision for Impairment
		Net Balances
As at 30 June 2011		
Payments made in Advance	12 493 644	-
Government Subsidy Claims	9 469 466	2 607 390
Projects	60 734	60 734
Recoverable Works	146 486	146 486
Short-term Loans	2 311 539	2 311 539
Sundry Deposits	1 218 529	-
Sundry Debtors	82 789 670	72 070 828
Total Trade Receivables from Non-exchange Transactions	<u>108 490 068</u>	<u>77 196 978</u>
As at 30 June 2010		
Payments made in Advance	-	-
Government Subsidy Claims	9 355 762	2 607 390
Projects	60 734	60 734
Recoverable Works	146 486	146 486
Short-term Loans	2 306 686	237 674
Sundry Deposits	907 732	-
Sundry Debtors	34 248 200	29 433 127
Total Trade Receivables from Non-exchange Transactions	<u>47 025 600</u>	<u>32 485 412</u>

Other Debtors have been restated to correctly disclose the assets held by the municipality, adjusting Other Debtors for Surpluses generated by the Local Municipalities on Consumer Services. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, Other Debtors have been restated to correctly disclose the assets held by the municipality, adjusting Other Debtors for subsidy claims on Road Expenditure. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, Provision for Impairment has been restated to correctly disclose the recoverable amounts of Other Debtors for the Local Municipalities held by the municipality. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

The average credit period for **Government Grants and Subsidies** is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months.

Included in **Sundry Deposits** is an amount of R1 112 121 (2010: R887 132) in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in the total is an amount of R3 764 (2010: R18 325) in respect of uncleared bank reconciliation items.

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

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R 2010
R

5.1 Ageing of Trade Receivables from Non-exchange Transactions

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	12 493 644	-	-	-	12 493 644
Less: Provision for Impairment	-	-	-	-	-
Net Balances	12 493 644	-	-	-	12 493 644
Government Subsidy Claims:					
Gross Balances	-	-	-	9 469 466	9 469 466
Less: Provision for Impairment	-	-	-	2 607 390	2 607 390
Net Balances	-	-	-	6 862 076	6 862 076
Projects:					
Gross Balances	-	-	-	60 734	60 734
Less: Provision for Impairment	-	-	-	60 734	60 734
Net Balances	-	-	-	-	-
Recoverable Works:					
Gross Balances	-	-	-	146 486	146 486
Less: Provision for Impairment	-	-	-	146 486	146 486
Net Balances	-	-	-	-	-
Short-term Loans:					
Gross Balances	-	-	-	2 311 539	2 311 539
Less: Provision for Impairment	-	-	-	2 311 539	2 311 539
Net Balances	-	-	-	-	-
Sundry Deposits:					
Gross Balances	-	-	-	1 218 529	1 218 529
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	1 218 529	1 218 529
Sundry Debtors:					
Gross Balances	72 608 880	-	-	10 180 790	82 789 670
Less: Provision for Impairment	72 070 828	-	-	-	72 070 828
Net Balances	538 051	-	-	10 180 790	10 718 842

As at 30 June Other Trade Receivables of R18 261 395 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Other Trade Receivables:				
Gross Balances	-	-	23 387 545	23 387 545
Less: Provision for Impairment	-	-	5 126 150	5 126 150
Net Balances	-	-	18 261 395	18 261 395

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R			2010 R
As at 30 June 2010	Current	Past Due		Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>
Payments made in Advance:				
Gross Balances	-	-	-	-
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	-
Government Subsidy Claims:				
Gross Balances	-	-	-	9 355 762
Less: Provision for Impairment	-	-	-	2 607 390
Net Balances	-	-	-	6 748 372
Projects:				
Gross Balances	-	-	-	60 734
Less: Provision for Impairment	-	-	-	60 734
Net Balances	-	-	-	-
Recoverable Works:				
Gross Balances	-	-	-	146 486
Less: Provision for Impairment	-	-	-	146 486
Net Balances	-	-	-	-
Short-term Loans:				
Gross Balances	-	-	-	2 306 686
Less: Provision for Impairment	-	-	-	237 674
Net Balances	-	-	-	2 069 012
Sundry Deposits:				
Gross Balances	-	-	-	907 732
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	907 732
Sundry Debtors:				
Gross Balances	-	27 902 514	-	6 345 686
Less: Provision for Impairment	-	27 902 514	-	1 530 613
Net Balances	-	-	-	4 815 073

As at 30 June Other Trade Receivables of R14 540 188 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Other Trade Receivables:				
Gross Balances	27 902 514	-	19 123 086	47 025 600
Less: Provision for Impairment	27 902 514	-	4 582 898	32 485 412
Net Balances	-	-	14 540 188	14 540 188

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
5.2 Reconciliation of Provision for Impairment		
Balance at beginning of year	32 485 412	22 072 312
Impairment Losses recognised	72 614 080	27 902 514
Impairment Losses reversed	-	(17 489 414)
Amounts written off as uncollectable	(27 902 514)	-
Amounts recovered	-	-
Balance at end of year	77 196 978	32 485 412

The transactions for *Provision for Impairment* have been restated to provide for the Local Municipalities which are not recoverable in terms of the Service Level Agreements. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

The Provision for Impairment on Other Trade Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans 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 for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

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.

The following loans and receivables are included in the total amount of the Provision for Impairment :

Government Subsidy Claims	2 607 390	2 607 390
Projects	60 734	60 734
Recoverable Works	146 486	146 486
Short-term Loans	2 311 539	237 674
Sundry Debtors	72 070 828	29 433 127
Total Provision for Impairment on Other Debtors	77 196 978	32 485 412

6. VAT RECEIVABLE

Vat Receivable	17 400 329	14 375 418
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VAT Receivable has been restated to correctly disclose the assets held by the municipality, adjusting VAT Debtor for VAT claimable/payable by the Local Municipalities. The municipality does not have a contractual right to receive/deliver cash in terms of IAS 39, paragraph 9, for VAT and therefore it has been reduced to zero. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, *VAT Receivable* has been restated to correctly disclose the assets held by the municipality, correcting misallocations pointed out by the Auditor-General. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
7. BANK, CASH AND CASH EQUIVALENTS		
Bank, Cash and Cash Equivalents	383 193 053	342 084 802
Total Bank, Cash and Cash Equivalents	<u>383 193 053</u>	<u>342 084 802</u>

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

7.1 Current Investment Deposits

Call Deposits	115 786 209	112 040 643
Total Current Investment Deposits	<u>115 786 209</u>	<u>112 040 643</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,20 % to 4,50 % (2010: 6,20% to 8,50%) per annum.

Deposits of R115 786 209 (2010: R112 040 643) are attributable to Unspent Conditional Grants.

7.2 Bank Accounts

Cash in Bank	267 402 304	230 039 619
Total Bank Accounts	<u>267 402 304</u>	<u>230 039 619</u>

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Cathcart Road Branch, Queenstown - Account Number 620 0251 0693:

Cash book balance at beginning of year	230 039 619	139 700 359
Cash book balance at end of year	<u>267 402 304</u>	<u>230 039 619</u>
Bank statement balance at beginning of year	143 160 495	224 102 453
Bank statement balance at end of year	<u>256 712 679</u>	<u>143 160 495</u>

An amount of R88 985 018 (2010: R67 077 489) is attributable to Unspent Conditional Grants.

An amount of R41 249 349 (2010: R41 100 052) is attributable to the Capital Replacement Reserve.

Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	4 540	4 540
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>4 540</u>	<u>4 540</u>

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

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

8. OPERATING LEASE ASSETS / RECEIVABLES

The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2010	92 869 346	3 040 711 332	-	-	49 750 514	3 183 331 192
Cost	93 905 900	3 156 256 627	-	-	61 746 311	3 311 908 838
- Completed Assets	93 905 900	2 879 899 599	-	-	61 746 311	3 035 551 810
- Under Construction	-	276 357 027	-	-	-	276 357 027
Correction of error (Note 38)	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(1 036 554)	(115 545 295)	-	-	(11 995 797)	(128 577 646)
- Cost	(1 036 554)	(115 545 295)	-	-	(11 995 797)	(128 577 646)
Acquisitions	-	136 923 367	-	-	1 602 082	138 525 449
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	182 010 644	-	-	-	182 010 644
- Cost	-	182 010 644	-	-	-	182 010 644
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(1 036 554)	(118 461 789)	-	-	(8 116 752)	(127 615 095)
- Based on Cost	(1 036 554)	(118 461 789)	-	-	(8 116 752)	(127 615 095)
Carrying value of Disposals:	-	-	-	-	(4 393 204)	(4 393 204)
- Cost	-	-	-	-	(4 918 098)	(4 918 098)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	524 895	524 895
- Based on Cost	-	-	-	-	524 895	524 895
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(398 217)	(398 217)
- Cost	-	-	-	-	(1 080 796)	(1 080 796)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	682 579	682 579
- Based on Cost	-	-	-	-	682 579	682 579
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	(202 757)	(202 757)
Capital under Construction - Completed	-	(11 851 560)	-	-	-	(11 851 560)
Other Movements	-	9 843 442	-	-	-	9 843 442
- Cost	-	9 843 442	-	-	-	9 843 442
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying values at 30 June 2011	91 832 793	3 239 175 436	-	-	38 241 666	3 369 249 895
Cost	93 905 900	3 473 182 519	-	-	57 349 498	3 624 437 918
- Completed Assets	93 905 900	3 026 666 408	-	-	57 349 498	3 177 921 806
- Under Construction	-	446 516 112	-	-	-	446 516 112
Accumulated Impairment Losses	-	-	-	-	(202 757)	(202 757)
Accumulated Depreciation:	(2 073 107)	(234 007 083)	-	-	(18 905 076)	(254 985 266)
- Cost	(2 073 107)	(234 007 083)	-	-	(18 905 076)	(254 985 266)

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	93 905 900	2 974 370 382	-	-	23 306 954	3 091 583 236
Cost	93 905 900	2 974 405 589	-	-	31 363 685	3 099 675 174
- Completed Assets	93 905 900	2 764 455 677	-	-	31 363 685	2 889 725 262
- Under Construction	-	209 949 912	-	-	-	209 949 912
Correction of error (Note 38)	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(35 206)	-	-	(8 056 731)	(8 091 938)
- Cost	-	(35 206)	-	-	(8 056 731)	(8 091 938)
Acquisitions	-	57 173 516	-	-	30 592 241	87 765 756
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	124 677 522	-	-	-	124 677 522
- Cost	-	124 677 522	-	-	-	124 677 522
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(1 036 554)	(115 510 088)	-	-	(4 067 954)	(120 614 596)
- Based on Cost	(1 036 554)	(115 510 088)	-	-	(4 067 954)	(120 614 596)
Carrying value of Disposals:	-	-	-	-	(29 352)	(29 352)
- Cost	-	-	-	-	(209 615)	(209 615)
- Accumulated Impairment Losses	-	-	-	-	51 375	51 375
- Accumulated Depreciation	-	-	-	-	128 888	128 888
- Based on Cost	-	-	-	-	128 888	128 888
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Impairment Losses	-	-	-	-	(51 375)	(51 375)
Capital under Construction - Completed	-	(58 270 407)	-	-	-	(58 270 407)
Other Movements	-	58 270 407	-	-	-	58 270 407
- Cost	-	58 270 407	-	-	-	58 270 407
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
Carrying values at 30 June 2010	92 869 346	3 040 711 332	-	-	49 750 514	3 183 331 192
Cost	93 905 900	3 156 256 627	-	-	61 746 311	3 311 908 838
- Completed Assets	93 905 900	2 879 899 599	-	-	61 746 311	3 035 551 810
- Under Construction	-	276 357 027	-	-	-	276 357 027
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(1 036 554)	(115 545 295)	-	-	(11 995 797)	(128 577 646)
- Cost	(1 036 554)	(115 545 295)	-	-	(11 995 797)	(128 577 646)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 recognise all the Property, plant and equipment in accordance with GRAP 17 for the financial years up to 30 June 2010.

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17 for the financial year ended 30 June 2011. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

All Immovable Assets were valued as at 30 June 2009 using the Depreciated Replacement Cost Approach.

The prior year figures of *Property, Plant & Equipment* have been restated to correctly the Investment Property held by the municipality, previously included in Property, Plant and Equipment. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

Furthermore, the prior year figures of *Property, Plant & Equipment* have been restated to correctly disclose the assets held by the municipality, previously expensed as Grant Expenditure from the MIG Grant. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

Furthermore, the prior year figures of *Property, Plant & Equipment* have been restated to correctly record the assets held by the municipality, previously written-off without the required approval. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

Furthermore, the prior year figures of *Property, Plant & Equipment* have been restated to correctly record the assets held by the municipality, the acquisitions thereof previously duplicated. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

Other movements of Property, Plant and Equipment were in respect of assets transferred from Under Construction.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
At Original Cost:		
Infrastructure	4 020 573	-
	4 020 573	-
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
Other	398 217	-
	398 217	-
9.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
9.4 Impairment of Property, Plant and Equipment		
Impairment of Immovable Property, Plant and Equipment was taken into consideration by the consultants, Aurecon, during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed for Immovable Assets.		
The total amount of R202 757 disclosed for impairment losses on Property, Plant and Equipment is for a vehicle damaged in an accident. The total amount of R51 375 disclosed for impairment losses on Property, Plant and Equipment for 2010 does not include individually material amounts of impairment losses. Cumulative impairment losses for the following significant account balances are included therein:		
Other Assets: Computer Equipment	-	26 894
Other Assets: Motor Vehicles	202 757	16 181
Other Assets: Office Equipment	-	8 300
	202 757	51 375

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

The Remaining Useful Life of Immovable Property, Plant and Equipment was taken into consideration by the consultants, Aurecon, during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

There was no change (2010: no change) in the Estimated Useful Life of various assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>704 764</u>	<u>1 181 884</u>
The movement in Intangible Assets is reconciled as follows:		
	Licences	Computer Software
		Total
Carrying values at 01 July 2010	936 098	245 786
Cost	2 340 246	2 448 498
Accumulated Amortisation	(1 404 148)	(2 202 712)
Accumulated Amortisation	(3 606 860)	(3 606 860)
Acquisitions:	-	-
Purchased	-	-
Internally Developed	-	-
Amortisation:	(313 680)	(163 441)
Purchased	(313 680)	(163 441)
Internally Developed	-	-
Carrying values at 30 June 2011	622 419	82 345
Cost	2 340 246	2 448 498
Accumulated Amortisation	(1 717 827)	(2 366 153)
Accumulated Amortisation	(4 083 980)	(4 083 980)
	Licences	Computer Software
		Total
Carrying values at 01 July 2009	1 404 148	735 485
Cost	2 340 246	2 448 498
Accumulated Amortisation	(936 098)	(1 713 012)
Accumulated Amortisation	(2 649 111)	(2 649 111)
Acquisitions:	-	-
Purchased	-	-
Internally Developed	-	-
Amortisation:	(468 049)	(489 700)
Purchased	(468 049)	(489 700)
Internally Developed	-	-
Carrying values at 30 June 2010	936 098	245 786
Cost	2 340 246	2 448 498
Accumulated Amortisation	(1 404 148)	(2 202 712)
Accumulated Amortisation	(3 606 860)	(3 606 860)

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 recognise all the Intangible Assets in accordance with GRAP 102 for the financial years up to 30 June 2010 for the following assets:

- Computer Software
- Licences

The municipality has identified and measured all Intangible Assets in terms of GRAP 102 for the financial year ended 30 June 2011. The balances of the Intangible Assets have accordingly been restated retrospectively.

Intangible Assets have been restated to correctly record the assets held by the municipality, previously written-off without the required approval. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

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

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

2011 **2010**
R **R**

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year and are as follows:

Computer Software	5 Years
Licences	3 Years

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No (2010: None) impairment needed to be recognised for Intangible Assets.

11. INVESTMENT PROPERTY

The municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.

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 recognise all the Investment Property in accordance with GRAP 16 for the financial years up to 30 June 2010.

The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2011. The balances of the Investment Property have accordingly been restated retrospectively.

Investment Property has been restated to adhere to the disclosure provisions for Investment Property, previously included in Property, Plant and Equipment. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

12. LONG-TERM RECEIVABLES

The municipality had no long-term arrangements to be classified as long-term receivables for the two financial years.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
13. PROVISIONS		
Performance Bonuses	701 844	549 846
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18 below)	696 048	673 944
Current Portion of Non-current Provisions (See Note 19 below):	551 985	616 941
Long-term Service	551 985	616 941
Total Provisions	1 949 877	1 840 731

Provisions have been restated to reclassify the amount for Staff Leave, now included in Creditors. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

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.

The movement in current provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	549 846	498 462
Contributions to provision	193 322	236 945
Expenditure incurred	(41 324)	(185 561)
Balance at end of year	701 844	549 846

Current Portion of Non-Current Provisions:

	Long-term Service	Post-retirement
	R	R
30 June 2011		
Balance at beginning of year	616 941	673 944
Transfer from non-current	551 985	696 048
Expenditure incurred	(616 941)	(673 944)
Balance at end of year	551 985	696 048
30 June 2010		
Balance at beginning of year	433 429	689 568
Transfer from non-current	616 941	673 944
Expenditure incurred	(433 429)	(689 568)
Balance at end of year	616 941	673 944
	2011	2010
	R	R

14. CREDITORS

Trade Creditors	73 879 136	15 874 045
Payments received in Advance	139 542	57 531
Retentions	6 094 704	3 435 864
Staff Bonuses	2 247 439	2 022 339
Staff Leave Accrued	4 610 304	5 034 267
Sundry Deposits	8 335	8 335
Other Creditors	9 370 633	73 023 528
Total Creditors	96 350 094	99 455 909

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

Creditors have been restated to reclassify the amount for Staff Leave, previously included in Provisions. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly disclose the municipality's liability for Workmen's Compensation not yet assessed for previous years. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly disclose the municipality's liability for Grant Expenditure previously duplicated. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly disclose the municipality's liability for Rental Expenditure. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly disclose the municipality's liability for Deficit incurred by the Local Municipalities on Consumer Services. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly disclose the municipality's liability for Retention Moneys held. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

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

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

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government

National Government Grants
 Provincial Government Grants
 Other Spheres of Government

2011	2010
144 511 986	133 363 423
53 096 791	43 829 211
7 162 449	1 925 497
204 771 226	179 118 131

Total Conditional Grants and Receipts

Unspent Conditional Grants have been restated to correctly disclose the municipality's liability for Retention Moneys held. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
16. OPERATING LEASE LIABILITIES / PAYABLES		
Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:		
Balance at beginning of year	4 350	7 873
Operating Lease expenses recorded	878 914	671 306
Operating Lease payments effected	(854 341)	(674 828)
Total Operating Lease Liabilities	28 924	4 350

Operating Lease Liabilities have been restated to disclose the liability of the municipality for future commitments in terms of GRAP 13. Refer to Note 38.1 on "Correction of Error" for details of the restatement.

16.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

16.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	2 783 680	546 099
Up to 1 year	1 073 464	344 541
2 to 5 years	1 710 215	201 558
Other Equipment:	516 323	809 973
Up to 1 year	263 288	296 621
2 to 5 years	253 035	513 353
Total Operating Lease Arrangements	3 300 002	1 356 072

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

Minimum lease payments	(878 914)	(671 306)
Total Operating Lease Expenses	(878 914)	(671 306)

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

- Buildings
- Office Equipment

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

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17. LONG-TERM LIABILITIES		
Annuity Loans	6 628 389	7 652 081
Sub-total	6 628 389	7 652 081
Less: Current Portion transferred to Current Liabilities:- Annuity Loans	1 074 681	1 023 692
	1 074 681	1 023 692
Total Long-term Liabilities (Neither past due, nor impaired)	5 553 707	6 628 389

17.1 Summary of Arrangements

The Annuity Loan is repaid over a period of 6 (2010: 7) years and at an interest rate of 5,00% (2010: 5,00%) per annum. The Annuity Loans is not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

18. RETIREMENT BENEFIT LIABILITIES

18.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	21 599 165	17 770 499
Contributions to Provision	167 663	4 502 610
Balance at end of Year	21 766 827	22 273 109
Transfer to Current Provisions	(696 048)	(673 944)
Total Post-retirement Health Care Benefits Liability	21 070 779	21 599 165

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 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.

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

In-service Members (Employees)	249	280
In-service Non-members (Employees)	148	181
Continuation Members (Retirees, widowers and orphans)	38	36
Total Members	435	497

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
The unfunded liability in respect of past service has been estimated as follows:		
In-service Members	12 330 008	13 941 747
Continuation Members	9 436 819	8 331 362
Total Liability	21 766 827	22 273 109

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Fed Health
- Gen Health
- Keyhealth
- LA Health
- Medcover
- Resolution
- Samwumed

The Current-service Cost for the year ending 30 June 2011 is estimated to be R1 052 744, whereas the cost for the ensuing year is estimated to be R982 529 (2010: R867 173 and R1 052 744 respectively).

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

Discount Rate	8.69%	9.22%
Health Care Cost Inflation Rate	7.32%	7.27%
Net Effective Discount Rate	1.28%	1.82%
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	22 273 109	18 460 067
Current service costs	1 052 744	867 173
Interest cost	2 023 255	1 650 709
Benefits paid	(673 944)	(689 568)
Actuarial losses / (gains)	(2 908 337)	1 984 728
Present Value of Fund Obligation at the end of the Year	21 766 827	22 273 109

Actuarial losses / (gains) unrecognised

- -

Total Recognised Benefit Liability

21 766 827 **22 273 109**

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

Present value of fund obligations	21 766 827	22 273 109
Unfunded Accrued Liability	21 766 827	22 273 109
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	21 766 827	22 273 109

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

Current service cost	1 052 744	867 173
Interest cost	2 023 255	1 650 709
Actuarial losses / (gains)	(2 908 337)	1 984 728
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	167 663	4 502 610

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2009 R	2008 R	2007 R
The history of experienced adjustments is as follows:					
	2011	2010	2009	2008	2007
	R	R	R	R	R
Present Value of Defined Benefit Obligation	21 766 827	22 273 109	18 460 067	15 762 816	13 331 046
Deficit	<u>21 766 827</u>	<u>22 273 109</u>	<u>18 460 067</u>	<u>15 762 816</u>	<u>13 331 046</u>
Experienced adjustments on Plan Liabilities	(1 481 847)	2 610 116	1 084 656	-	-

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 2009 reporting period.

	2011 R	2010 R
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	539 100	417 300
Effect on the defined benefit obligation	3 476 627	3 362 592
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(431 800)	(340 700)
Effect on the defined benefit obligation	(2 771 829)	(2 721 536)

The municipality expects to make a contribution of R2 845 million (2010: R3 076 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 48 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

19. NON-CURRENT PROVISIONS

Provision for Long Service Awards	2 866 650	2 430 228
Total Non-current Provisions	<u>2 866 650</u>	<u>2 430 228</u>
The movement in Non-current Provisions are reconciled as follows:		
Long-service Awards:		
Balance at beginning of year	2 430 228	2 731 024
Contributions to provision	988 407	316 145
	<u>3 418 635</u>	<u>3 047 169</u>
Transfer to current provisions	(551 985)	(616 941)
Balance at end of year	<u>2 866 650</u>	<u>2 430 228</u>

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

19.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years (2010: 5 years) of continuous service, and every 5 years thereafter, to 25 years (2010: 25 years) of continuous service to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The 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, 385 (2010: 434) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2011 is estimated to be R731 117, whereas the cost for the ensuing year is estimated to be R767 667 (2010: R499 171 and R731 117 respectively).

2011
R

2010
R

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

Discount Rate	7.51%	9.01%
Cost Inflation Rate	6.20%	5.60%
Net Effective Discount Rate	1.23%	3.22%
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	3 047 169	3 164 453
Current service costs	731 117	499 171
Interest cost	247 307	266 824
Benefits paid	(616 941)	(433 429)
Actuarial losses / (gains)	9 983	(257 242)
Losses / (gains) on curtailments	-	(192 608)

Present Value of Fund Obligation at the end of the Year

3 418 635

3 047 169

Actuarial losses / (gains) unrecognised

-

-

Total Recognised Benefit Liability

3 418 635

3 047 169

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

Present value of fund obligations	3 418 635	3 047 169
Unfunded Accrued Liability	3 418 635	3 047 169
Actuarial gains / (losses) not recognised	-	-

Total Benefit Liability

3 418 635

3 047 169

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

Current service cost	731 117	499 171
Interest cost	247 307	266 824
Actuarial losses / (gains)	9 983	(257 242)
Losses / (Gains) arising from curtailments or settlements	-	(192 608)

Total Post-retirement Benefit included in Employee Related Costs (Note 27)

988 407

316 145

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2009 R	2008 R	2007 R
The history of experienced adjustments is as follows:					
	2011	2010	2009	2008	2007
	R	R	R	R	R
Present Value of Defined Benefit Obligation	3 418 635	3 047 169	3 164 453	2 901 368	2 623 583
Deficit	<u>3 418 635</u>	<u>3 047 169</u>	<u>3 164 453</u>	<u>2 901 368</u>	<u>2 623 583</u>
Experienced adjustments on Plan Liabilities	(319 096)	(124 535)	-	-	-

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 2009 reporting period.

	2011 R	2010 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	44 471	44 268
Effect on the defined benefit obligation	171 203	134 789
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(40 654)	(39 646)
Effect on the defined benefit obligation	(157 288)	(124 955)

The municipality expects to make a contribution of R978 424 (2010: R978 424) to the defined benefit plans during the next financial year.

20. ACCUMULATED SURPLUS

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

Capital Replacement Reserve (CRR)	41 249 349	41 100 052
Government Grants Reserve	3 245 385 343	3 049 308 587
Accumulated Surplus / (Deficit) due to the results of Operations	186 390 324	153 014 483
Total Accumulated Surplus	<u>3 473 025 017</u>	<u>3 243 423 122</u>

Accumulated Surplus has been restated for various reasons indicated in Note 38. Refer to Notes 38.1 to 38.5 on "Correction of Error" for details of the restatements.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	227 967 603	195 763 613
Provincial Health Subsidies	6 759 080	13 996 135
Provincial Road Subsidies	22 568 007	21 227 741
Other Subsidies	75 557 535	20 047 464
Operational Grants	<u>332 852 226</u>	<u>251 034 954</u>
Conditional Grants	296 265 519	260 191 661
National: Equitable Share	-	45 068 746
National: FMG	1 310 710	1 610 876
National: MIG	200 310 108	137 997 266
National: MSIG	-	1 004 718
National: DWAF	65 110 538	61 315 879
National: Public Works Grant	65 992	36 803
National: Sport and Development	8 455 298	405 555
Provincial: Treasury Grant	79 545	-
Provincial: Agriculture Grant	11 336 782	5 763 106
Provincial: DHLGTA Grant	4 522 831	476 050
Provincial: Transport Grant	4 582 153	5 077 852
Other Spheres of Government: Various Grants	491 563	1 434 810
Total Government Grants and Subsidies	<u><u>629 117 745</u></u>	<u><u>511 226 614</u></u>
Attributable to:		
Continuing Operations	622 358 665	511 226 614
Discontinued Operations	6 759 080	-
	<u><u>629 117 745</u></u>	<u><u>511 226 614</u></u>

Government Grants and Subsidies have been restated to correctly disclose the amount for revenue realised by commitments met on Conditional Grants held by the municipality. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Government Grants and Subsidies* have been restated to correctly disclose the amount for revenue realised on the Conditional Grant for Road Expenditure. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Operational Grants:

21.1 National: Equitable Share	<u>227 967 603</u>	<u>195 763 613</u>
---------------------------------------	--------------------	--------------------

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised for municipal health services, institutional reform and to enable the municipality to execute its functions as the district authority.

21.2 Provincial: Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	6 759 080	13 996 135
Conditions met - transferred to Revenue	<u>(6 759 080)</u>	<u>(13 996 135)</u>
Conditions still to be met - transferred to Current Assets (see Note 5)	<u>-</u>	<u>-</u>

This grant has been used to fund primary and environmental health care services (included in Appendix "D"). Primary health care services are in a process of being transferred to Provincial Government. This grant will then fall away. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Conditional Grants:		
21.3 National: Equitable Share		
Balance unspent at beginning of year	0	16 708 263
Current year receipts	-	28 360 483
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(45 067 146)
Conditions met - transferred to Revenue: Capital Expenses	-	(1 600)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	0	0

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised for municipal health services, institutional reform and to enable the municipality to execute its functions as the district authority.

21.4 National: FMG Grant

Balance unspent at beginning of year	7 404 875	8 265 751
Current year receipts	1 250 000	750 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 608 248)
Conditions met - transferred to Revenue: Capital Expenses	(1 310 710)	(2 629)
Other Transfers	(6 228 515)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	1 115 650	7 404 875

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

21.5 National: MIG Funds

Balance unspent at beginning of year	82 496 552	33 152 678
Current year receipts	205 702 000	187 341 140
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(11 256 024)
Conditions met - transferred to Revenue: Capital Expenses	(200 310 108)	(126 741 243)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	87 888 443	82 496 552

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

21.6 National: MSIG Funds

Balance unspent at beginning of year	1 979 946	2 249 664
Current year receipts	750 000	735 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 004 718)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	2 729 946	1 979 946

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
21.7 National - Department Water Affairs and Forestry (DWAF)		
Balance unspent at beginning of year	19 195 692	26 791 126
Current year receipts	77 822 816	53 720 446
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(61 315 879)
Conditions met - transferred to Revenue: Capital Expenses	(65 110 538)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>31 907 970</u>	<u>19 195 692</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

21.8 National - Department Rural Development and Land Reform

Balance unspent at beginning of year	402 614	402 614
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>402 614</u>	<u>402 614</u>

This grant was used to promote rural development and land reform. No funds have been transferred to the municipality.

21.9 National - Department Public Works

Balance unspent at beginning of year	6 032 964	337 766
Current year receipts	1 100 000	5 732 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(36 803)
Conditions met - transferred to Revenue: Capital Expenses	(65 992)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>7 066 971</u>	<u>6 032 964</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

21.10 National: Sport and Development

Balance unspent at beginning of year	15 850 781	8 269 336
Current year receipts	6 004 909	7 987 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(405 555)
Conditions met - transferred to Revenue: Capital Expenses	(8 455 298)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>13 400 392</u>	<u>15 850 781</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21.11 Provincial: Office of the Premier		
Balance unspent at beginning of year	21 569	21 569
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	21 569	21 569

This grant was allocated to assist the municipality on staging national events e.g. Woman's Day, Heritage Day, etc. No funds have been withheld.

21.12 Provincial: Treasury

Balance unspent at beginning of year	158 962	158 962
Current year receipts	1 607 898	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(79 545)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	1 687 316	158 962

This grant was received to support the municipality in the improvement of its financial administration. No funds have been withheld.

21.13 Provincial: Department Agriculture

Balance unspent at beginning of year	11 336 894	-
Current year receipts	24 440 711	17 100 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(905 119)
Conditions met - transferred to Revenue: Capital Expenses	(11 336 782)	(4 857 987)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	24 440 824	11 336 894

This grant was allocated for the soil conservation in different areas within the district. No funds have been withheld.

21.14 Provincial: Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	500 000	-
Conditions still to be met - transferred to Liabilities (see Note 15)	500 000	-

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21.15 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)		
Balance unspent at beginning of year	12 992 457	10 812 784
Current year receipts	1 426 280	2 655 723
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(476 050)
Conditions met - transferred to Revenue: Capital Expenses	(4 522 831)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	9 895 907	12 992 457

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PIMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

21.16 Provincial - Department Economic Affairs

Balance unspent at beginning of year	9 110 136	9 110 136
Current year receipts	1 814 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	10 924 136	9 110 136

This grant was received to assist in local economic development. No funds have been withheld.

21.17 Provincial - Department Health

Balance unspent at beginning of year	-	3 468 273
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	(3 468 273)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

This grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs, home-based care kits, etc. No funds have been withheld.

21.18 Provincial - Department Transport

Balance unspent at beginning of year	10 209 192	5 487 044
Current year receipts	-	9 800 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(5 077 852)
Conditions met - transferred to Revenue: Capital Expenses	(4 582 153)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	5 627 040	10 209 192

The Transport Grant was allocated for the maintenance of proclaimed roads in the jurisdiction area of the municipality. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
21.19 Other Spheres of Government		
Balance unspent at beginning of year	1 925 497	2 915 307
Current year receipts	-	445 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 434 810)
Conditions met - transferred to Revenue: Capital Expenses	(491 563)	-
Other Transfers	5 728 515	-
Conditions still to be met - transferred to Liabilities (see Note 15)	7 162 449	1 925 497

The municipality receives grants from other spheres of government for various projects for social upliftment of the communities in the district. The grant was utilised for this purpose. No funds have been withheld.

21.20 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 6 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

22. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	50 000	50 000
Total Public Contributions and Donations	50 000	50 000

23. SERVICE CHARGES

Availability Charges	5 409 000	4 391 117
Sewerage and Water Charges	42 340 023	74 974 831
Water Charges	66 042 152	-
Total Service Charges	113 791 175	79 365 949

Service Charges have been restated to correctly record the "Time Value of Money". Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Service Charges* have been restated to correctly record Interest on Outstanding Debtors, previously included in Service Charges. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Service Charges* have been restated to correctly disclose the audited revenue collected by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

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.

24. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Buildings	145 028	79 640
Rental Revenue from Equipment	-	69 851
Total Rental of Facilities and Equipment	145 028	149 491

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
25. INTEREST EARNED		
External Investments:		
Bank Account	18 808 272	-
Investments	6 305 582	20 994 786
Other Interest	66 810	57 815
	25 180 664	21 052 602
Outstanding Debtors:		
Outstanding Billing Debtors	13 531 128	9 208 027
	13 531 128	9 208 027
Total Interest Earned	38 711 792	30 260 629

Interest Earned has been restated to correctly record the "Time Value of Money". Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Interest Earned* has been restated to correctly record Interest on Outstanding Debtors, previously included in Service Charges. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Interest Earned* has been restated to correctly disclose the audited revenue collected by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

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

Avaliable-for-Sale Financial Assets	18 875 082	57 815
Held-to-Maturity Investments	6 305 582	20 994 786
Loans and Receivables	13 531 128	9 208 027
	38 711 792	30 260 629

26. OTHER REVENUE

Commission on Collections	88 085	81 473
Connection Fees	278 562	182 999
Private Telephone Calls	35 525	41 832
Tender Documents	595 946	283 800
Ukhahlamba Water Project	-	482 821
Unblocking Services	94 179	81 846
Works Recoverable	-	505 340
Other Income	161 748.17	112 696.51
Total Other Income	1 254 045	1 772 808

Other Revenue has been restated to correctly disclose the audited revenue collected by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
27. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	109 273 965	88 325 730
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	17 673 509	14 603 625
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	10 816 535	7 591 516
Housing Benefits and Allowances	1 034 703	967 932
Overtime Payments	2 902 019	-
Performance Bonuses	41 324	185 561
Defined Benefit Plan Expense:	1 156 070	4 818 755
Current Service Cost	1 783 861	1 366 344
Interest Cost	2 270 562	1 917 533
Net Actuarial (gains)/losses recognised	(2 898 354)	1 534 878
Vested Past Service Cost	-	-
Total Employee Related Costs	142 898 125	116 493 119
Attributable to:		
Continuing Operations	134 151 737	116 493 119
Discontinued Operations	8 746 388	-
	142 898 125	116 493 119
 <i>Employee Related Costs</i> have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.		
 Furthermore, <i>Employee Related Costs</i> have been restated to correctly disclose expenditure incurred by the municipality, correcting expenditure for Contracted Services previously included in Employee Related Costs. Refer to Note 38.4 on "Correction of Error" for details of the restatement.		
No advances were made to employees. Loans to employees are set out in Note 12.		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	530 599	497 747
Performance Bonus	-	45 232
Car and Other Allowances	204 201	191 558
Contributions to UIF, Medical and Pension Funds	153 209	143 723
Total	888 008	878 261
<i>Remuneration of the Director: Finance</i>		
Annual Remuneration	493 541	183 695
Acting Allowance	-	252 113
Performance Bonus	-	-
Car and Other Allowances	202 817	140 750
Contributions to UIF, Medical and Pension Funds	130 129	66 183
Total	826 487	642 741
The post was vacant as from 01 June 2008 until 31 October 2009. An Acting Allowance was paid for the period 01 June 2008 to 31 October 2009.		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	493 541	462 984
Performance Bonus	-	35 082
Car and Other Allowances	202 817	190 260
Contributions to UIF, Medical and Pension Funds	130 129	122 072
Total	826 487	810 398

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Remuneration of the Director: Health Services		
Annual Remuneration	407 700	462 984
Acting Allowance	73 033	-
Performance Bonus	-	35 082
Car and Other Allowances	163 162	190 260
Contributions to UIF, Medical and Pension Funds	102 541	122 072
Total	746 436	810 398

The director resigned with effect 7 January 2011. An Acting Allowance was paid for the period 8 January 2006 to 30 June 2011.

Remuneration of the Director: Integrated Planning and Development		
Annual Remuneration	493 541	462 984
Performance Bonus	-	35 082
Car and Other Allowances	202 817	190 260
Contributions to UIF, Medical and Pension Funds	130 129	122 072
Total	826 487	810 398

Remuneration of the Director: Technical Services		
Annual Remuneration	493 541	462 984
Performance Bonus	41 324	35 082
Car and Other Allowances	202 817	190 260
Contributions to UIF, Medical and Pension Funds	130 129	122 072
Total	867 811	810 398

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	-	27 330
Chief Financial Officer	14 578	17 232
Director: Corporate Services	-	63 268
Director: Health Services	34 405	16 890
Director: Integrated Planning and Development	-	19 744
Director: Technical Services	14 578	6 069
Total	63 562	150 533

28. REMUNERATION OF COUNCILLORS

Executive Mayor	442 109	432 206
Speaker	353 687	345 785
Chief Whip	28 364	-
Mayoral Committee Members	2 011 866	1 919 678
Councillors	1 391 574	1 256 196
Company Contributions to UIF, Medical and Pension Funds	887 946	-
Sundry Allowances (Cellular Phones, etc)	1 539 704	1 506 184
Total Councillors' Remuneration	6 655 249	5 460 050

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
29. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	127 615 095	120 614 596
Amortisation: Intangible Assets	477 121	957 749
Total Depreciation and Amortisation	128 092 216	121 572 345

Depreciation and Amortisation have been restated to correctly disclose the expense on Investment Property in terms of GRAP 17. Refer to Note 37.2 on "Change in Accounting Policy" for details of the restatement.

30. IMPAIRMENT LOSSES

30.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	202 757	51 375
Intangible Assets	202 757	51 375
Investment Property	-	-

Impairment Losses Reversed:

Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-

	202 757	51 375
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30.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Consumer Debtors	82 908 448	52 586 055
Other Debtors	-	24 683 541
	82 908 448	27 902 514

Impairment Losses Reversed:

Consumer Debtors	-	(17 489 414)
Other Debtors	-	(17 489 414)

	82 908 448	35 096 641
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Total Impairment Losses

	83 111 205	35 148 016
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Impairment Losses have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

31. FINANCE COSTS

Loans and Payables at amortised cost	359 079	407 194
Other Interest Paid	148 144	102 395
Total Interest Paid on External Borrowings	507 223	509 589

Finance Costs have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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Furthermore, *Finance Costs* have been restated to correctly disclose expenditure incurred by the municipality, correcting misallocations pointed out by the Auditor-General. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

The weighted average capitalisation rate on funds borrowed generally is 5,42% per annum (2010: 5,32% per annum).

32. BULK PURCHASES

Water	12 394 465	12 311 832
Total Bulk Purchases	12 394 465	12 311 832

Bulk Purchases have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

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. Water is mainly purchased from DWAF.

33. CONTRACTED SERVICES

Cash-in-Transit Services	-	7 661
Consultants' Fees	591 205	38 164 802
Professional Fees	1 386 400	-
Security Services	652 571	298 330
Other Contracted Services	38 631 971	-
Total Contracted Services	41 262 147	38 470 794

Contracted Services have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *Contracted Services* have been restated to correctly disclose expenditure incurred by the municipality, correcting expenditure for Contracted Services previously included in Employee Related Costs. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Included in Consultants' Fees is an amount of R4 776 047 (2010: R4 776 047) in respect of architectural and planning fees of a new administration office block. It was not certain at year-end whether the building project will realise.

34. GRANTS AND SUBSIDIES PAID

Community Projects	55 752 001	91 878 288
Free Basic Services	-	-
Local Municipalities - Providing of Services	1 201 718	39 612 108
Problem Animal Control	12 000	12 000
Tourism	-	13 200
Other	3 275 858	5 051 261
Total Grants and Subsidies	60 241 577	136 566 856

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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R

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R

Grants and Subsidies Paid have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly disclose expenditure incurred by the municipality, correcting misallocations pointed out by the Auditor-General. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly record the expenditure incurred by the municipality, previously recharged as General Expenses. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly disclose the amount for project expenditure realised by commitments met; expenditure previously duplicated. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly disclose the amount for project expenditure realised by commitments met; expenditure previously capitalised. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Community Projects are in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

Free Basic Services are in respect of providing basic service levels to indigent/residential households.

Problem Animal Control is paid to enable farmers to control animals that are dangerous to livestock. The grant is increased on an annual basis.

The **Tourism Grant** is paid annually in the municipality's aim to further local economic development of all communities.

The **Executive Mayor** makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
35. GENERAL EXPENSES		
Included in General Expenses are the following:		
Audit Fees	6 340 043	4 916 161
Communication (Radio)	1 905 348	1 706 415
Computer Services	943 268	-
Electricity	6 312 341	4 867 759
Entertainment	810 443	-
Fuel and Oil	6 424 957	4 033 889
Insurance	907 327	-
Operating Leases	998 152	-
Plant Rentals	-	7 876 719
Printing and Stationery	1 239 153	1 476 342
Public Events / Imbizos	1 262 262	-
Refurbishment of Water Schemes	4 518 994	15 692 116
Rental: External	7 358 589	4 686 229
Stores and Materials	1 131 648	-
Subscriptions	872 169	-
Subsistence and Travelling	5 762 254	4 146 808
Systems Security and Software	-	1 170 087
Telephones	2 242 183	2 224 598
Training Fund	1 120 257	-
Water	2 665 831	-
Other General Expenses	24 240 151	30 308 340
Inter-departmental Charges	(11 375 356)	-
Total General Expenses	<u>65 680 014</u>	<u>83 105 464</u>
Attributable to:		
Continuing Operations	64 400 532	83 105 464
Discontinued Operations	1 279 482	-
	<u>65 680 014</u>	<u>83 105 464</u>

General Expenses have been restated to correctly disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose expenditure incurred by the municipality, correcting misallocations pointed out by the Auditor-General. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly record the expenditure incurred by the municipality, previously recharged as General Expenses. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to disclose the expenditure incurred by the municipality on Rental Paid. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure incurred by the municipality on its Operating Leases. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure incurred by the municipality on Workmen's Compensation Insurance. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General 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.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
35.1 Material Losses	268 190	261 500
Theft	8 915	-
Vehicle Damages	259 275	261 500

36. DISCONTINUED OPERATIONS

36.1 Primary Health Services discontinued

The operations of the municipality relating to Primary Health Services, that includes functions such as Clinics and Prime Health Care, were discontinued during the year and transferred to the Provincial Administration Eastern Cape on 31 May 2011 as per agreement. All moveable assets related to the services will be transferred to the Provincial Health Administration during the forthcoming financial year. The discontinuation of the function of Primary Health Services by the municipality is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority. The transfer of Health Services was completed on 31 May 2011 on which date control of the liabilities and services passed to the Provincial Administration Eastern Cape.

36.2 Analysis of Surplus / (Deficit) for the year from Discontinued Primary Health Services Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/(Deficit) and Cash Flows from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

REVENUE

Government Subsidies	6 759 080	10 815 195
Total Income	6 759 080	10 815 195

LESS: EXPENDITURE

Employee Related Costs	8 746 388	9 831 887
Repairs and Maintenance	84 531	92 614
General Expenses	1 040 759	788 909
Vehicle Costs	238 723	266 357

Net Surplus/(Deficit) from Discontinued Operations	(3 351 321)	(164 572)
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Cash Flows from Discontinued Operations

Net Cash Flows from Operating Activities	(3 351 321)	(164 572)
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financing Activities	-	-
Depreciation	-	-
	(3 351 321)	(164 572)

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

37. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following Accounting Standards for the first time during the financial year 2010/2011 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2011:

- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments

37.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the Changes and Corrections are as follows:

		Accumulated Surplus
Balances published as at 30 June 2009		131 280 279
Change in Accounting Policy:-		
Reclassify Assets - Note 37.2	<u>3 063 367 164</u>	3 063 367 164
Correction of Error:-		
Reclassify Creditors - Note 38.1	<u>(1 280 675)</u>	(1 280 675)
Restated Balances as at 30 June 2009		<u>3 193 366 768</u>
Transactions incurred for the Year 2009/2010		117 797 160
Change in Accounting Policy:-		
Adjustment of Assets - Note 37.2	<u>(67 107 887)</u>	(67 107 887)
Correction of Error:		
Adjustment of Current Liabilities - Note 38.1	20 584 572	
Adjustment of Current Assets - Note 38.2	(98 030 870)	
Adjustment of Revenue - Note 38.3	(32 873 136)	
Adjustment of Expenditure - Note 38.4	(40 042 421)	
Reclassification of Transactions - Note 38.5	<u>149 728 934</u>	(632 921)
Restated Balances as at 30 June 2010		<u>3 243 423 122</u>
Transactions incurred for the Year 2010/2011		225 293 762
Correction of Error:		
Reclassification of Transactions - Note 38.5	<u>4 308 133</u>	4 308 133
Restated Balances as at 30 June 2011		<u><u>3 473 025 017</u></u>

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

GRAP 17 - Property, Plant and Equipment:

Assets of the municipality are now recognised in terms of *GRAP 16 - Investment Property, GRAP 17 - Property, Plant & Equipment and GRAP 102 - Intangible Assets*, and implemented as at 30 June 2009. As a result of the process of identifying, componentising and measuring assets, the values of the municipality's assets were adjusted to disclose the outcome of the physical verification.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

37.2 Reclassification of PPE, Investment Property and Intangible Assets

The prior year opening balances of Investment Property and Property, Plant & Equipment have been restated to correctly record the assets held by the municipality in the different categories of assets.

Furthermore, the prior year figures of Property, Plant & Equipment have been restated to correctly record the assets held by the municipality, previously expensed as Grant Expenditure from the MIG Grant.

Furthermore, the prior year figures of Intangible Assets and Property, Plant & Equipment have been restated to correctly record the assets held by the municipality, previously written-off without the required approval.

Furthermore, the prior year figures of Property, Plant & Equipment have been restated to correctly record the assets held by the municipality, the acquisitions thereof previously duplicated.

Furthermore, the year-end figures for Accumulated Surplus, Investment Property, PPE and Intangible Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 16, 17 and 102.

The effect of the Change in Accounting Policy / Correction of Error is as follows:

	Intangible Assets	Investment Property	PPE at Cost (Nett)	W I P at Cost
Balances published as at 30 June 2009	190	-	30 355 515	-
Reclassification of Investment Property	-	372 586	(372 586)	-
Reclassification of Assets at Cost capitalised	-	-	14 388 975	-
Reclassification of Work-in-Progress capitalised	-	-	-	209 949 912
Implementation of GRAP 16, 17 and 102	2 139 443	(372 586)	2 837 261 420	-
Restated Balances as at 30 June 2009	2 139 633	-	2 881 633 324	209 949 912
Transactions incurred for the Year 2009/2010	(190)	-	91 491 169	66 407 115
Assets written-off without approval reversed	190	-	343 438	-
Reversal for Acquisition of Vehicle duplicated	-	-	(256 000)	-
Reversal for Acquisition of Assets from MIG Grant duplicate	-	-	(61 035)	-
Implementation of GRAP 16, 17 and 102	(957 749)	-	(66 176 731)	-
Restated Balances as at 30 June 2010	1 181 884	-	2 906 974 165	276 357 027

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

GRAP 104 - Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

37.3 Reclassification of Financial Instruments

The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 01 July 2010.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Trade Receivables from Non-exchange Transactions				
Government Subsidy Claims	Loans and receivables	Amortised cost	6 748 372	6 748 372
Short-term Loans	Loans and receivables	Amortised cost	2 069 012	2 069 012
Sundry Deposits	Loans and receivables	Amortised cost	907 732	907 732
Sundry Debtors	Loans and receivables	Amortised cost	4 815 073	4 815 073
Bank, Cash and Cash Equivalents				
Call Deposits	Available for sale	Fair value	112 040 643	112 040 643
Bank Balances	Available for sale	Fair value	230 039 619	230 039 619
Cash Floats and Advances	Available for sale	Fair value	4 540	4 540
FINANCIAL LIABILITIES:				
Long-term Liabilities				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	6 628 389	6 628 389
Creditors				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	15 874 045	15 874 045
Payments received in Advance	Financial liabilities at amortised cost	Amortised cost	57 531	57 531
Retentions	Financial liabilities at amortised cost	Fair value	3 435 864	3 435 864
Staff Bonuses	Financial liabilities at amortised cost	Amortised cost	2 022 339	2 022 339
Staff Leave	Financial liabilities at amortised cost	Amortised cost	5 034 267	5 034 267
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	8 335	8 335
Other Creditors	Financial liabilities at amortised cost	Amortised cost	73 023 528	73 023 528
Current Portion of Long-term Liabilities				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	1 023 692	1 023 692
			2011	2010
			R	R

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is an decrease of R67 134 47 in the surplus for the financial year 2009/10 and the nature of the changes in the Accounting Policies is as follows:

- GRAP 16	Investment Property	-	-
- GRAP 17	Property, Plant and Equipment	-	(66 176 731)
- GRAP 21	Impairment of Non-cash-generating Assets	-	-
- GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	-	-
- GRAP 26	Impairment of Cash-generating Assets	-	-
- GRAP 102	Intangible Assets	-	(957 749)
- GRAP 104	Financial Instruments	-	-

Total Decrease / (Increase) in Surplus as at 30 June

- **(67 134 479)**

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2010, but the Accumulated Surplus as at 30 June 2009 has increased by R3 063 million.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

38. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

38.1 Reclassification of Current Liabilities

The prior year figures of Provisions and Creditors have been restated to disclose the liability of the municipality for Staff Leave in terms of an opinion issued by the Auditor-General.

Furthermore, the prior year figures of Creditors have been restated to correctly disclose the liability of the municipality for expenditure accrued for Workmen's Compensation, Grant Expenditure, Rentals, Creditors incurred by the Local Municipalities and Deficit on Consumer Services incurred by the Local Municipalities.

Furthermore, the prior year figures of Creditors and Unspent Conditional Grants have been restated to correctly disclose the liability of the municipality for Retention Moneys held on expenditure incurred.

Furthermore, the prior year figures of Operating Lease Liabilities have been restated to disclose the liability of the municipality for future commitments on its Operating Leases.

The effect of the Correction of Error is as follows:

	Provisions	Creditors	Unspent Grants	Operating Leases
Balances published as at 30 June 2009	5 938 709	23 200 056	128 151 274	7 873
Reclassification of Staff Leave	(4 317 249)	4 317 249	-	-
Reclassification of Creditors to reflect the liability for Workmen's Compensation	-	1 280 675	-	-
Restated Balances as at 30 June 2009	1 621 459	28 797 980	128 151 274	7 873
Transactions incurred for the Year 2009/2010	936 290	89 079 615	51 083 495	1 325 708
Reclassification of Contribution to Staff Leave	(717 018)	717 018	-	-
Recognition of Workmen's Compensation for the Year 2009	-	(1 178 691)	-	-
Reversal of Creditors of Local Municipalities	-	(24 710 584)	-	-
Reversal of accrual for Grant Expenditure duplicated	-	(22 276 130)	-	-
Provision for Rental as per Audit Finding	-	306	-	-
Accrual for Deficit of Local Municipalities	-	28 909 758	-	-
Accrual for Retentions as at 30 June 2010	-	116 637	(116 637)	-
Adjustment of Lease Expenditure Recorded (calculation error)	-	-	-	10 601
Adjustment of Lease Expenditure Effected (posting error)	-	-	-	(1 339 832)
Restated Balances as at 30 June 2010	1 840 731	99 455 909	179 118 131	4 350

38.2 Reclassification of Current Assets

The prior year figures of Inventory have been restated to correctly disclose the assets held by the municipality for Water Stock, since it does not qualify as an asset of the municipality in terms of GRAP 12, paragraph 14.

Furthermore, the prior year figures of Consumer Debtors have been restated to correctly disclose the assets held by the municipality, adjusting Consumer Debtors to the Age Analysis.

Furthermore, the prior year figures of Consumer Debtors have been restated to correctly disclose the net recoverable assets held by the municipality, after making provision for Impairment of Consumer Debtors.

Furthermore, the prior year figures of Other Debtors have been restated to correctly disclose the assets held by the municipality, adjusting Other Debtors for Surpluses generated by the Local Municipalities on Consumer Services.

Furthermore, the prior year figures of Other Debtors have been restated to correctly disclose the net recoverable assets held by the municipality, after making provision for Impairment of amounts held for Local Municipalities, included in Other Debtors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R
2010
R

Furthermore, the prior year figures of Other Debtors have been restated to correctly disclose the assets held by the municipality, adjusting Other Debtors for subsidy claims on Road Expenditure. See also Note 38.3 below.

Furthermore, the prior year figures of VAT Debtor have been restated to correctly disclose the assets held by the municipality, adjusting VAT Debtor for VAT claimable/payable by the Local Municipalities as it does not qualify as an asset/liability of the municipality in terms of IAS 39, paragraph 9.

Furthermore, the prior year figures of VAT Debtor have been restated to correctly disclose the assets held by the municipality, correcting misallocations pointed out by the Auditor-General.

The effect of the Correction of Error is as follows:

	Inventory	Consumer Debtors	Other Debtors	VAT Debtor
Balances published as at 30 June 2010	6 764 579	68 994 265	18 642 267	32 555 598
Reversal of Water Stock previously recognised	(6 754 347)	-	-	-
Adjustment of Consumer Debtors to Age Analyses	-	52 003 851	-	-
Adjustment for Impairment of Consumer Debtors	-	(120 998 116)	-	-
Adjustment for Surplus/Deficit of Local Municipalities	-	-	24 540 317	-
Adjustment for Impairment of Other Debtors	-	-	(27 902 514)	-
Correction of Subsidy Claim for Road Expenditure	-	-	(739 882)	-
Adjustment for VAT claimable by Local Municipalities	-	-	-	(18 185 012)
Correction of misallocations of VAT Charges	-	-	-	4 832
Restated Balances as at 30 June 2010	10 232	-	14 540 188	14 375 418

38.3 Reclassification of Revenue

The prior year figures of Service Charges and Interest on Outstanding Debtors have been restated to correctly record the "Time Value of Money" in terms of IAS 39. Refer to Audit Communication 53, Item 7.

Furthermore, the prior year figures of Service Charges and Interest on Outstanding Debtors have been restated to correctly record Interest previously included in Service Charges. Refer to Audit Report, Item 9.

Furthermore, the prior year figures of Government Grants and Subsidies have been restated to correctly disclose the amount for revenue realised by commitments met on Conditional Grants held by the municipality.

Furthermore, the prior year figures of Government Grants and Subsidies have been restated to correctly disclose the amount for revenue realised on the Conditional Grant for Road Expenditure. See also Note 38.2 above.

Furthermore, the prior year figures of Service Charges, Interest on Outstanding Debtors and Other Income have been restated to disclose the audited revenue collected by the Local Municipalities on Sanitation and Water Services on behalf of the municipality.

The effect of the Correction of Error is as follows:

	Service Charges	Interest: O/S Debtors	Government Grants	Other Income
Balances as per AFS previously published for 30 June 2010	53 165 385	-	513 779 361	1 755 518
Recognition of "Time Value of Money" for Service Charges	(694 944)	694 944	-	-
Correction of Interest included in Service Charges	(2 686 065)	2 686 065	-	-
Assets capitalised from MIG Grant	-	-	(1 812 865)	-
Correction of Subsidy Claim for Road Expenditure	-	-	(739 882)	-
Correction of Transactions on Services from LM's	29 581 574	5 827 018	-	17 290
Balances as at 30 June 2010 per AFS published for 30 June 2011	79 365 949	9 208 027	511 226 614	1 772 808

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

38.4 Reclassification of Expenditure

The prior year figures of Employee Costs, Provision for Bad Debts, Repairs and Maintenance, Interest Paid, Bulk Purchases, Contracted Services, Grants Paid and General Expenses have been restated to disclose the audited expenditure incurred by the Local Municipalities on Sanitation and Water Services on behalf of the municipality.

Furthermore, the prior year figures of Employee Costs and Contracted Services have been restated to correctly disclose expenditure incurred by the municipality, correcting expenditure for Contracted Services pointed out by the Auditor-General.

Furthermore, the prior year figures of Interest Paid, Grants Paid and General Expenses have been restated to correctly disclose expenditure incurred by the municipality, correcting misallocations pointed out by the Auditor-General.

Furthermore, the prior year figures of Grants Paid and General Expenses have been restated to correctly record the expenditure incurred by the municipality, previously recharged as General Expenses.

Furthermore, the prior year figures of Grants Paid have been restated to correctly disclose the amount for project expenditure realised by commitments met; expenditure previously duplicated.

Furthermore, the prior year figures of Grants Paid have been restated to correctly disclose the amount for project expenditure realised by commitments met; expenditure previously capitalised.

Furthermore, the prior year figures of General Expenses have been restated to disclose the expenditure incurred by the municipality on Rental Paid.

Furthermore, the prior year figures of General Expenses have been restated to disclose the expenditure incurred by the municipality on its Operating Leases.

Furthermore, the prior year figures of General Expenses have been restated to disclose the expenditure incurred by the municipality on Workmen's Compensation Insurance in terms of the latest Assessment received.

Furthermore, the prior year figures of Loss on the Disposal of Assets have been restated to correctly record the loss on disposal of assets held by the municipality, previously written-off without the required approval.

The effect of the Correction of Error is as follows:

	Employee Costs	Provision for Bad Debts	Repairs & Maintenance
Balances as per AFS previously published for 30 June 2010	117 433 731	7 194 127	21 951 502
Correction of Transactions on Services from Local Municipalities	2 010 476	27 902 514	1 865 200
Correction of Consultants Fees previously included in Employee Costs	(2 951 088)	-	-
Balances as at 30 June 2010 per AFS published for 30 June 2011	116 493 119	35 096 641	23 816 702
	Interest Paid	Bulk Purchases	Contracted Services
Balances as per AFS previously published for 30 June 2010	484 431	12 265 344	35 499 558
Correction of Transactions on Services from Local Municipalities	(2 504)	46 489	20 148
Correction of VAT and Interest Charged	334	-	-
Correction of Misallocation	27 327	-	-
Correction of Consultants Fees previously included in Employee Costs	-	-	2 951 088
Balances as at 30 June 2010 per AFS published for 30 June 2011	509 589	12 311 832	38 470 794

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
	Grants Paid	General Expenses
		Loss: Disposal of Assets
Balances as per AFS previously published for 30 June 2010	219 082 809	72 158 288
Correction of Transactions on Services from Local Municipalities	4 935 103	3 215 885
Correction of VAT and Interest Charged	(1 971)	(3 196)
Correction of Misallocation	(3 957)	(23 370)
Correction of Roadworks Expenditure	(9 027 532)	9 027 532
Reversal for Acquisition of Assets from MIG Grant duplicated	61 035	-
Reversal of duplicated accrual for Creditors	(22 276 130)	-
Assets capitalised from MIG Grant	(1 812 865)	-
Provision for Rental as per Audit Finding	-	306
Adjustment of Lease Expenditure Effected (posting error)	-	(1 329 230)
Adjustment of Workmen's Compensation Insurance	-	59 249
Loss on Assets written-off without approval reversed	-	(343 628)
Implementation of GRAP 16, 17 and 102	(54 389 636)	-
Balances as at 30 June 2010 per AFS published for 30 June 2011	136 566 856	83 105 464
	2011 R	2010 R

38.5 Reclassification of Accumulated Surplus:

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

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Bank	-	10 000
Corrections to Creditors	(4 581)	220 776
Corrections to Debtors	3 519 988	(1 167 448)
Corrections to VAT Receivable	754 955	-
Corrections to Expenditure	37 771	1 569 593
- Sewerage Debtors as at 30 June 2010	-	126 637 016
- Provision for Bad Debts: Sewerage as at 30 June 2010	-	(126 637 016)
- Water Debtors at 30 June 2010	-	126 349 168
- Provision for Bad Debts: Water as at 30 June 2010	-	(126 349 168)
- Other Debtors as at 30 June 2010 (Surplus on Services)	-	27 902 514
- Provision for Bad Debts: Other Debtors as at 30 June 2010	-	-
- Creditors as at 30 June 2010 (Deficit on Services)	-	(31 017 511)
- Operating Revenue for the year 2009/2010	-	(89 371 213)
- Operating Expenditure for the year 2009/2010	-	92 486 210

Increase / (Decrease) in Accumulated Surplus Account

4 308 133

632 921

The Assets, Liabilities, Revenue and Expenditure of the municipality have been adjusted as indicated above to correct transactions that occurred in previous financial years. Due to the nature of the transactions and the volumes thereof, opening balances have not been restated and the transactions were posted prospectively.

39. CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of Grap 3.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
40. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	225 293 762	49 423 433
Adjustment for:		
Correction of prior year Error	4 308 133	632 921
Depreciation and Amortisation	128 092 216	121 572 345
Impairment Losses on Property, Plant and Equipment	202 757	51 375
Gains on Disposal of Property, Plant and Equipment	4 393 204	(52 708)
Property, Plant and Equipment transferred to Non-current Assets Held-for-Sale	398 217	-
Other Movement on Property, Plant and Equipment	2 008 119	-
Contribution to Retirement Benefit Liabilities	167 663	4 502 610
Expenditure incurred from Retirement Benefit Liabilities	(673 944)	(689 568)
Contribution to Provisions - Current	193 322	236 945
Contribution to Provisions - Non-current	988 407	316 145
Expenditure incurred from Provisions - Current	(658 265)	(618 990)
Contribution to Impairment Provision	28 921 611	263 399 283
Bad Debts Written-off	(27 902 514)	-
Investment Income	(25 180 664)	(21 052 602)
Finance Costs	507 223	509 589
Operating surplus before working capital changes	341 059 244	418 230 777
Decrease/(Increase) in Inventories	(4 441 377)	(10 232)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	(398 217)	-
Decrease/(Increase) in Trade Receivables from Exchange Transactions	43 692 470	(252 986 183)
Decrease/(Increase) in Trade Receivables from Non-exchange Transactions	(61 464 468)	(557 858)
Decrease/(Increase) in VAT Receivable	(3 024 910)	(6 193 728)
Increase/(Decrease) in Creditors	(3 105 815)	70 657 929
Increase/(Decrease) in Conditional Grants and Receipts	25 653 095	50 966 857
Increase/(Decrease) in Operating Lease Liabilities	24 573	(3 523)
Cash generated by / (utilised in) Operations	337 994 595	280 104 040

41. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/2011 financial year.

42. FINANCING FACILITIES

Unsecured Fleet Card Facility, reviewed annually and payable monthly:

- Amount used	281 036	-
- Amount unused	918 964	1 200 000
	1 200 000	1 200 000

43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 17)	6 628 389	7 652 081
Used to finance Community Projects (Bucket eradication)	(6 628 389)	(7 652 081)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 13 and 17)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	132 818 780	31 206 062
Unauthorised Expenditure current year	299 154 216	103 505 068
Approved by Council or condoned	(132 818 780)	(1 892 350)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	299 154 216	132 818 780

Incident	Disciplinary Steps / Criminal Proceedings
<i>Expenditure incurred without order/appointment letter:-</i>	
- Facilitate Mayoral Cup - R663 719 (2010: R0)	None
- Training for PMS - R114 912 (2010: R0)	None
- Farewell Function - R4 872 (2010: R0)	None
<i>Budgeted amounts exceeded:-</i>	
- Employee Related Cost - R25 042 422 (2010: R7 579 380)	Report to be submitted to Council for condonation.
- Remuneration of Councillors - R117 702 (2010: R0)	
- Depreciation and Amortisation- R128 007 416 (2010: R0)	
- Impairment Losses - R83 111 205 (2010: R7 194 127)	
- Repairs and Maintenance - R9 696 905 (2010: R19 247 027)	
- Bulk Purchases - R0 (2010: R10 265 344)	
- Contracted Services - R40 571 111 (2010: R35 180 740)	
- General Expenses - R7 430 750 (2010: R23 169 451)	
- Loss on Disposals - R4 393 204 (2010: R390 524)	
<i>Included in Contracted Services above are payments to Maximum Profit Recovery of R0 (2010: R478 475)</i>	<i>None. It is endeavoured to obtain replacement equipment or a refund.</i>

44.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	161 504	1 531 052
Fruitless and Wasteful Expenditure current year	247 761	77 237
Condoned or written off by Council	-	(1 446 786)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	409 265	161 504

Incident	Disciplinary Steps / Criminal Proceedings
<i>Advertising costs - R79 517 (2010: R0)</i>	<i>Report to be submitted to Council for condonation.</i>
<i>Catering expenses - R4 200 (2010: R0)</i>	<i>Report to be submitted to Council for condonation.</i>
<i>Hiring of venue - R15 900 (2010: R0)</i>	<i>Report to be submitted to Council for condonation.</i>
<i>Interest on late payments - R148 144 (2010: R77 237)</i>	<i>Report to be submitted to Council for condonation.</i>

44.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	38 061 531	-
Irregular Expenditure current year	323 779	38 061 531
Condoned or written off by Council	(38 061 531)	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	323 779	38 061 531

Incident	Disciplinary Steps / Criminal Proceedings
<i>Expenditure incurred:-</i>	
- Purchases of Furniture - R34 999 (2010: R0)	
- Non-council business - R41 027 (2010: R0)	
- Refurbishing non-council property - R247 753 (2010: R0)	
<i>Non-compliance with SCM Policy R0 (2010: R38 061 531)</i>	<i>Report to be submitted to Council for condonation.</i>

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	775 824	426 851
Amount Paid - current year	(675 516)	(426 851)
Amount Paid - previous years	(100 308)	-
Balance Unpaid (included in Creditors)	-	-
45.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	6 340 043	4 916 161
Amount Paid - current year	(6 340 043)	(4 916 161)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
45.3 VAT		
VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.		
45.4 PAYE, Skills Development and UIF		
Opening Balance	-	-
Current year Payroll Deductions	14 388 381	11 999 573
Amount Paid - current year	(14 388 381)	(11 999 573)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
45.5 Pension and Medical Aid Deductions		
Opening Balance	5 475	-
Current year Payroll Deductions and Council Contributions	14 900 854	19 533 505
Amount Paid - current year	(14 900 854)	(19 528 030)
Amount Paid - previous years	(5 475)	-
Balance Unpaid (included in Creditors)	-	5 475

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2011 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2011.

45.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

45.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

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

Department	Date	Successful Tenderer	Reason	Amount
Community and Health Services	October 2010	Gem Instant Print	Service directories	20 640.00 Excluding VAT
<i>Only two service providers responding on the quotations requested from three service providers</i>				
Integrated Planning & Economic Development	December 2010	Farm Vision	Payment of salaries for irrigation scheme	111 093.00 Monthly, excluding VAT
<i>Resolved to pay salaries of staff appointed by Dept of Agriculture after problems with salary payments; schemes essential for district development</i>				

CHRIS HANI DISTRICT MUNICIPALITY
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			2011	2010
			R	R
Integrated Planning & Economic Development	January 2011	Cape Media Corporation	DPS advertisement for tourism indaba in Durban	42 123.00 Excluding VAT
<i>Explore Magazine licenced by the Tourism Indaba 2011 Event organisers to coordinate all matters relating to publications for the event</i>				
Integrated Planning & Economic Development	February 2011	Queens Casino	Conference package for 35 people for pmp training	9 525.00 Excluding VAT
<i>Only two service providers responding on request for quotations; accessible venue for community stakeholders critical</i>				
Workshop	February 2011	Komatsu SA	Repair pin & replace tooth rock chissens on Excavator	16 000.00 Excluding VAT
<i>The only agent in the Eastern Cape that can repair the Komatsu Excavator Machine</i>				
Corporate Services	March 2011	Rose Garden	Accommodation for 1 month for ms X Mpofu	7 040.00 Excluding VAT
<i>Only two service providers responding on time when quotations were requested</i>				
Communication	March 2011	Vukani Community Radio	SPU talkshows on 10 February 2011 for 60 minutes	5 700.00 Excluding VAT
<i>The only community radio station located within the boundaries of the district</i>				
Environmental Health	March 2011	Builders Trade Depot	Materials	14 039.40 Excluding VAT
<i>Only two service providers responding as the other service providers did not have all required materials in stock</i>				
Environmental Health	March 2011	Builders Trade Depot	Yearly subscription to get updated statistics for IDP processes	55 860.00 Excluding VAT
<i>Only two service providers responding as the other service providers did not have all required materials in stock</i>				
Engineering Services	March 2011	Renaissance Guest Farm	Venue and lunch for 48 environmental planning delegates	25 400.00 Excluding VAT
<i>Only one quotation obtained as all other conferences venues were already reserved</i>				
Corporate Services	March 2011	Red Guard Security Systems	Alarm system at 51 Grey Street and 3 Griffith Street	34 599.00 Excluding VAT
<i>Only one quotation requested as they are the only company in Queenstown that can supply and install requested services</i>				
Corporate Services	May 2011	Primeserve HR Solutions	Business writing skills training for committee clerks	21 204.00 Excluding VAT
<i>Only one quotation received as other service providers did not repond due to urgency for services</i>				
Workshop	May 2011	Komatsu SA	Tooth standard pin for Excavator	5 229.92 Excluding VAT
<i>The only agent in the Eastern Cape that can repair the Komatsu Excavator Machine</i>				
Environmental Health	May 2011	Eskom	Distribution connection fee and security deposit	7 160.00 Excluding VAT
<i>Sole supplier of electricity</i>				
Engineering Services	May 2011	NRG Office Solutions	Internet access for water services at Sakhisizwe Mun	11 278.00 Excluding VAT
<i>Only one quotation received as other service providers did not repond due to urgency for services</i>				
Corporate Services	May 2011	NRG Office Solutions	Narrow strips	5 485.30 Excluding VAT
<i>Only one service provider responding on request for quotations</i>				
Corporate Services	May 2011	Milani Furnitures	Stationery cabinet	18 560.00 Excluding VAT
<i>Only two service providers responding on request for quotations</i>				

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
Department	Date	Successful Tenderer	Reason	Amount
Corporate Services	May 2011	Malunethu Enterprise	Big screen	5 500.00 Excluding VAT
<i>Only two service providers responding on request for quotations</i>				
Corporate Services	June 2011	Max Sports Agencies	Running kit	15 900.00 Excluding VAT
<i>Only two service providers responding on request for quotations</i>				
Financial Services	June 2011	Ducharme Consulting	Preparation of GRAP-compliant Financial Statements - 2 years	1 145 609.00 Excluding VAT
<i>Provider appointed for preparation of Financial Statements in previous years; GRAP implementation to be finalised now, including Asset Register</i>				
Corporate Services	June 2011	Primeserve HR Solutions	Customer Care and Telephone	50 150.00 Excluding VAT
<i>Only two service providers responding on request for quotations</i>				
Engineering Services	June 2011	Max Sports Agencies	Discovery	25 400.00 Excluding VAT
<i>Only two service providers responding on request for quotations</i>				
Disaster Management	June 2011	Allenby Housing	Park home	110 442.06 Excluding VAT
<i>Only two service providers responding on request for quotations</i>				
Corporate Services	June 2011	Interiors	Replace damaged carpeting at Engineering	8 134.59 Excluding VAT
<i>Only one service provider responding on request for quotations</i>				
Environmental Health	June 2011	Agama Biogas	600 Watt Generator	40 320.00 Excluding VAT
<i>Only one service provider responding on request for quotations</i>				
Integrated Planning & Economic Development	June 2011	ARMS	PMS training	114 912.00 Excluding VAT
<i>Service provider appointed on recommendation of DPLG in response to AG's Audit Report for 2010; condoned by council</i>				

46. COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other
Investment Properties

920 886 457	164 670 622
881 983 485	101 276 741
38 902 972	57 016 019
-	6 377 862
-	-

- Approved but Not Yet Contracted for:-

Infrastructure
Community
Other
Investment Properties

68 873 183	9 135 564
54 199 454	8 961 957
14 673 729	173 607
-	-
-	-

Total Capital Commitments

989 759 640	173 806 186
--------------------	--------------------

This expenditure will be financed from:

External Loans
Capital Replacement Reserve
Government Grants

-	-
-	-
989 759 640	173 806 186
989 759 640	173 806 186

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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46.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 16.

46.3 Other Commitments

The municipality has entered into a contract with Arch Actuaries for the valuation of Staff Benefits for 2 years, which will give rise to a total charge of R55 048.

The municipality has entered into a contract with Ducharme Consulting Services for the compilation of Annual Financial Statements for 2 years, which will give rise to a total charge of R1 145 609.

47. FINANCIAL INSTRUMENTS

47.1 Classification

FINANCIAL ASSETS:

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

<u>Financial Assets</u>	<u>Classification</u>		
Trade Receivables from Exchange Transactions			
Sewerage	Amortised cost	-	-
Water	Amortised cost	-	-
Trade Receivables from Non-exchange Transactions			
Payments made in Advance	Amortised cost	12 493 644	-
Government Subsidy Claims	Amortised cost	6 862 076	6 748 372
Short-term Loans	Amortised cost	-	2 069 012
Sundry Deposits	Amortised cost	1 218 529	907 732
Sundry Debtors	Amortised cost	10 718 842	4 815 073
Bank, Cash and Cash Equivalents			
Call Deposits	Fair value	115 786 209	112 040 643
Bank Balances	Fair value	267 402 304	230 039 619
Cash Floats and Advances	Fair value	4 540	4 540

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Trade Receivables from Exchange Transactions	Sewerage	-	-
Trade Receivables from Exchange Transactions	Water	-	-
Trade Receivables from Non-exchange Transactions	Payments made in Advance	12 493 644	-
Trade Receivables from Non-exchange Transactions	Government Subsidy Claims	6 862 076	6 748 372
Trade Receivables from Non-exchange Transactions	Short-term Loans	-	2 069 012
Trade Receivables from Non-exchange Transactions	Sundry Deposits	1 218 529	907 732
Trade Receivables from Non-exchange Transactions	Sundry Debtors	10 718 842	4 815 073
		<u>31 293 090</u>	<u>14 540 188</u>

Financial Assets at Fair Value:

Bank, Cash and Cash Equivalents	Call Deposits	115 786 209	112 040 643
Bank, Cash and Cash Equivalents	Bank Balances	267 402 304	230 039 619
Bank, Cash and Cash Equivalents	Cash Floats and Advances	4 540	4 540
		<u>383 193 053</u>	<u>342 084 802</u>

Total Financial Assets

414 486 143 **356 624 990**

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	5 553 707	6 628 389
Creditors			
Trade Creditors	Amortised cost	73 879 136	15 874 045
Payments received in Advance	Fair value	139 542	57 531
Retentions	Amortised cost	6 094 704	3 435 864
Staff Bonuses	Amortised cost	2 247 439	2 022 339
Staff Leave	Amortised cost	4 610 304	5 034 267
Sundry Deposits	Amortised cost	8 335	8 335
Other Creditors	Amortised cost	9 370 633	73 023 528
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	1 074 681	1 023 692
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	5 553 707	6 628 389
Creditors	Trade Creditors	73 879 136	15 874 045
Creditors	Retentions	6 094 704	3 435 864
Creditors	Staff Bonuses	2 247 439	2 022 339
Creditors	Staff Leave	4 610 304	5 034 267
Creditors	Sundry Deposits	8 335	8 335
Creditors	Other Creditors	9 370 633	73 023 528
Current Portion of Long-term Liabilities	Annuity Loans	1 074 681	1 023 692
		102 838 941	107 050 459
Financial Liabilities at Fair Value:			
Creditors	Payments received in Advance	139 542	57 531
		139 542	57 531
Total Financial Liabilities		102 978 483	107 107 990

47.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

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.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

The Financial Instruments of the municipality have been reclassified as disclosed in Note 37.3, Change in Accounting Policy.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2011

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	115 786 209	-	115 786 209
Bank Balances and Cash	-	267 406 844	-	267 406 844
Total Financial Assets	-	383 193 053	-	383 193 053
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Annuity Loans	-	5 553 707	-	5 553 707
Total Financial Liabilities	-	5 553 707	-	5 553 707
Total Financial Instruments	-	377 639 345	-	377 639 345

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R		2010 R
30 June 2010				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	112 040 643	-	112 040 643
Bank Balances and Cash	-	230 044 160	-	230 044 160
Total Financial Assets	<u>-</u>	<u>342 084 802</u>	<u>-</u>	<u>342 084 802</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Annuity Loans	-	6 628 389	-	6 628 389
Total Financial Liabilities	<u>-</u>	<u>6 628 389</u>	<u>-</u>	<u>6 628 389</u>
Total Financial Instruments	<u>-</u>	<u>335 456 413</u>	<u>-</u>	<u>335 456 413</u>

47.3 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 2010.

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

Gearing Ratio

		2011 R		2010 R
The gearing ratio at the year-end was as follows:				
Debt		1 074 681		1 023 692
Bank, Cash and Cash Equivalents		(267 406 844)		(230 044 160)
Net Debt		<u>(266 332 163)</u>		<u>(229 020 467)</u>
Total Capital		<u>3 206 692 854</u>		<u>3 014 402 655</u>
Net debt to total capital ratio		<u>-8.31%</u>		<u>-7.60%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 17.

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

47.4 Financial Risk Management Objectives

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

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

47.5 Significant Accounting Policies

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

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

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

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

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 47.8 and 47.9 to the Annual Financial Statements.

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.9 below). 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.

47.6.1 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 interest rate market.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

47.6.2 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, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment 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 consultation with the investment committee.

Consumer Debtors comprise of a large number of consumers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

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

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 is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

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

Interest Rate Sensitivity Analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 47.9 below:

Cash and Cash Equivalents:

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

- Surplus for the year ended 30 June 2011 would have decreased / increased by R3 626 344 (2010: decreased / increased by R2 408 903). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

46.7 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Trade and Other Receivables

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

Consumer Debtors comprise of a large number of consumers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing 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 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.

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

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

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

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

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

2011
R

2010
R

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

Trade Receivables from Exchange Transactions	209 293 714	252 986 183
Trade Receivables from Non-exchange Transactions	108 490 068	47 025 600
Bank, Cash and Cash Equivalents	383 193 053	342 084 802

Maximum Credit and Interest Risk Exposure

700 976 835

642 096 586

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

	%	%
Trade Receivables from Exchange Transactions:		
- Household	63%	51%
- Industrial / Commercial	2%	13%
- National and Provincial Government	1%	20%
- Other Classes	0%	0%
Trade Receivables from Non-exchange Transactions:		
- Other not Classified	34%	16%
Total Credit Risk	100%	100%

CHRIS HANI DISTRICT MUNICIPALITY
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	2011 R	2010 R
Bank and Cash Balances		
First National Bank	383 188 513	342 080 262
Cash Equivalents	4 540	4 540
Total Bank and Cash Balances	383 193 053	342 084 802
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:		
Trade Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	-	-
Group 2	6 504 429	21 806 727
Group 3	202 789 285	231 179 456
	209 293 714	252 986 183
Total Trade Receivables from Exchange Transactions	209 293 714	252 986 183
Trade Receivables from Non-exchange Transactions		
Group 1	13 712 173	907 732
Group 2	-	-
Group 3	94 777 896	46 117 868
Total Trade Receivables from Non-exchange Transactions	108 490 068	47 025 600

Credit quality 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.

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

47. FINANCIAL INSTRUMENTS (Continued)

47.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

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

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2011								
Non-interest Bearing		0.00%	96 350 094	96 350 094	-	-	-	-
Fixed Interest Rate Instruments		5.00%	7 665 379	696 853	696 853	1 393 705	4 181 116	696 853
			104 015 474	97 046 947	696 853	1 393 705	4 181 116	696 853
30 June 2010								
Non-interest Bearing		0.00%	99 455 909	99 455 909	-	-	-	-
Fixed Interest Rate Instruments		5.00%	9 059 085	696 853	696 853	1 393 705	4 181 116	2 090 558
			108 514 993	100 152 762	696 853	1 393 705	4 181 116	2 090 558

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2011								
Non-interest Bearing		0.00%	31 297 630	31 297 630	-	-	-	-
Variable Interest Rate Instruments		6.93%	383 188 513	383 188 513	-	-	-	-
			414 486 143	414 486 143	-	-	-	-
30 June 2010								
Non-interest Bearing		0.00%	14 544 728	14 544 728	-	-	-	-
Variable Interest Rate Instruments		8.72%	342 080 262	342 080 262	-	-	-	-
			356 624 990	356 624 990	-	-	-	-

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

47.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) 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

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Unsecured Bank Facilities	17		(6 628 389)	-	-	-	-	(6 628 389)
DBSA		5.00%	(6 628 389)	-	-	-	-	(6 628 389)
Total Fixed Rate Instruments			(6 628 389)	-	-	-	-	(6 628 389)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7	6.93%	115 786 209	115 786 209	-	-	-	-
Bank Balances and Cash	7		267 406 844	267 406 844	-	-	-	-
Total Fixed Rate Instruments			383 193 053	383 193 053	-	-	-	-

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Unsecured Bank Facilities	17		(7 652 081)	-	-	-	-	(7 652 081)
DBSA		5.00%	(7 652 081)	-	-	-	-	(7 652 081)
Total Fixed Rate Instruments			(7 652 081)	-	-	-	-	(7 652 081)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7	8.72%	112 040 643	112 040 643	-	-	-	-
Bank Balances and Cash	7		230 044 160	230 044 160	-	-	-	-
Total Fixed Rate Instruments			342 084 802	342 084 802	-	-	-	-

47.10 Other Price Risks

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

48. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Chris Hani District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong 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 defined 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:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) 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 operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where 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 R11,6 million (2010: R8,7 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 2010.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of R0,0 (30 June 2009: R0,0) million, with a funding level of 100,0% (30 June 2009: 100,0%). The balance of the Solvency Reserve was R4,9 (30 June 2009: R220,6) million. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,1%.

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2008.

The statutory valuation performed as at 31 March 2008 revealed that the fund had a surplus of R0,0 (31 March 2006: R9,0) million, with a funding level of 100,0% (31 March 2006: 101,7%). The contribution rate paid by the members (7,50%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 1 July 2010.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of 307,6 (1 July 2009: Deficit of R264,2) million, with a funding level of 96% (1 July 2009: 96%). The contribution rate paid by the members (7,50% to 9,00%) and the municipalities (15,00% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

Although the fund is less than 100% funded at the valuation date, no additional action is required at this stage to rectify the situation. If the current employer contribution rate is maintained, the fund is expected to be close to 100% funded at the next tri-annual valuation, provided the assumptions are borne out in practice.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the investment reserve of the fund amounted to R7 311 (30 June 2009: R1 171) million, with a funding level of 102,0% (30 June 2009: 100,3%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) 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 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R8 220 (30 June 2009: R6 842) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a funding ratio of 94,0% (30 June 2006: 106,5%). 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.

Liberty Life Pension Fund:

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

SANLAM Annuity Fund:

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

SANLAM Retirement Fund:

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

None of the above mentioned plans are State Plans.

49. RELATED PARTY TRANSACTIONS

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

49.1 Interest of Related Parties

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

Name of Related Person	Designation	Description of Related Party Relationship
Birch J	Councillor	Director of Wilfradan Investments (Pty) Ltd
Bobo T	Councillor	50% Membership in Ilinge Labatsha Development Project CC; 50% Membership in Lingelihle Glass Fitters CC
Bula MN	Councillor	20% Membership in Polonius Investments; 25% Membership in Bendis Investments; 100% Membership in Gobashe Trading Enterprise; 100% Membership in Zinkamba Trading 1002
Dyantyi SR	Councillor	Director of Tiholo Entrepreneur Support Centre
Gela W	Councillor	Director of Sesinethemba Construction; 10% Membership in Urafile Trading; 16% Membership in Ithemba Liyaphilisa Financial Services; 20% Membership in Sikhuselu 'luntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 49% Membership in Silver Solutions 2978
Gobingca M	Councillor	50% Membership in Shine & Brilliant General Trading CC
Goniwe N	Councillor	33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
Name of Related Person	Designation	Description of Related Party Relationship	
James LE	Councillor	Director of Veronica Investments; Member of East Cape Agricultural Co-op; 33% Membership in Palgro Property Investments CC; Spouse is a member of Buyie Catering Services and Savelanathi Trading	
Koyo MC	Councillor	Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services CC	
Kulashe T	Councillor	Shareholder in DDX General Trading Coop	
Magwashu NG	Councillor	50% Membership in Magwashu Development Projects	
Mandile PP	Councillor	50% Membership in Mfe-Gebe Trading	
Matiwane N	Councillor	33,50% Membership in Noxxa Construction; Brother is a member of Inyameko Trading 689	
Mbolo S	Councillor	25% Membership in Amabandla Construction CC; 50% Membership in Monde Skosana Building Construction	
Nkwentsha-Gunuza L	Councillor	Director of Lembede Investment Holdings (Pty) Ltd; Director of Lembede Strategic Investments (Pty) Ltd	
Nobongoza H	Councillor	Director of Madcomsol Holdings; 25% Membership in Sangolekhaya Funeral Services; 100% Membership in Tando-Luzuko Trading & Projects	
Nobongoza TP	Councillor	Director of Sakhisizwe Multipurpose Resource Centre (Section 21 Company)	
Nontsele M	Councillor	33,30% Membership in Izibele Management Services CC	
Nquma NP	Councillor	33,40% Membership in Fenas and Nquma Civils and Property Developers	
Ntakana S	Councillor	100% Membership in Ntakana Brothers Transport and Construction	
Ntoni BO	Councillor	12,50% Membership in Ntoni and Zikhali Contractors	
Pasha NM	Councillor	Director of Engcobo Housing Project (Section 21 Company)	
Plata SD	Councillor	100% Membership in Daves Energy Distribution CC	
Radzilani N	Councillor	Director of Forecast Traders	
Roskruge N	Councillor	30% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise	
Sigabi MS	Councillor	Director of EC Socio-Economic Consultative Council (Section 21 Company)	
Taljaard J	Councillor	33,33% Membership in Essential Prospects 166 CC	
Twala B	Councillor	Director of Kuthalani Agricultural	
Venske RW	Councillor	Director of Romeldi Prospektering	
Zenzile M	Councillor	Director of Cradock Masizame (Section 21 Company)	
Mbambisa MS	Mun Manager	16.66% Membership in Mulepele Trading Enterprise CC; 100% Membership in Booi Mbambisa & Associates CC	
Lynch JEDV	Director	100% Membership in Ke-Rometsi Transport Services CC	
Mgijima VN	Director	100% Membership in Olusi Bed & Breakfast	
Nqwazi N	Director	Director of Copper Sunset Trading 407; Director of Tuscan Mood 183; Director of Westside Trading 253; 30% Membership in Great Oak Trading 29; 30% Membership in Kwalago Trading; 50% Membership in Osstinox Promotions; 50% Membership in Round About Multi Projects; 50% Membership in The Galz Property Investment & Development	
Dyasi-De Lange MP	Manager	50,02% Membership in Siyaphuhlisa Consulting Services CC	
Fumbeza N	Manager	33,33% Membership in Thembalobom Manufacturing and Enterprise CC	
Jaxa-Dusubana V	Manager	33,33% Membership in Seven Mile Trading 132 CC; Spouse is a member of Galindo Trading 121 CC	
Makonza A	Manager	100% Membership in Seasons Find 1260 CC	
Ngqoyiyana M	Manager	100% Membership in Jazzmataz Construction	
Ntlabezo LN	Manager	Membership in Nokwindla Trading; 30% Membership in TLN Trading; 32% Membership in Lupuno Engineering Contractors; 50% Membership in TLT Furniture and Cabinet Makers	
Shasha MM	Area Manager	50% Membership in Safika Rural Development Consultants CC	
Noqha LE	Councillor	Daughter is a member of Ariano 222	

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
Name of Related Person	Designation	Description of Related Party Relationship	
Shweni ZR	Councillor	Close family members have membership in Bomi Investment Holdings, Eand So Civil Engineering and Construction, Ezomso Training and Conference Centre, Hlumisa Travelling Agency, Lilitha Vehicle Hire, Manzana Mancoba and Shweni Heavy Duty Transportation, Ngxongounathi Security, Olona Trading and Project and Shweni Trading	
Myataza-Ntshinga N	Deputy Director	Spouse has membership in Agnul Investments, Amathole Economic Development Agency, Hlumisa Consulting Services and Ikwezi Lakusasa Transportation	
Silangwe M	Manager	Spouse is a member of Thakwemi Consulting	

49.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

49.3 Loans granted to Related Parties

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

49.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

				2011 R	2010 R
49.5 Purchases from Related Parties					
The municipality bought goods from the following companies, which are considered to be Related Parties:					
Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Ariano 222 CC	Flatela K (1)	Member	Councillor	32 571	842
Galindo Trading 121 CC	Spouse (2)	Member	Official	1 140	-
Hlumisa Consulting Services	Spouse (3)	Member	Official	52 440	-
Thakwemi Consulting	Spouse (4)	Member	Official	23 027	-
Buyie's Catering Services	(*)	Member	Councillor	-	25 907
East Cape Agricultural	James LE	Director	Councillor	-	8 873
Olona's Trading	(*)	Member	Councillor	-	20 000
Shweni Trading	(*)	Member	Councillor	-	3 300
Thuthukani Sewing Project	(*)	Member	Councillor	-	2 700
Worldwatch Trading 123 CC	Shasha MM	Member	Manager	-	77 823
Total Purchases				109 178	139 446

- (1) Ms L Flatela is the daughter of Councillor LE Noqha
(2) Spouse of an official, V Jaxa-Dusubana
(3) Spouse of an official, N Myataza-Ntsinga
(4) Spouse of an official, M Silangwe

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
50. CONTINGENT LIABILITIES		
50.1 Guarantees:	<u>20 000</u>	<u>20 000</u>
(l) A bank guarantee in the amount of R20 000 issued in favour of the South African Post office Limited to cover the municipality's postal account.		
50.2 Court Proceedings:	<u>3 312 661</u>	<u>3 586 711</u>
(i) The Board of Trustees for Qamata Irrigation Scheme instituted interdict proceedings in the Development Tribunal, Bisho. The municipality cited as 3rd respondent. The defendant successfully resisted the application by the Board of Trustees. Legal fees are to be recovered from the litigants.		
(ii) The Municipal Employees Pension Fund brought an action against the municipality for outstanding payment of contributions to the Fund in respect of councillors in the amount of R322 950. The particulars of the claim are still in process of being amended. A trial date is yet to be obtained and the outcome of the action is still uncertain. The municipality's attorneys advised that the municipality settles for economic reasons.		
(iii) Reticulation Design Project Services was appointed by the municipality for the upgrading of streets and storm water drainage, and the building of VIP toilets. RDP Services has instituted action against the municipality for the recovery of payments to the amount of R2 501 111 allegedly not made. The matter has been postponed due to new amendments by the defendant. A trial date has been set for 29 August 2011 and the outcome of the case is still uncertain.		
(iv) The municipality was requested for payment of the amount of R11 601 for goods sold and delivered by East Cape Agricultural Cooperative Ltd. The claim is not disputed and the claimant was requested to provide proper invoices, which has allegedly been done. The matter was decided in favour of the claimant and has been settled.		
(v) Frikton CC is claiming an amount of R488 600 from the municipality in respect of a cession in their favour for services rendered as sub-contractor to Ikamva Civils. The matter is still underway and moving towards trial of which a date has yet to be set. The outcome of the case is still uncertain.		
(vi) A dispute has arisen over payment of an outstanding amount of R587 000, plus legal costs, allegedly owed for work completed by Joe & Anga Viwe Civils CC, appointed to undertake construction work. The matter has been referred for arbitration. Settlement options have been investigated and presented to claimant, but an agreement has yet to be reached. No further steps were taken by the claimant to pursue the claim and the file was closed.		
51. CONTINGENT ASSETS		
51.1 Court Proceedings:	<u>-</u>	<u>10 000</u>
(i) The municipality is suing Thusano Construction for an amount of R300 353 in respect of an over-payment on the contract. The company denies liability. No documents to support the claim have been provided to date. The claim has prescribed and the municipality's attorneys closed their file on the matter.		
(ii) The municipality is suing Nyika Investments for an amount of approximately R2 500 000 in respect of a business plan and the development of commercial enterprises. Nothing resulted from the business plan and the contractor did not provide the services for which they were contracted. To date the debtor could not be located to identify any assets that can be attached and the attorneys closed their file. The debt has been written off in the mean time.		

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R
2010
R

52. COMPARISON WITH THE BUDGET

Budgeted amounts for expenditure have been exceeded as indicated below:

Category of Expenditure	30 June 2011		30 June 2010	
	Budgeted Amount R	Actual Amount R	Budgeted Amount R	Actual Amount R
Employee Related Costs	117 855 703	142 898 125	100 826 819	116 493 119
Remuneration of Councillors	6 537 547	6 655 249	-	-
Depreciation and Amortisation	84 800	128 092 216	1 071 796	121 623 719
Impairment Losses	-	83 111 205	-	35 096 641
Repairs and Maintenance	2 838 908	12 535 812	2 704 475	23 816 702
Finance Costs	-	-	493 470	509 589
Bulk Purchases	-	-	2 000 000	12 311 832
Contracted Services	691 036	41 262 147	318 818	38 470 794
General Expenses	58 249 264	65 680 014	58 016 369	83 105 464
Loss on Disposal of Property, Plant and Equipment	-	4 393 204	-	46 896

The excess expenditure has not been authorised and is disclosed as such in Note 44.1.

The excess expenditure is to a large extent caused by the integration of the transactions incurred by the Local Municipalities for Sanitation and Water Services into the municipality's records, which transactions have not been budgeted for.

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

53. IN-KIND DONATIONS AND ASSISTANCE

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

- (i) Secondment of International DED Junior Expert by the German Development Service for one year until August 2011.

54. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2010/11.

55. EVENTS AFTER THE REPORTING DATE

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

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 37) and Prior Period Errors (Note 38).

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

57. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of 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 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 103 Heritage Assets - issued July 2008

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.

APPENDIX A
CHRIS HANI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Details	Original Loan Amount	Interest Rate	Loan Number	Loan Redeemable	Balance at 30 June 2010	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2011
ANNUITY LOANS	R				R	R	R	R
DBSA	10 000 000	5.00%	101215/1	30/09/2016	7 652 081	-	1 023 692	6 628 389
Total Annuity Loans	10 000 000				7 652 081	-	1 023 692	6 628 389
TOTAL EXTERNAL LOANS	10 000 000				7 652 081	-	1 023 692	6 628 389

ANNUITY LOANS:

DBSA:
 Structured unsecured 10 year loan for eradication of bucket system. Original loan capital of R10 000 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
CHRIS HANI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	38 894 400	-	-	-	-	38 894 400	-	-	-	-	-	38 894 400	-
Office Buildings	55 011 500	-	-	-	-	55 011 500	1 036 554	1 036 554	-	-	2 073 107	52 938 393	-
	93 905 900	-	-	-	-	93 905 900	1 036 554	1 036 554	-	-	2 073 107	91 832 793	-
Infrastructure			0.00										
<i>Roads:</i>													
Roads: Other	-	-	12 682 839	1 025 506	-	13 708 345	-	-	-	-	-	13 708 345	-
<i>Security Measures:</i>													
Access Control	26 500	-	-	-	-	26 500	15 143	(1 010)	-	-	14 133	12 367	-
Security Systems	59 623	-	-	-	-	59 623	35 774	7 950	-	-	43 724	15 900	-
<i>Sewerage:</i>													
Pipelines: Bulk	7 649 580	-	-	-	-	7 649 580	192 464	195 962	-	-	388 426	7 261 153	-
Pipelines: Reticulation	879 519 829	-	44 183 578	-	-	923 703 407	39 847 629	39 915 890	-	-	79 763 518	843 939 889	72 214 811
Pumping Stations	8 707 899	3 610 829	-	-	-	12 318 728	588 409	590 218	-	-	1 178 627	11 140 101	-
Treatment Works	123 432 170	22 448 717	60 076 794	1 298 083	-	207 255 764	4 995 019	5 089 836	-	-	10 084 855	197 170 910	-
<i>Water:</i>													
Meters: Domestic	54 404 286	-	-	-	-	54 404 286	6 044 921	6 044 921	-	-	12 089 841	42 314 445	-
Pumping Stations	12 298 850	10 897 255	7 223 804	-	-	30 419 909	724 237	838 686	-	-	1 562 923	28 856 985	-
Reservoirs and Tanks	358 688 833	44 003 444	7 618 720	-	-	410 310 997	11 766 536	12 102 843	-	-	23 869 379	386 441 619	-
Supply and Reticulation	1 329 027 943	46 367 242	310 266 845	7 519 853	-	1 693 181 882	45 421 440	47 422 186	-	-	92 843 626	1 600 338 257	156 285 189
Treatment Works	106 084 086	9 595 880	4 463 532	-	-	120 143 498	5 913 724	6 254 307	-	-	12 168 031	107 975 467	-
	2 879 899 599	136 923 367	446 516 112	9 843 442	-	3 473 182 519	115 545 295	118 461 789	-	-	234 007 083	3 239 175 436	228 500 000
Other Assets			0.00										
<i>Bins and Containers:</i>													
Household Refuse Bins	539 475	-	-	-	-	539 475	5 566	88 985	-	-	94 551	444 924	-
<i>Computer Equipment:</i>													
Computer Hardware	3 913 667	535 511	-	-	(24 200)	4 424 978	1 536 932	807 813	-	(11 036)	2 333 709	2 091 269	580 000
<i>Emergency Equipment:</i>													
Fire Equipment	33 033	-	-	-	-	33 033	14 093	6 103	-	-	20 196	12 837	-
Medical and Allied Equipment	4	-	-	-	-	4	-	-	-	-	-	4	-
<i>Furniture and Fittings:</i>													
Cabinets and Cupboards	993 364	64 051	-	-	-	1 057 414	323 073	150 953	-	-	474 025	583 389	-
Chairs and Couches	566 496	95 694	-	-	-	662 190	193 194	96 396	-	-	289 590	372 600	-
Desks and Tables	967 956	91 223	-	-	-	1 059 179	306 437	155 983	-	-	462 420	596 758	-
Other Furniture and Fittings	355 990	33 790	-	-	-	389 780	118 228	54 949	-	-	173 177	216 603	217 550

APPENDIX B
CHRIS HANI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>													
Passenger Vehicles	3 646 564	-	-	-	(707 514)	2 939 050	1 352 687	356 088	-	(482 229)	1 226 546	1 712 504	-
Tractors	1 389 317	-	-	-	-	1 389 317	646 584	96 923	-	-	743 508	645 809	-
Trailers and Accessories	178 703	-	-	-	-	178 703	116 359	13 291	-	-	129 650	49 052	-
Trucks and LDV's	32 501 125	-	-	-	(347 282)	32 153 843	3 154 787	5 217 110	-	(185 704)	8 186 192	23 967 651	900 000
<i>Office Equipment:</i>													
Air Conditioners	781 388	11 546	-	-	-	792 933	394 269	128 799	-	-	523 068	269 865	-
Audiovisual Equipment	523 527	114 445	-	-	-	637 972	239 206	62 105	-	-	301 311	336 660	-
Kitchen Appliances	100 800	10 233	-	-	-	111 033	42 983	11 675	-	-	54 657	56 376	-
Office Machines	983 818	344 963	-	-	-	1 328 780	352 721	162 475	-	-	515 196	813 584	-
Other Office Equipment	214 848	69 748	-	-	-	284 596	64 044	36 415	-	-	100 459	184 137	-
<i>Plant and Equipment:</i>													
Compressors, Generators and Allied	16 001	1 886	-	-	-	17 887	4 571	3 069	-	-	7 640	10 247	-
Earthmoving Equipment	1 565 200	-	-	-	-	1 565 200	805 440	88 095	-	-	893 535	671 665	-
Farm Equipment	66 782	-	-	-	-	66 782	27 861	4 106	-	-	31 967	34 814	-
Laboratory Equipment	507 091	218 929	-	-	-	726 020	233 701	74 031	-	-	307 732	418 287	100 000
Lawnmowers / Gardening Equipment	2 850	-	-	-	-	2 850	2 494	238	-	-	2 731	119	-
Other Plant and Equipment	133 759	10 065	-	-	-	143 824	74 533	13 815	-	-	88 349	55 475	900 000
Radio Equipment	28 884	-	-	-	-	28 884	26 821	1 376	-	-	28 196	688	200 000
Vehicle Tracking Devices	25 080	-	-	-	-	25 080	22 572	1 672	-	-	24 244	836	-
<i>Specialised Vehicles:</i>													
Fire Engines	10 665 734	-	-	-	(4 893 898)	5 771 836	1 496 599	641 473	-	(513 859)	1 624 212	4 147 624	-
Mobile Clinics	1 044 857	-	-	-	(26 000)	1 018 857	440 043	45 571	-	(14 646)	470 968	547 888	500 000
Tippers	-	-	-	-	-	-	-	-	-	-	-	-	-
	61 746 311	1 602 082	-	-	(5 998 895)	57 349 498	11 995 797	8 319 509	-	(1 207 474)	19 107 832	38 241 666	3 397 550
Total	3 035 551 810	138 525 449	446 516 112	9 843 442	(5 998 895)	3 624 437 918	128 577 646	127 817 851	-	(1 207 474)	255 188 023	3 369 249 895	231 897 550

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2011
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	2 448 498	-	-	-	-	2 448 498	2 202 712	163 441	-	-	2 366 153	82 345	-
Licences	2 340 246	-	-	-	-	2 340 246	1 404 148	313 680	-	-	1 717 827	622 419	-
	4 788 744	-	-	-	-	4 788 744	3 606 860	477 121	-	-	4 083 980	704 764	-
Total Asset Register	3 040 340 554	138 525 449	446 516 112	9 843 442	(5 998 895)	3 629 226 662	132 184 505	128 294 972	-	(1 207 474)	259 272 003	3 369 954 658	231 897 550

APPENDIX C
CHRIS HANI DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	204 530	20 643	-	-	-	225 174	76 849	39 409	-	-	116 258	108 916
Finance and Administration	3 029 036 232	137 853 829	446 516 112	9 843 442	(4 287 679)	3 618 961 935	129 413 187	126 913 994	-	(1 018 924)	255 308 257	3 363 653 678
Planning and Development	982 510	13 879	-	-	-	996 389	342 462	118 438	-	-	460 900	535 489
Community and Social Services	9 968 028	637 098	-	-	(1 711 215)	8 893 910	2 287 787	1 199 514	-	(188 550)	3 298 751	5 595 159
Roads and Transport	149 254	-	-	-	-	149 254	64 220	23 617	-	-	87 837	61 417
Total	3 040 340 554	138 525 449	446 516 112	9 843 442	(5 998 895)	3 629 226 662	132 184 505	128 294 972	-	(1 207 474)	259 272 003	3 369 954 658

APPENDIX D
CHRIS HANI DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)	Description	2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)
R	R	R		R	R	R
50 000	11 458 082	(11 408 082)	Executive and Council	50 000	9 828 875	(9 778 875)
1 247 288	152 337 927	(151 090 639)	Finance and Administration	20 643 368	190 768 205	(170 124 837)
-	6 364 780	(6 364 780)	Planning and Development	-	7 039 934	(7 039 934)
-	10 743 358	(10 743 358)	Health	-	9 871 678	(9 871 678)
-	3 775 733	(3 775 733)	Community and Social Services	-	3 722 992	(3 722 992)
-	4 600 377	(4 600 377)	Public Safety	-	4 646 454	(4 646 454)
482 821	2 890 573	(2 407 751)	Environmental Protection	-	5 515 108	(5 515 108)
-	-	-	Waste Management	147 477 055	23 021 119	124 455 936
-	12 763 132	(12 763 132)	Roads and Transport	-	840 769	(840 769)
88 865 873	276 611 822	(187 745 949)	Water	(19 729 736)	246 756 887	(266 486 623)
532 279 113	91 955 878	440 323 236	Other	634 629 098	55 764 001	578 865 097
622 925 095	573 501 663	49 423 433	Sub-Total	783 069 785	557 776 023	225 293 762
-	-	-	Less: Inter-departmental Charges	-	-	-
622 925 095	573 501 663	49 423 433	Total	783 069 785	557 776 023	225 293 762

APPENDIX E(1)
CHRIS HANI DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/2011 Actual	2010/2011 Budget	2010/2011 Variance	2010/2011 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Service Charges	113 791 175	62 481 599	51 309 576	45.09	Revenue from Local Municipalities not budgeted for
Rental of Facilities and Equipment	145 028	158 520	(13 492)	(9.30)	
Interest Earned - External investments	25 180 664	15 000 743	10 179 921	40.43	Improved cash flow not budgeted for
Interest Earned - Outstanding debtors	13 531 128	12 000	13 519 128	99.91	Revenue from Local Municipalities not budgeted for
Government Grants and Subsidies	629 117 745	663 706 000	(34 588 255)	(5.50)	
Other Income	1 254 045	683 427	570 618	45.50	Revenue from Local Municipalities not budgeted for
Public Contributions and Donations	50 000	-	50 000	100.00	Negligent Amount
Total Revenue	783 069 785	742 042 289	41 027 496	5.53	
EXPENDITURE					
Employee Related Costs	142 898 125	117 855 703	25 042 422	17.52	Expenditure from Local Municipalities not budgeted for
Remuneration of Councillors	6 655 249	6 537 547	117 702	1.77	
Collection Costs	4 786	322 573	(317 787)	0.00	Negligent Amount
Depreciation	128 092 216	84 800	128 007 416	99.93	Depreciation now calculated in terms of GRAP Accounting Standards
Impairment Losses	83 111 205	-	83 111 205	100.00	Expenditure not budgeted for
Repairs and Maintenance	12 535 812	2 838 908	9 696 904	77.35	Expenditure from Local Municipalities not budgeted for
Interest Paid	507 223	1 041 035	(533 812)	(105.24)	Expenditure over budgeted for
Bulk Purchases	12 394 465	16 618 789	(4 224 324)	(34.08)	Water Stock now calculated in terms of GRAP 12 Accounting Standard
Contracted Services	41 262 147	691 036	40 571 111	98.33	Expenditure from Local Municipalities not budgeted for
Grants and Subsidies Paid	60 241 577	537 802 634	(477 561 057)	(792.74)	Budgeted for expenditure now capitalised
General Expenses	65 680 014	58 249 264	7 430 750	11.31	Expenditure from Local Municipalities not budgeted for
Loss on disposal of Property, Plant and Equipment	4 393 204	-	4 393 204	100.00	Loss on impaired assets
Total Expenditure	557 776 023	742 042 289	(184 266 266)	(24.83)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	225 293 762	-	225 293 762	0.00	

APPENDIX E(2)
CHRIS HANI DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/2011 Actual	2010/2011 Under Construction	2010/2011 Total Additions	2010/2011 Budget	2010/2011 Variance	2010/2011 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	20 643	-	20 643	-	20 643	0.00	Negligent amount
Finance and Administration	137 853 829	446 516 112	584 369 940	506 100	583 863 840	115 365.31	Expenditure budgeted for in Revenue Budget - see Appendix E(1)
Planning and Development	13 879	-	13 879	228 450	(214 571)	(93.92)	Projects did not realise
Community and Social Services	637 098	-	637 098	2 663 000	(2 025 902)	(76.08)	Savings in project expenditure
Waste Management	-	3 711 504	3 711 504	72 214 811	(68 503 307)	(94.86)	Some expenditure incurred under other Departments
Water	-	122 974 137	122 974 137	156 285 189	(33 311 052)	(21.31)	Savings in project expenditure
Total	138 525 449	573 201 752	711 727 201	231 897 550	479 829 651	206.91	

APPENDIX F
CHRIS HANI DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June			
Financial Management Grant	Nat Treasury	0	1 250 000	0	0	0	460 745	534 134	392 317	529 342	322 325	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Infrastructure Grant	MIG	27 434 000	176 354 000	32 848 000	0	0	35 042 973	23 021 786	50 723 994	31 555 712	95 008 616	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share Grant	Nat Treasury	0	117 304 103	93 843 283	70 382 462	0	55 951 524	70 382 462	70 382 462	70 382 462	70 382 462	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Regional Bulk Infrastructure Grant	DWAF	7 214 881	3 354 108	8 495 096	28 196 915	13 516 125	7 928 107	3 174 063	11 130 683	23 589 801	878 244	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Water Services Operating Subsidy Grant	DWAF	2 646 050	2 646 050	2 509 670	2 229 230	0	3 014 860	3 243 115	3 440 548	2 931 996	3 096 471	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Rural Transport Services & Infrastructure	Dept Transport	0	0	0	1 100 000	0	2 991 198	139 765	2 878 457	60 715	1 503 216	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Systems Improvement Grant	DPLG	0	750 000	0	0	0	547 059	300 574	214 980	6 932	832 339	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Drought Relief	DWA	0	5 772 000	4 521 037	3 923 000	0	0	527 836	5 664 423	3 344 655	4 679 782	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		37 294 931	307 430 261	142 217 086	105 831 607	13 516 125	105 936 467	101 323 734	144 827 863	132 401 615	176 703 456	0	0	0	0	0			

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?