



PORT ST JOHNS
• MUNICIPALITY •
OUR HERITAGE, OUR PEOPLE

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 17 of these financial statements 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.

N JAKUJA
Municipal Manager

Date

**PORT ST JOHNS MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

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THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR AS AT 30 JUNE 2012

MUNICIPALITY		Notes	GROUP	
2012 R	2011 R		2012 R	2011 R
		NET ASSETS AND LIABILITIES		
350 165 335	341 941 894	Net assets	348 660 613	341 765 052
350 165 335	341 941 894	Accumulated surplus / (deficit)	348 959 476	341 765 052
		Non-current liabilities		
159 918	152 097	Non-current provisions	159 918	152 097
		Current liabilities		
19 534 569	38 593 713	Trade and other Payables	22 435 231	39 435 989
19 442 693	35 456 173	Unspent conditional grants and receipts	20 349 342	36 274 314
91 875	3 137 541	Bank overdraft	2 085 889	3 137 541
-	-		-	24 134
369 859 822	380 687 705	Total Reserves and Liabilities	371 255 762	381 353 138
		ASSETS		
		Non-current assets		
358 201 091	367 529 254	Property, plant and equipment	358 317 380	367 540 926
344 318 318	353 506 251	Investment properties carried at cost	344 434 607	353 517 923
13 882 773	14 023 003		13 882 773	14 023 003
		Current assets		
11 658 731	13 158 451	Inventory	12 938 382	13 812 213
204 468	250 499	Receivables from non-exchange	204 468	250 499
1 787 614	9 442 082	Receivables from exchange transactions	1 787 614	9 553 898
215 088	111 816	Other debtors	215 088	-
319 635	58 833	VAT	97 635	58 833
5 675 699	2 966 903	Call investment deposits	5 882 262	3 539 919
2 580 950	12 418	Bank balances and cash	2 580 950	12 418
875 276	315 899		2 170 365	396 646
369 859 822	380 687 705	Total Assets	371 255 762	381 353 139

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THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

MUNICIPALITY			GROUP		
2012	2011		2012	2011	
R	R		R	R	
		REVENUE			
5 988 279	4 956 875	Property rates	12	5 988 279	4 956 875
514 281	330 657	Service charges - refuse	13	514 281	330 657
324 007	333 509	Rental of facilities		324 007	333 509
1 478 020	2 687 302	Interest earned		1 478 020	2 687 302
83 002	22 800	Fines		83 002	22 800
10 409	14 148	Licences and permits		10 409	14 148
95 637 057	73 381 919	Government grants and subsidies	14	96 156 836	76 029 830
725 211	402 314	Other income	15	725 539	543 107
104 760 266	82 129 525	Total Revenue		105 280 374	84 918 229
		EXPENDITURE			
26 332 175	23 197 988	Employee related costs	16	28 147 574	24 084 746
8 370 667	6 566 154	Remuneration of Councillors	17	8 370 667	6 566 154
9 753 756	2 037	Impairment of debtors		9 753 756	2 037
27 520 865	26 420 503	Depreciation		27 534 338	26 424 835
1 125 523	1 846 003	Repairs and maintenance		1 134 586	1 846 003
745	746 641	Interest paid	18	1 240	746 641
23 433 095	41 079 201	General expenses	24	23 143 788	41 692 799
96 536 825	99 858 527	Total expenditure		98 085 949	101 363 215
-	-	Gain /(loss) on sale of assets		-	-
-	-	(Impairment loss) / Reversals of impairment loss		-	-
-	-	Profit /(loss) on value adjustment		-	-
-	-	Inventories : (Write-down)/reversal of write-down to net realisable value		-	-
-	-			-	-
8 223 441	(17 729 002)	Surplus /(deficit) for the period		7 194 425	(16 444 986)

PORT ST JOHNS MUNICIPALITY CONSOLIDATED STATEMENT OF CHANGES TO NET ASSETS For the year ended 30 June 2012		Page 3
	(Accumulated Deficit) / Accumulated Surplus	Total
Balance at 01 July 2010	310 758 068	310 758 068
Prior year adjustments	47 451 969	47 451 969
Balance at 01 July 2010- Restated	358 210 038	358 210 038
Surplus for the period	(16 444 986)	(16 444 986)
Balance as at 30 June 2011	341 765 052	341 765 052
Surplus for the period	7 194 425	7 194 425
Balance as at 30 June 2012	348 959 476	348 959 476

PORT ST JOHNS MUNICIPALITY STATEMENT OF CHANGES TO NET ASSETS For the year ended 30 June 2012		Page 3
	(Accumulated Deficit) / Accumulated Surplus	Total
Balance as at 30 June 2011	293 805 472	293 805 472
Prior year adjustments	48 136 422	48 136 422
Restated Balance	341 941 894	341 941 894
Surplus for the period	8 223 441	8 223 441
Balance as at 30 June 2012	350 165 335	350 165 335

PORT ST JOHNS MUNICIPALITY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2012

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
		CASH FLOW FROM OPERATING ACTIVITIES		
103 282 245	79 442 223	Cash receipts from ratepayers, government and other	103 802 354	82 230 926
(47 138 513)	(45 769 177)	Cash paid to suppliers and employees	(48 505 024)	(47 239 345)
56 143 732	33 673 046	Cash generated by / (utilised in) operations	55 297 330	34 991 581
		Interest received	1 478 022	2 687 302
1 478 020	2 687 302	Interest paid	(1 240)	(746 641)
(745)	(746 641)			
57 621 008	35 613 707	NET CASH FROM OPERATING ACTIVITIES	56 774 113	36 932 242
		CASH FLOWS FROM INVESTING ACTIVITIES		
(54 500 922)	(35 356 909)	Purchase of property, plant and equipment	(54 617 548)	(40 706 579)
-	-	Proceeds from sale of property, plant and equipment	-	-
-	-	Acquisition of Investment Properties at fair value	-	-
-	-	Decrease in long-term receivables	2 202 000	-
-	-			
(54 500 922)	(35 356 909)	NET CASH FROM INVESTING ACTIVITIES	(52 415 548)	(40 706 579)
		CASH FLOWS FROM FINANCING ACTIVITIES		
7 821	27 592	Increase /(Decrease) in non-current provisions	7 821	27 592
		Movement in funds		-
7 821	27 592	NET CASH FROM FINANCING ACTIVITIES	7 821	27 592
3 127 906	284 390	NET INCREASE IN CASH AND CASH EQUIVALENTS	4 366 385	(3 746 745)
		Cash and cash equivalents at the beginning of the period	384 930	4 131 675
328 320	43 929	Cash and cash equivalents at the end of the period	4 751 315	384 930
3 456 227	328 318			

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PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

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

The following standards are approved but not yet effective. The municipality will comply with these standards in the next financial period however no significant changes to the current accounting policies are expected as a result thereof:

- GRAP 21 – Impairment of non-cash-generating assets
- GRAP 24 – Presentation of budget information in financial statements
- GRAP 26 – Impairment of cash-generating assets
- GRAP 103 – Heritage assets

The following standards are approved but not yet effective. The municipality will comply in full with these standards in the next financial period however the current accounting policies are already formulated based on the recognition, measurement and presentation requirements contained therein:

- GRAP 23 – Revenue from non-exchange transactions
- GRAP 104 – Financial instruments

**PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

1.2 Presentation currency

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

1.3 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative information

Budget information in accordance with GRAP 1 has been provided in an annexure to these financial statements

1.5 Accounting policies, changes in accounting estimates and errors

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far practicable and the prior year comparatives are restated accordingly.

1.6 Significant judgments and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the to the annual financial statements. Significant judgments include:

Trade receivables classified as loans and receivables

The Municipality assesses its receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to adjust stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The judgment is made to an allowance account for obsolete inventory.

PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

Fair value estimation

The fair value of financial instruments traded in active markets(such as trading and available for sale securities) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting, where material, the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimated are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Contributions are made to or from the provisions to reflect the current best estimate. Expenditure relating to provisions is charged to the provision when incurred.

Effective interest rate

The municipality used the prime interest rate as basis to discount future cash flows.

**PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

2. PROPERTY, PLANT AND EQUIPMENT

2.1 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 and for administrative purposes and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

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.

Depreciation calculated

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets less the residual value. The annual depreciation rates are based on the following estimated asset lives:-

	Years	Other	Years
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20 - 30	Other vehicles	5
Water	15 - 20	Office equipment	3 - 7
Sewerage	15 - 20	Furniture and Fittings	7 - 10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialist plant and equipment	10 - 15
Buildings	30	Other items of plant and equipment	2 - 5
Recreational Facilities	20 - 30	Landfill sites	15
Security	5		
Other			

**PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

2. PROPERTY, PLANT AND EQUIPMENT (Cont.)

2.2 Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 Depreciation and impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets less the residual value. The annual depreciation rates are based on the following estimated asset lives:-

2.4 Derecognition

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

3. INVESTMENT PROPERTY

3.1 Initial recognition

Investment property includes property (land or a building, or a part of a building, or both land or buildings held under an operating lease) held to earn rentals and / or for capital appreciation, rather than held to meet service delivery objectives, production or supply of goods or services or the sale of an asset in the ordinary course of operations. Investment properties are initially recognised as assets on acquisition date and are initially recorded at cost.

Where an investment property is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

3.2 Subsequent measurement - (Investment property)

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Transfers to or from investment property are made when and only when there is a change in use.

3.3 Depreciation and impairment

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

**PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

3. INVESTMENT PROPERTY (Cont.)

3.4 Derecognition

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

4. INVENTORIES

4.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

4.2 Subsequent Measurement

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

**PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2

SUBSEQUENT MEASUREMENT

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The measurement of financial assets and liabilities depends on this categorisation and, is in accordance with GRAP 104

5.3 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.4 TRADE PAYABLES AND BORROWINGS

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

PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

5.5. CASH AND CASH EQUIVALENTS

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

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

6. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 will be required to settle the obligation and a reliable estimate of the provision can be made. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (this for example applies in the case of obligations for the rehabilitation of the landfill site).

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is removed. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of the 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.

7. LEASES

7.1 Municipality as lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the

stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the 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.

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the cash flows in the lease agreement. The principle of smoothing the current and future lease payments has not been applied. Notwithstanding the exemptions on the recognition of operating lease agreements, the municipality has early adopted IAS 17 (AC 105).

7.2 Municipality as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

8. CONDITIONAL GRANTS AND RECEIPTS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria, conditions and obligations embodied in the agreement. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until utilised.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

9. REVENUE

9.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

9.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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9.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)

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

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

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

10. GRANTS, TRANSFERS AND DONATIONS

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

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is overspending of a the total budget or of the budget per main segment/department; and expenditure unrelated to the department or functional area, 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.

12. 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 supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

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

PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

14. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to contributions.

16. CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

17. IMPAIRMENT OF ASSETS

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

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

If the recoverable 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.

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

PORT ST JOHNS MUNICIPALITY
ACCOUNTING POLICIES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012

18

Related party transactions

Port St Johns Municipality treats all the transactions between Port St Johns Municipality and Port St Johns Development Agency as related party transactions. Details have been disclosed under notes to the financial statements.

19 EVENTS AFTER THE REPORTING DATE

The municipality considers events that occur after the reporting date for inclusion in the financial statements. Events that occur after the reporting date (30 June 2012) and the date on which the audit of the financial statements is completed (18 December 2012) are considered for inclusion in the annual financial statements.

THE CONSOLIDATED FINANCIAL STATEMENTS
 PORT ST JOHNS MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

152 097	124 506
7 821	27 592
-	-
-	-
-	-
<u>159 918</u>	<u>152 097</u>
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>

1 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites

Total Non-Current Provisions

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 4.2 over an average period of 10 years.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year

Contributions to provision

Expenditure incurred

Decrease in provision due to discounting

Transfer to current provisions

Balance at the end of year

152 097	124 506
7 821	27 592
-	-
-	-
-	-
<u>159 918</u>	<u>152 097</u>
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>

2 CURRENT PROVISIONS

Current portion of long-service provision

The movement in current provisions is as follows:

Transfer from non-current

Balance at the beginning of the year

Contributions to provision

Expenditure incurred

Balance at the end of the year

With regards to the provision for Landfill sites: It is stated in the Department of water affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill" Second Edition 1998, Chapter 2.3.4, that "all landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, top-soiling, vegetation, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 20 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumption used:

Interest rate used is the weighted average cost of capital of 8.0% (2009/10: 9.6%) based on the Risk Free Model (i.e. treasury/government bonds - R154)

THE CONSOLIDATED FINANCIAL STATEMENTS

PORT ST JOHNS MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
3 Trade and other Payables				
15 813 594	26 575 828	Trade creditors and accruals	16 222 383	27 393 970
1 797 791	5 202 412	Sars Creditor	2 169 101	5 202 412
892 750	739 588	Provision for Leave Pay	892 750	739 588
818 206	396 826	Provision for Bonuses (13th cheque)	944 756	396 826
-	1 929 023	Short term loan	-	1 929 022.97
59 352	551 995	Retention Monies	59 352	551 995
61 000	60 500	Deposits	61 000	60 500
-	-	Payables fair value adjustment	-	-
19 442 693	35 456 172	Balance at the end of the year	20 349 342	36 274 314
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
91 875	-	Municipal Finance Management Grant	91 875	-
-	-	DEA Grant - Mngazi to Manteku Project	25 088	-
-	-	DEA Grant - Cutweni and PSJ Project	1 168 689	-
-	-	Small Scale Fish Factory	800 237	-
-	3 137 541	Department of Transport Intervention	-	3 137 541
91 875	3 137 541		2 085 889	3 137 541

See note 15 for reconciliation of grants from other spheres of government.

THE CONSOLIDATED FINANCIAL STATEMENTS
 PORT ST JOHNS MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

5. PROPERTY, PLANT AND EQUIPMENT

MUNICIPALITY

5.1 Reconciliation of Carrying Value

Description	Land and buildings R	Infrastructure R	Community assets R	Furniture and fittings R	Plant and Equipment R	Motor Vehicles R	Office and Traffic Equipment R	Computer Equipment R	Other Assets R	Total R
Carrying values at 1 July 2011	104 608 805	235 506 835	12 214 189	293 450	9 391 717	1 814 719	163 165	493 000	-	364 485 880
Cost	58 795 509	283 756 803	13 055 758	421 090	10 536 176	2 584 671	199 922	883 035	-	370 232 964
Correction of error	-	-	-	-	-	-	-	-	-	-
Revaluation	45 841 054	-	-	-	-	-	-	-	-	45 841 054
Accumulated depreciation:	27 758	48 249 968	841 569	127 640	1 144 459	769 952	36 757	390 035	-	51 588 138
- Cost	27 758	48 249 968	841 569	127 640	1 144 459	769 952	36 757	390 035	-	51 588 138
- Correction of error	-	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Current year movement	426 273	52 758 040	-	-	26 073	804 055	56 311	236 325	-	54 307 078
Capital under construction	-	-	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation:	128 925	25 274 858	483 195	53 257	896 171	347 981	31 135	179 308	-	27 394 831
- based on cost	128 925	25 274 858	483 195	53 257	896 171	347 981	31 135	179 308	-	27 394 831
- based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals:	-	1 213 491	-	1 211	1 902	-	13 821	8 331	-	1 238 754
Cost/revaluation	-	1 260 131	-	1 570	2 500	-	20 399	51 960	-	1 336 559
Accumulated depreciation	-	46 640	-	359	598	-	6 578	43 629	-	97 805
Impairment loss	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2012	59 065 099	261 776 526	11 730 994	238 982	8 519 718	2 270 793	174 520	541 687	-	344 318 318
Cost	59 221 782	335 254 712	13 055 758	419 520	10 559 749	3 388 726	235 834	1 067 401	-	423 203 482
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	156 683	73 478 186	1 324 764	180 538	2 040 031	1 117 933	61 314	525 714	-	78 885 164
- Cost	156 683	73 478 186	1 324 764	180 538	2 040 031	1 117 933	61 314	525 714	-	78 885 164
- Revaluation	-	-	-	-	-	-	-	-	-	-

5. PROPERTY, PLANT AND EQUIPMENT

GROUP

5.1 Reconciliation of Carrying Value

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

6 INVESTMENT PROPERTIES CARRIED AT NOMINAL VALUE

MUNICIPALITY		GROUP	
2012	2011	2012	2011
R	R	R	R
14 023 003	-	14 023 003	-
-	14 023 003	-	14 023 003
(140 230)		(140 230)	
13 882 773	14 023 003	13 882 773	14 023 003

Opening balance
 Transfer from Property, Plant and Equipment
 Depreciation
 Closing balance

The three municipal properties representing investment properties are in accordance with the accounting policy carried at nominal value.

6.1 Reconciliation of Carrying Value

Investment Property	Total
14 023 003	14 023 003
14 023 003	14 023 003
-	-
-	-
(243 083)	(243 083)
121 296	121 296
-	-
(364 379)	(364 379)
-	-
-	-
-	-
-	-
140 230	140 230
-	-
-	-
-	-
-	-
-	-
13 882 773	13 882 773
14 023 003	14 023 003
-	-
(140 230)	(140 230)
-	-
-	-

Description	Investment Property	Total
Carrying values at 1 July 2011	14 023 003	14 023 003
Cost	14 023 003	14 023 003
Correction of error	-	-
Revaluation	-	-
Accumulated depreciation:	(243 083)	(243 083)
- Cost	121 296	121 296
- Correction of error	-	-
- Revaluation	(364 379)	(364 379)
Acquisitions	-	-
Capital under construction	-	-
Increases/decreases in revaluation	-	-
Depreciation:	-	-
- based on cost	140 230	140 230
- based on revaluation	-	-
Carrying value of disposals:	-	-
Cost/revaluation	-	-
Accumulated depreciation	-	-
Impairment loss	-	-
Cost/revaluation	-	-
Accumulated depreciation	-	-
Reclassification	-	-
Carrying values at 30 June 2011	13 882 773	13 882 773
Cost	14 023 003	14 023 003
Revaluation	-	-
Accumulated depreciation:	(140 230)	(140 230)
- Cost	-	-
- Revaluation	-	-

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

204 468	250 499
204 468	244 030

7 INVENTORY

Consumable stores at cost

204 468	250 499
204 468	244 030

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

8. CONSUMER DEBTORS

As at 30 June 2012

9 480 719	10 338 705
2 127 576	2 855 591
148 164	1 431 911
11 756 458	14 626 207
(9 753 756)	(11 846 594)
2 002 703	2 779 613

Service debtors

Rates

Refuse

Property lease

Provision for impairment / bad debts

1 787 614	
215 088	
2 002 703	

Receivables from non-exchange

Receivables from exchange transactions

430 021	262 788
1 013 693	777 814
2 056 300	92 983
556 886	189 787
9 480 719	10 338 706

Rates: Ageing

Current

0 - 30 days

31 - 60 days

61 - 90 days

121 - 150days

Total

46 985	(26 682)
89 470	251 999
471 123	203 174
366 897	122 924
1 153 101	2 304 176
2 127 576	2 855 591

Refuse: Ageing

Current

0 - 30 days

31 - 60 days

61 - 90 days

91 -120 days

Total

9 480 719	10 338 705
2 127 576	2 855 591
148 164	1 431 911
11 756 458	14 626 207
(9 753 756)	(11 846 594)
2 002 703	2 779 613

1 787 614	
215 088	
2 002 703	

430 021	262 788
1 013 693	777 814
2 056 300	92 983
556 886	189 787
9 480 719	10 338 706

46 985	(26 682)
89 470	251 999
471 123	203 174
366 897	122 924
1 153 101	2 304 176
2 127 576	2 855 591



**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

8. CONSUMER DEBTORS (Cont.)

Property Lease: Ageing

Current	-	-
0 - 30 days	-	(174 272)
31 - 60 days	56 167	-
61 - 90 days	-	-
91 -120 days	91 997	1 606 182
Total	148 164	1 431 910

Grand-total consumer debtors	11 756 459	1 431 910
-------------------------------------	-------------------	------------------

Councillors and staff owing 90 days and above:

Mtambeki Z - (rates)	537	-
Mtambeki Z - (refuse)	720	-
	<u>1 257</u>	<u>-</u>

9. VAT

5 675 699	2 966 904
<u>5 675 699</u>	<u>2 966 904</u>

Vat receivable	5 882 262	3 539 919
	<u>5 882 262</u>	<u>3 539 919</u>

VAT is payable on a receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

10 CALL INVESTMENT DEPOSITS

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
		Financial instruments		
92 876	-	Meeg Bank - FMG 9269486056	92 876	-
7 646	-	Meeg Bank - LED - 9269487159	7 646	-
569 686	-	Meeg Bank - MIG -9269486187	569 686	-
2 265	2123	Meeg Bank - MSP Pr - 9106340870	2 265	2 123
1 461	1432	Meeg Bank - Mun - 9084721344	1 461	1 432
1 907 017	0	Meeg Bank - Salaries -9269487272	1 907 017	-
-	8765	Standard Bank Revolving Fund	-	8 765
-	98	MIG Cheque Account	-	98
R 2 580 950	12 418	Investment call accounts	2 580 950	12 418

11 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

11.1 Current Account (Primary Bank Account)

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
		Meeg Bank - Port St Johns Branch - Account Number Account Number 4052439958		
339 997	(25 116)	Cash book balance at the beginning of the period - overdrawn	315 863	(25 116)
535 274	365 113	Current year movement	535 274	340 979
875 271	339 997	Cash book balance at the end of the period	851 137	315 863
875 271	339 997	Bank statement balance at the end of the period	875 271	315 863

11.2 Current Account

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
		Standard Bank - Lusikisiki - Account Number 280790007		
-	-	Cash book balance at the beginning of the period	-	-
-	-	Cash book balance at the end of the period	-	-

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

11 BANK, CASH AND OVERDRAFT BALANCES (Cont.)

6	36
- 0	-
875 276	340 033

11.3 Petty cash balance

6	36
1 295 089	56 613
2 170 365	384 930

11.4 Agency bank and cash

Bank and cash balance

12 PROPERTY RATES

Actual

955 720	1 088 128
1 959 495	1 866 285
3 073 064	2 349 500
5 988 279	5 303 913
	(347 038)
5 988 279	4 956 875

Residential	955 720	1 088 128
Commercial	1 959 495	1 866 285
State	3 073 064	2 349 500
Total assessment rates	5 988 279	5 303 913
Fair value Adjustment	-	(347 038)
Net Realisable Value	5 988 279	4 956 875

Property valuations

122 129 146	100 409 650
215 027 767	207 380 000
192 074 000	157 055 000
-	110 352 100
21 234 000	23 733 500
3 826 525	5 109 000
20 000 943	28 550 000
574 292 381	632 589 250

Residential	122 129 146	100 409 650
Commercial	215 027 767	207 380 000
State	192 074 000	157 055 000
Municipal	-	110 352 100
Farms	21 234 000	23 733 500
Churches	3 826 525	5 109 000
Vacant plots	20 000 943	28 550 000
Total property valuations	574 292 381	632 589 250

Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 July 2009. The interim valuations are processed annually to take into account the individual property values due to alterations. The general rate of 1cent in a rand is applied to determine the assessment rates, rebates of 30% are granted to state properties. Rates are levied on annual bases on property owners.

13 SERVICE CHARGES

514 281	330 657
514 281	330 657

Refuse removal	514 281	330 657
Net realisable value	514 281	330 657

514 281	330 657
514 281	330 657

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
14 GOVERNMENT GRANTS AND SUBSIDIES				
59 537 000	44 714 355	Equitable share	59 537 000	44 714 355
-	847 497	Municipal Support Programme - Various	-	847 497
1 908 125	2 000 000	Municipal Finance Management Grant	1 908 125	2 000 000
20 254 000	10 761 963	MIG Grant	20 254 000	10 761 963
790 000	750 000	MSIG Grant	790 000	750 000
2 181 054	11 134 592	Department of Transport Special Grant	2 181 054	11 134 592
183 857	110 000	LED Project Grant	183 857	110 000
467 000	656 000	EPWP	467 000	656 000
-	1 364 000	Independent Electoral Commission Grant	-	1 364 000
956 487	1 043 513	Department of Transport Sidewalk grant	956 487	1 043 513
-	-	Project income - DEAT	-	2 647 911
9 359 534	-	O.R.Tambo Intervention	9 359 534	-
-	-	Other Government Grants and Subsidies - From DEDEA per SLA	500 000	-
-	-	Other Government Grants and Subsidies - Transfer from Project Funds	19 780	-
95 637 057	73 381 919	Total government grants and subsidies	96 156 836	76 029 830
14.1 Equitable share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. As part of this service, the municipality provides free basic electricity through a formalised mechanism through Eskom.				
14.2 Municipal Support Programme - Various				
-	847 497	Balance unspent at the beginning of the year	-	847 497
-	-	Current year receipts	-	-
-	(847 497)	Conditions met - transferred to revenue	-	(847 497)
-	-	Conditions still to be met - transferred to liabilities	-	-
14.3 Municipal Finance Management Grant				
-	-	Balance unspent at the beginning of the year	-	-
2 000 000	2 000 000	Current year receipts	2 000 000	2 000 000
(1 908 125)	(2 000 000)	Conditions met - transferred to revenue	(1 908 125)	(2 000 000)
91 875	-	Conditions still to be met - transferred to liabilities	91 875	-

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THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

14 GOVERNMENT GRANTS AND SUBSIDIES (continued)

14.4 MIG Grant

-	2 621 963	Balance unspent at the beginning of the year	-	2 621 963
20 254 000	8 140 000	Current year receipts	20 254 000	8 140 000
(20 254 000)	(10 761 963)	Conditions met - transferred to revenue	(20 254 000)	(10 761 963)
-	-	Conditions still to be met - transferred to liabilities	-	-

This is an infrastructure support grant. Conditions has been met are that the municipality will reconcile the admin portion

14.5 MSIG Grant

-	-	Balance unspent at the beginning of the year	-	-
-	-	Transfer from accum surplus	-	-
790 000	750 000	Current year receipts	750 000	750 000
(790 000)	(750 000)	Conditions met - transferred to revenue	(750 000)	(750 000)
-	-	Conditions still to be met - transferred to liabilities	-	-

This is a systems development / capacity building grant intended to support the municipality as a whole.

14.6 Provincial Department of Transport Special Grant

2 181 053	-	Balance unspent at the beginning of the year	2 181 053	-
4 000 000	13 315 645	Current year receipts	4 000 000	13 315 645
(6 181 053)	(11 134 592)	Conditions met - transferred to revenue	(6 181 053)	(11 134 592)
-	2 181 053	Conditions still to be met - transferred to liabilities	-	2 181 053

14.7 Department of Transport Sidewalk grant

956 487	-	Balance unspent at the beginning of the year	956 487	-
-	2 000 000	Current year receipts	-	2 000 000
(-956 487)	(1 043 513)	Conditions met - transferred to revenue	(956 487)	(1 043 513)
-	956 487	Conditions still to be met - transferred to liabilities	-	956 487

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THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

14 GOVERNMENT GRANTS AND SUBSIDIES (continued)

14.8 Independent Electoral Commission Grant

-	-	Balance unspent at the beginning of the year	-	-
-	1 364 000	Current year receipts	-	1 364 000
-	(1 364 000)	Conditions met - transferred to revenue	-	(1 364 000)
-	-	Conditions still to be met - transferred to liabilities	-	-

14.9 LED Programmes Grant

-	-	Balance unspent at the beginning of the year	-	-
183 857	110 000	Current year receipts	183 857	110 000
(183 857)	(110 000)	Conditions met - transferred to revenue	(183 857)	(110 000)
-	-	Conditions still to be met - transferred to liabilities	-	-

14.10 EPWP

-	-	Balance unspent at the beginning of the year	-	-
467 000	656 000	Current year receipts	467 000	656 000
(467 000)	(656 000)	Conditions met - transferred to revenue	(467 000)	(656 000)
-	-	Conditions still to be met - transferred to liabilities	-	-

15 Other Income

200 000	300 000	Greenest town award	200 000	300 000
33 988	15 772	Claims received	33 989	15 772
130 090	18 699	Plan fees and tender Documents	130 090	18 699
167 288	67 843	Sundry Income	167 615	67 843
-	-	Implementers fees	-	140 793
193 845	-	Donation received	193 845	-
725 211	402 314		725 539	543 107

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

16 EMPLOYEE RELATED COSTS

17 986 856	16 495 312
302 196	798 239
6 332 168	5 821 831
892 749	77 255
818 206	5 352
26 332 175	23 197 988

Employee related costs - Salaries and wages
Employee related costs - Contributions for UIF,
Provident Fund, Medical Aids and SDL
Provision for Leave Pay
Provision for Bonus

19 802 255	17 382 070
302 196	798 239
6 332 168	5 821 831
892 749	77 255
818 206	5 352
28 147 574	24 084 746

Total employee related costs

Remuneration of the Municipal Manager

720 000	596 378
240 000	172 287
-	-
241 200	87 551
1 497	1 806
184 068	-
1 386 765	858 021

Annual remuneration
Car allowance
Other allowances
Contribution to UIF and related items
Acting allowance
Settlement agreement

720 000	596 378
240 000	172 287
241 200	87 551
1 497	1 806
184 068	-
285 405	-
1 672 170	858 021

Remuneration of the Chief Finance Officer

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
53 912	-
322 069	-
1 158 245	724 204

Annual remuneration
Car allowance
Other allowances
Contribution to UIF and related items
Acting allowance
Settlement agreement

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
53 912	-
322 069	-
1 158 245	724 204

Remuneration of the Manager - Corporate Services

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
782 264	724 204

Annual remuneration
Car allowance
Other allowances
Contribution to UIF and related items

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
782 264	724 204

Remuneration of the Engineering Manager

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
782 264	724 204

Annual remuneration
Car allowance
Other allowances
Contribution to UIF and related items

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
782 264	724 204

Remuneration of the Local Economic Development Manager

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
782 264	724 204

Annual remuneration
Car allowance
Other allowances
Contribution to UIF and related items

550 571	509 411
183 375	169 666
46 821	43 321
1 497	1 806
782 264	724 204

**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

17 REMUNERATION OF COUNCILLORS

572 948	545 665
458 358	438 591
441 471	420 120
1 687 063	1 375 207
5 210 827	3 786 571
8 370 667	6 566 154

Mayor
Speaker
Chief Whip
Exco members
Councillors

Total councillors' remuneration

572 948	545 665
458 358	438 591
441 471	420 120
1 687 063	1 375 207
5 210 827	3 786 571
8 370 667	6 566 154

18 INTEREST PAID

-	348 670
745	58 469
-	339 502
745	746 641

Interest on accounts payable
Bank overdraft
Outstanding payments
Total interest on external borrowings

-	348 670
745	58 469
495	339 502
1 240	746 641

THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY			GROUP	
2012	2011		2012	2011
R	R		R	R
8 223 441	(17 729 002)	19 CASH GENERATED BY OPERATIONS		
		Surplus for the period	7 194 425	(16 444 987)
		Adjustment for:		
1 238 754	-	Loss / (gain) on disposal of property, plant and equipment	1 238 754	-
-	-	Change in accounting policy	-	-
19 905 937	-	Correction of error	19 905 937	-
-	444 619	Fair value adjustments	-	444 619
27 520 865	26 420 503	Depreciation	27 534 338	26 424 835
-	-	Other non-cash item	(1 182 663)	-
(1 478 020)	(2 687 302)	Interest earned	(1 478 020)	(2 687 302)
745	746 641	Interest paid	1 240	746 641
9 753 756	2 037	Impairment of debtors	9 753 756	2 037
		Operating surplus / (deficit) before working capital changes:	62 967 767	8 485 843
65 165 478	7 197 497	(Increase)/decrease in inventories	46 032	(128 895)
		(Increase)/decrease in consumer debtors	7 551 195	(1 150 927)
46 032	(128 895)	Decrease / (increase) in other debtors	(260 802)	-
7 551 195	(1 150 927)	Increase/(decrease) in unspent conditional grants and receipts	(1 885 445)	(333 518)
(260 802)	-	Increase/(decrease) in creditors	(15 975 436)	31 521 796
(3 045 665)	(333 518)	Decrease / (increase) in provisions	(7 821)	274 537
(16 013 479)	30 918 591	Decrease/Increase in VAT refundable receivables	2 861 841	(3 677 255)
(7 821)	274 537	(Decrease) / Increase in current portion of long-term liabilities	-	-
2 708 795	(3 104 239)			
-	-	Cash generated by / (utilised in) operations	55 297 330	34 991 581
-	-			
56 143 732	33 673 046			

THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

20 CASH AND CASH EQUIVALENTS

875 276	340 036
2 580 950	12 419
-	(24 134)
3 456 227	328 320

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash
 Call investment deposits
 Credit card
Total cash and cash equivalents

851 137	396 646
2 580 950	12 419
-	(24 134)
3 432 087	384 931

21 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

21.1 Fruitless and wasteful expenditure

The Municipality has failed to make its statutory payments to the South African Receiver of Revenue and other Creditors and thus resulting in Penalties and interest on the Municipality.

Reconciliation of fruitless and wasteful expenditure:

2 719 280	1 513 727
591 358	1 205 553
(2 719 280)	-
-	-
591 358	2 719 280

Opening balance
 Fruitless and wasteful expenditure current year
 Approved by Council or condoned
 Transfer to receivables for recovery
 Fruitless and wasteful expenditure awaiting authorisation

2 379 790	1 513 727
943 446	866 063
-	-
-	-
3 323 236	2 379 790

Incident	Disciplinary steps / criminal proceedings
<p>The municipality has been facing financial difficulties for the last few years. As a result, defaulting on payment terms has been un-avoidable.</p> <p>However the municipality has taken some steps to meet its obligation. An arrangement has been made with SARS whereby all the municipality's VAT refunds will be set off against PAYE.</p> <p>As at 30 June 2011 an amount of R 1 774 874.07 of VAT refunds has been set off against PAYE debt and there are still other VAT refunds to be netted off against PAYE that are still to be finalise for Audit by SARS.</p>	None.

21.2 Unauthorised expenditure

2 208 629	3 137 542
3 190 337	-
-	6 413 487
5 398 966	9 551 029

Employees paid above SALGBC task grades
 The Municipality has failed to seek council approval of an amount that has been overspent on the budget. These were a results at year end when comparing the budgeted operating expenditure to the actual

2 208 629	3 137 542
3 190 337	-
-	6 413 487
5 398 966	9 551 029

21.3 Deviations with SCM

801 880	799 336
801 880	799 336

Supply Chain Management deviations rectified by the Accounting Officer as a result of deviations with 36(1) of the SCM Regulations

1 002 345	799 336
1 002 345	799 336

**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
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MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

21.3 Irregular Expenditure

9 645 574	194 895
10 274 597	9 450 679
(9 645 574)	-
-	-
-	-
<u>10 274 597</u>	<u>9 645 574</u>
10 274 597	9 450 679
10 274 597	194 895
<u>10 274 597</u>	<u>9 645 574</u>

Opening balance	9 645 574	194 895
Add: Irregular Expenditure – current year	10 274 597	9 450 679
Less: Amounts condoned by Council	(9 645 574)	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular Expenditure awaiting condonation	<u>10 274 597</u>	<u>9 645 574</u>
Analysis of expenditure awaiting condonation per age classification		
Current year	10 274 597	9 450 679
Prior years	6 004 627	194 895
Total	<u>16 279 225</u>	<u>9 645 574</u>

Details of Irregular Expenditure – Current year

Amount	Amount
	644 277
10 274 597	5 360 350
0	3 446 052
<u>10 274 597</u>	<u>9 450 679</u>

Incident	Disciplinary steps taken/criminal proceedings	Amount	Amount
Non-compliance with SCM regulations by not advertising quotations greater than R30 000 but less than R200 000 and	None		644 277
Non-compliance with SCM regulations by not obtaining the required 3 quotations		10 274 597	5 360 350
Salaries paid in excess of the SALGA approved % increase		-	3 446 052
		<u>10 274 597</u>	<u>9 450 679</u>

Details of Irregular Expenditure - written off by Council

Incident	Amount
Salaries paid in excess of the SALGA approved % increase /Paid in	3 446 052
	<u>3 446 052</u>

Incident	Amount
Salaries paid in excess of the SALGA approved % increase /Paid in	3 446 052
	<u>3 446 052</u>

Details of Irregular Expenditure recoverable (not condoned)

	644 277
10 274 597	5 360 350
<u>10 274 597</u>	<u>6 004 627</u>

Non-compliance with SCM regulations by not advertising quotations greater than R30 000 but less than R200 000		644 277
Non-compliance with SCM regulations by not obtaining the required 3 quotations	10 274 597	5 360 350
	<u>10 274 597</u>	<u>6 004 627</u>

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
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MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

22 ADDITIONAL DISCLOSURES IN TERMS OF
MUNICIPAL FINANCE MANAGEMENT ACT

22.1 Contributions to organised local government

473 526	473 526
480 466	-
(473 526)	-
-	-
<u>480 466</u>	<u>473 526</u>

Opening balance	473 526	473 526
Council subscriptions	480 466	-
Amount paid - current year	(473 526)	-
Amount paid - previous years	-	-
Balance	<u>480 466</u>	<u>473 526</u>

22.2 Audit fees

2 729 371	2 899 878
2 918 738	2 316 524
	(1 500 000)
(1 585 870)	(987 031)
<u>4 062 239</u>	<u>2 729 371</u>

Opening balance	2 729 371	2 899 878
Current year audit fee	2 918 738	2 316 524
Amount paid - current year	-	(1 500 000)
Amount paid - previous years	(1 585 870)	(987 031)
Balance unpaid (included in creditors)	<u>4 062 239</u>	<u>2 729 371</u>

22.3 VAT

VAT input receivables are shown in note 9.

22.4 PAYE and UIF

9 315 339	6 583 130
4 744 694	3 482 209
(4 369 349)	-
(4 746 086)	(750 000)
(3 146 807)	-
<u>1 797 791</u>	<u>9 315 339</u>

Opening balance	9 315 339	6 583 130
Current year payroll deductions	5 103 008	3 482 209
Amount paid - current year	(5 120 759)	-
Amount paid - previous years	(4 746 086)	(750 000)
Adjustments	(3 146 807)	-
Balance unpaid (included in creditors)	<u>1 797 791</u>	<u>9 315 339</u>

22.5 CAPITAL COMMITMENTS

38 789 887	9 469 368
0	0
-	2 181 053
-	956 487
<u>38 789 887</u>	<u>12 606 908</u>

Approved and Contracted for Infrastructure	38 789 887	9 469 368
Approved but not yet contracted Infrastructure	-	-
Unspent Provincial Department of Trans	-	2 181 053
Unspent Department of Transport Sidew	-	956 487
Total	<u>38 789 887</u>	<u>12 606 908</u>

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

22.6 OPERATING LEASES

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

82 033	82 033
82 033	164 066
164 066	246 099

Within one year
 In the second to third year inclusive
 After five years

Total

82 033	82 033
82 033	164 066

164 066 **246 099**

Operating leases consists of the following:
 Operating lease payments represents rentals payable by the municipality for various units of office equipment . Leases for office equipment are negotiated for an average term of 3 years and the rental payable is generally fixed.

Operating leases - lessor

Minimum lease payments due

44 520	84 000
-	

Within one year
 In the second to fifth year inclusive
 After five years

Total

44 520	84 000
-	-

44 520 **84 000**

Operating Leases consists of the following:

The Municipality's investment property is primarily held to generate rental income. Lease agreements are renewed and are renewable on an annual basis.



THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
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MUNICIPALITY	
2012	2011
R	R

GROUP	
2012	2011
R	R

22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

22.7 Pension and Medical Aid Deductions

995 752	2 172 171	Opening balance	995 752	2 172 171
6 118 940	5 756 928	Current year payroll deductions and council contributions	6 118 940	5 756 928
(6 118 940)	(4 726 968)	Amount paid - current year	(6 118 940)	(4 726 968)
(995 752)	(1 866 877)	Amount paid - previous years	(995 752)	(1 866 877)
-	(339 502)	Interest on arrears	-	(339 502)
<u>-</u>	<u>995 752</u>	Balance unpaid (included in creditors)	<u>-</u>	<u>995 752</u>

23 RETIREMENT BENEFIT INFORMATION

The municipality has a retirement contribution plan to which all qualifying employees belong.

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY			GROUP	
2012 R	2011 R		2012 R	2011 R
24 GENERAL EXPENSES				
-	-	Accounting fees	-	21 451
-	-	Admin fees	-	-
509 118	265 217	Advertising	523 095	277 157
42 576		Assets written off	42 576	-
60 465	71 551	Audit Committee fees	60 465	71 551
2 918 738	1 335 155	Audit Fees	3 415 162	1 335 155
62 433	51 952	Bank Charges	74 265	56 806
-	-	Beach Management	74 537	-
17 359	3 797	Books & Publications	17 359	3 797
-	-	Board Members Fees	39 106	8 500
-	2 200	Bursary	-	2 200
-	100 931	Capital Projects	-	100 931
170 200	392 905	Casual wages	170 200	392 905
-	14 235	Catering & Refreshments	20 601	27 714
61 574	79 454	Cleaning Material	61 772	84 025
-	572 751	Community Participation & Roadshows	-	572 751
9 033	11 658	Computers	9 033	11 658
28 601	30 243	Computers & accessories	28 601	30 243
11 534	6 816	Conference Fees	11 534	6 816
987 245	1 290 085	Consultants & Professional Fees	1 059 989	1 291 593
44 259	96 369	Consumables & Beverages	44 259	96 369
-	-	Craft Incubation Programme	367 035	-
-	-	Credit card expenses	-	221
169 841	1 257 944	Discount allowed :rates	169 841	1 257 944
23 342	271 327	Discount allowed Refuse	23 342	271 327
-	-	Electricity	-	70 592
511 716	1 007 958	Electricity & Water	511 716	937 366
1 378 828	623 509	Electricity FBE	1 378 828	623 509
11 071	14 717	Employee Welfare	11 071	14 717
-	2 935	Equipment	-	2 935
-	-	Entertainment	3 126	680
-	-	Events Co-ordination	399 384	-
-	-	Film Production	510 589	-
-	-	Finance costs	-	103
-	8 719	Fire Extinguishers	-	8 719
1 347 779	509 589	FMG-GRANT EXPENDITURE	1 347 779	509 589
1 701 909	1 010 408	Fuel & Oil	1 701 909	1 010 408
		Golf Course Club	40 000	-
477 301	0	Grant - Provincial Dept Of transp expendi	477 301	0
790 000	195 600	Grant NT- MSIG EXPENDITURE	790 000	195 600
		Heritage Day Celebration	91 147	-
7 120	3 947	Hire - External Transport	7 120	3 947
7 030	73 627	Hire Charges - Office Equipment	7 030	73 627
363 542	166 359	Hire Charges - Vehicle	363 542	166 359
452 196	412 793	Insurance - General	453 489	412 793
-	214	Kitchenware	-	214
-	-	Leasing charges	62 600	54 776
3 371 456	22 068 394	LED Programmes	322 432	19 723 837
781 715	852 071	Legal Fees	848 715	852 071
512 466	366 131	Levy - SALGA	512 466	366 131
179 464	124 940	Licence Fees	179 464	124 940
-	-	Local travel	-	19 480
-	-	Material & Stores - Cleaning Materials	-	943
7 200	23 550	Mayor Discretionary Fund	7 200	23 550
99 945	273 351	Meals & Entertainment	99 945	11 712
-	-	Meals and Entertainment	-	261 639
26 459	16 529	Membership Fees	26 459	16 529
21 236	-	MIG	21 236	-
-	1 599 155	MSP grant Expenditure	-	1 599 155

-	-	Motor vehicle expenses	73 082	48 084
3 980	1 635	Pensioners Rebates	3 980	1 635
-	52	Postage & Courier Costs	50	443
258 337	233 740	Printing & Stationary	275 397	259 914
-	-	Project expenditure	-	2 672 651
306 463	6 624	Protective Clothing	306 463	6 624
7 821	27 592	Provision for landfill site rehab	7 821	27 592
42 740	1 745	Public Participation Costs	42 740	1 745
-	157 895	Public Participation Costs :Elections	-	157 895
100 025	0	Publications & marketing material	100 025	0
28 137	34 814	Refuse Bags & Bins	28 137	34 814
168 520	216 907	Rent - Equipment	168 520	216 907
120 000	143 000	Salaries Mangroove	120 000	143 000
1 340 160	2 146 337	Security Cost	1 362 405	2 146 337
337 590	171 455	Social Responsibility Programmes	337 590	171 455
-	-	Software Licencing & Upgrading	10 958	2 160
-	-	Subscription & publication	12 200	-
-	-	Subsistance Allowance	-	193 077
2 477 316	1 601 618	Subsistance and Travel	2 477 316	1 387 354
-	-	Subsistence & Travelling Allowances	-	59 358
6 133	-	Sundries	6 133	-
1 049 633	1 087 381	Telephone	1 131 861	1 152 226
-	-	Tourism Embassadors Programme	16 665	-
-	-	Tourism Website	56 723	-
21 491	-	Training	21 491	-
-	-	Transport claims	-	-
-	-	Travel and subsistence	166 308	-
-	-	Travelling allowance	-	1 150
-	-	Uniforms & overalls	-	-
-	-	Valuation costs	-	-
-	-	Water and Sanitation	-	-
-	-	Working Material	-	1 344
-	-	Workshop for Street trading	14 353	-
-	-	Workshop on Properties	16 250	-
-	39 321	Workman's Compensation	-	39 321
23 433 095	41 079 201		23 143 788	41 692 799

THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

MUNICIPALITY	
2012	
R	

GROUP	
2012	
R	

MUNICIPALITY		GROUP
2012		2012
R		R
	25 PRIOR YEAR ADJUSTMENTS	
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the correction of errors which were noted. Details of which are as follows:	
	PPE	
34 848 301	Cash and Cash equivalents	34 848 301
(1 793 242)	Receivables incorrectly recognised	(1 793 242)
(6 774 285)	Revision of prior year provisions	(6 774 285)
-	Creditor overstated/understated	-
13 722 017	VAT	13 722 017
7 442 709	Other adjustments	7 442 709
6 470	Net effect on Statement of Financial Position	6 470
47 451 969		47 451 969
47 451 969	Net effect on Accumulated surplus opening balance	(48 136 424)
-		-

**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

26 RELATED PARTIES

Port St Johns Development Agency (section 21 company registration no. 1999/009129/08)

The Municipality has advanced the Port St Johns Development Agency

The Municipality has granted the Port St Johns Development Agency an amount of R 3 049 023 during the current financial year.

27 RISK MANAGEMENT

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party. No credit rating is done on trade receivables, however an assessment is done on customers for affordability through indigent registration process. No major financial assets are exposed to credit risk at year end except for investment accounts held with ABSA Bank.

28 Liquidity risk

The municipality's risk to liquidity is a result of funds availability to cover future commitments. At present we do not have any finance lease obligations or long term borrowings. The commitments we have are trade and other payables which are managed through an ongoing review process.

**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY**

MUNICIPALITY

Present value at year end	%
------------------------------	---

11 756 458	11
19 442 693	11

Sensitivity Analysis of Market risk

Effect of a 1% change in the prime rate

Trade and other receivables

NB: the management of PSJ Municipality is of the opinion that it is not necessary to discount the outstanding lease whole amount is being impaired(fair valuing the debtors based on collectibility %)

Trade and other payables

29.2 Interest rate risk

The municipality has no significant interest bearing assets. The municipality's income and operating cashflows are independent of changes in market interest rates.

30 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The ability of the Municipality to continue as a going is dependant on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations of the Municipality.

However the municipality is facing financial constraints. This is evident that the majority of our creditors are more than 90 days overdue.

31 EVENTS AFTER THE REPORTING DATE

There are no events subsequent to the reporting date that require reporting.

32 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance performance with that budgeted is set out in Appendix E(1).

MUNICIPALITY	
2012	2011
R	R

13 300 000	10 000 000
13 300 000	10 000 000

33 CONTINGENT LIABILITIES

Port St Johns Local Municipality is a defendant in litigation, including a case regarding the appointment of the municipal manager, of which the outcome of these cases is not yet known.

Estimated financial exposure

GROUP

Present value at year end

11	14 145 389
----	------------

11	16 813 046
----	------------

GROUP	
2012	
R	

13 300 000
13 300 000



UP

discounted value at
current rate

1 416 682

se rentals because the

17 281 156

2011
R

10 000 000
10 000 000

**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
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APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

MUNICIPALITY

	Cost / Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Disposal	Closing Balance	Opening Balance	Additions	Adjustments	Disposals	Closing Balance	
Land and Buildings						0					
Land	52 285 914	-	-	-	52 285 914	-	-	-	-	-	52 285 914
Land and buildings	6 509 595	426 273	-	-	6 935 868	27 758	128 925	-	-	156 683	6 779 185
	58 795 509	426 273	-	-	59 221 782	27 758	128 925	-	-	156 683	59 065 099
Infrastructure											
Roads, stormwater, bridges	282 618 806	24 572 989	28 185 051	1 260 131	334 116 715	48 145 140	25 274 858	-	46 640	73 373 358	260 743 357
Landfill site	1 137 997	-	-	-	1 137 997	104 828	-	-	-	104 828	1 033 169
	283 756 803	24 572 989	28 185 051	1 260 131	335 254 712	48 249 968	25 274 858	-	46 640	73 478 186	261 776 526
Community assets	13 055 758	-	-	-	13 055 758	841 569	483 195	-	-	1 324 764	11 730 994
Investment Property	14 023 003	-	-	-	14 023 003	-	140 230	-	-	140 230	13 882 773
	27 078 761	-	-	-	27 078 761	841 569	623 425	-	-	1 464 994	25 613 767
Other assets											
Furniture and fittings	421 090	-	-	1570	419 520	127 640	53 257	-	359	180 538	238 982
Plant and equipment	10 536 176	26 073	-	2500	10 559 749	1 144 459	896 171	-	598	2 040 031	8 519 718
Motor vehicles	2 584 671	804 055	-	-	3 388 726	769 952	347 981	-	-	1 117 933	2 270 793
Office and traffic equipment	199 922	56 311	-	20399	235 834	36 757	31 135	-	6 578	61 314	174 520
Computer equipment	883 035	236 325	-	51960	1 067 401	390 035	179 308	-	43629	525 714	541 687
	14 624 894	1 122 764	-	76 428	15 671 230	2 468 843	1 507 852	-	51 165	3 925 530	11 745 699
	384 255 967	26 122 027	28 185 051.00	1 336 559	437 226 485	51 588 138	27 535 061	-	97 805	79 025 394	358 201 091

**THE CONSOLIDATED FINANCIAL STATEMENTS
PORT ST JOHNS MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

35. Actual versus budget (Revenue and expenditure)

MUNICIPALITY

REVENUE	2012 <u>Actual</u>	2012 <u>Budget</u>	2012 <u>Variance</u>	2012 <u>Variance %</u>
Property rates	514 281	9 200 000	8 685 719	94%
Service charges - refuse	324 007	474 328	150 321	32%
Rental of facilities	1 478 020	264 455	(1 213 565)	-459%
Interest earned on external investments	-	-	-	100%
Fines	10 409	32 075	21 666	68%
Licences and permits	95 637 057	14 782	(95 622 275)	-646883%
Government grants and subsidies	725 211	82 931 000	82 205 789	99%
Other income	-	80 000	80 000	100%
Total Revenue	98 688 984	92 996 640	(5 692 344)	-6%
EXPENDITURE				
Executive and Council	12 055 168	13 859 015	1 803 847	13%
Accounting Officer	6 417 752	7 423 802	1 006 050	14%
Corporate Services	12 071 356	11 046 083	-1 025 273	-9%
Budget and Treasury	43 588 547	11 949 303	-31 639 244	-265%
Local Economic Development	5 108 428	6 372 549	1 264 121	20%
Engineering and planning	8 092 007	30 372 985	22 280 978	73%
Community and Social services	8 853 721	11 972 904	3 119 183	26%
Total Expenditure	96 186 979	92 996 641	-3 190 338	-3%
NET SURPLUS FOR THE YEAR	2 502 005	(1)	(2 502 006)	-100%

35. Actual versus budget (Revenue and expenditure)

GROUP

REVENUE	2012 <u>Actual</u>	2012 <u>Budget</u>	2012 <u>Variance</u>	2012 <u>Variance %</u>
Property rates	5 988 279	9 200 000	3 211 721	35%
Service charges - refuse	514 281	474 328	(39 953)	-8%
Rental of facilities	324 007	264 455	(59 552)	-23%
Interest earned on external investments	1 478 020	-	(1 478 020)	100%
Fines	83 002	32 075	(50 927)	-159%
Licences and permits	10 409	14 782	4 373	30%
Government grants and subsidies	95 637 057	82 931 000	(12 706 057)	-15%
Other income	725 211	80 000	(645 211)	100%
Total Revenue	104 760 266	92 996 640	(11 763 626)	-13%
EXPENDITURE				
Executive and Council	12 055 168	13 859 015	1 803 847	13%
Accounting Officer	6 417 752	7 423 802	1 006 050	14%
Corporate Services	12 071 356	11 046 083	-1 025 273	-9%
Budget and Treasury	43 588 547	11 949 303	-31 639 244	-265%
Local Economic Development	5 108 428	6 372 549	1 264 121	20%
Engineering and planning	8 092 007	30 372 985	22 280 978	73%
Community and Social services	8 853 721	11 972 904	3 119 183	26%
Total Expenditure	96 186 979	92 996 641	-3 190 338	-3%
NET SURPLUS FOR THE YEAR	8 573 287	(1)	(8 573 288)	-100%