Lukhanji Municipality
Annual Financial Statements
for the year ended 30 June 2011

General Information

Chief Finance Officer (CFO)	Miss L Ngeno
Accounting Officer	
	Mr P Bacela
Registered office	Queenstown
Postal address	Private Bag X7111 Queenstown 5320
Bankers	ABSA Bank
Auditors	Auditor General

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Mr P Bacela
Accounting officer

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Other receivables from exchange transactions	9	115 677 748	84 700 874
Other receivables from non-exchange transactions	10	5 223 900	5 851 307
VAT receivable	11	97 920 198	103 919 599
Trade receivables from exchange transactions	12	20 313 984	31 654 270
Cash and cash equivalents	13	129 162 135	108 029 501
		368 297 965	**334 155 551**
Non-Current Assets			
Property, plant and equipment	4	769 540 001	778 049 903
Intangible assets	5	50 190	-
Other financial assets	6	224 908	732 923
		769 815 099	**778 782 826**
Total Assets		**1 138 113 064**	**1 112 938 377**
Liabilities			
Current Liabilities			
Other financial liabilities	14	1 303 479	-
Finance lease obligation	15	3 490 312	-
Unspent conditional grants and receipts	16	16 421 462	36 630 947
Trade and other payables from exchange transactions	18	31 642 447	28 138 352
VAT payable	19	96 470 528	100 166 178
Consumer deposits	20	7 937 497	7 602 712
		157 265 725	**172 538 189**
Non-Current Liabilities			
Employee benefit obligation	8	60 311 461	60 311 461
Other financial liabilities	14	2 196 620	3 505 866
Finance lease obligation	15	4 709 108	8 265 737
Provisions	17	15 092 318	13 107 876
		82 309 507	**85 190 940**
Total Liabilities		**239 575 232**	**257 729 129**
Net Assets		**898 537 832**	**855 209 248**
Net Assets			
Accumulated surplus		898 537 832	855 209 248

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	23	39 333 529	32 737 811
Service charges	24	130 496 953	105 972 443
Property rates - Interest imposed and collection charges on rates		473 753	1 079 950
Rental of facilities and equipment		1 466 664	1 463 688
Interest received (trading)		8 448 319	15 716 759
Fines		729 472	602 269
Licences and permits		8 644 085	7 777 380
Government grants & subsidies	25	122 801 028	121 847 212
Fees earned		-	(1)
Other income		40 154 532	35 359 067
Interest received - investment	31	5 202 465	6 720 539
Total Revenue		**357 750 800**	**329 277 117**
Expenditure			
Employee related costs	29	(90 025 423)	(74 074 548)
Remuneration of councillors	30	(14 280 920)	(11 374 103)
Administration		8 564 918	6 553 168
Depreciation and amortisation	32	(14 888 095)	(9 285 084)
Finance costs	33	(2 934 334)	(3 532 841)
Debt impairment		(57 530 576)	(42 759 776)
Repairs and maintenance		(4 406 548)	(6 297 596)
Bulk purchases	38	(95 088 549)	(72 255 114)
Contracted services	36	(1 943 285)	(4 853 605)
Grants and subsidies paid	37	(27 409 665)	(24 027 636)
Cost of housing sold		14 260	-
General Expenses	27	(23 730 508)	(28 628 496)
Total Expenditure		**(323 658 725)**	**(270 535 631)**
Gain on disposal of assets and liabilities		9 355 927	3 254 119
Gain on actuarial adjustment		-	(7 801 605)
Surplus for the year		**43 448 002**	**54 194 000**

Lukhanji Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	**240 677 413**	**240 677 413**
Changes in net assets		
Surplus for the year	54 194 000	54 194 000
Land and Buildings Asset take-on	564 871 228	564 871 228
Prior period error (Refer to note 41)	(4 716 524)	(4 716 524)
Prior period error 2 (Refer to note 41)	183 131	183 131
Total changes	614 531 835	614 531 835
Balance at 01 July 2010	**855 209 246**	**855 209 246**
Changes in net assets		
Prior period error	(119 416)	(119 416)
Net income (losses) recognised directly in net assets	(119 416)	(119 416)
Surplus for the year	43 448 002	43 448 002
Total recognised income and expenses for the year	43 328 586	43 328 586
Total changes	43 328 586	43 328 586
Balance at 30 June 2011	**898 537 832**	**898 537 832**

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Grants		102 591 543	134 498 978
Interest income		13 650 784	22 437 298
Other receipts		147 397 761	66 452 222
		263 640 088	223 388 498
Payments			
Employee costs		(104 306 343)	(75 120 379)
Finance costs		(1 035 022)	(314 407)
Other payments		(139 460 496)	(78 597 076)
Prior period error		(119 415)	-
		(244 921 276)	(154 031 862)
Net cash flows from operating activities	39	**18 718 812**	**69 356 636**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(6 378 192)	(24 224 326)
Proceeds from sale of property, plant and equipment	4	9 355 927	3 254 119
Purchase of other intangible assets	5	(50 190)	-
Proceeds from sale of financial assets		508 015	(26 103)
Proceeds from acturial valuation		-	(7 801 605)
Net cash flows from investing activities		**3 435 560**	**(28 797 915)**
Cash flows from financing activities			
Repayment of other financial liabilities		(5 767)	(921 983)
Finance lease payments		(1 015 973)	(3 564 434)
Other cash item		-	(1 416 456)
Net cash flows from financing activities		**(1 021 740)**	**(5 902 873)**
Net increase/(decrease) in cash and cash equivalents		**21 132 632**	**34 655 848**
Cash and cash equivalents at the beginning of the year		108 029 501	73 373 654
Cash and cash equivalents at the end of the year	13	**129 162 133**	**108 029 502**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

The municipality assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements 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 write stock down 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.

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 end of the reporting period. 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 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 less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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, estimates 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. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment on trade and other receivables

On trade and other receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transitional provision

The municipality changed its accounting policy for investment property in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

1.3 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings wich is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity with a maximum period of four years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	30 years
Motor vehicles	4 - 15 years
Office equipment	3 - 5 years
Electricity	10 - 60 years
Community assets	
• Land	Indefinite
• Buildings	30 years
• Recreational facilities	20 - 30 years

1.3 Property, plant and equipment (continued)

Leased Assets	5 years
Other assets	
• Land	Indefinite
• Buildings	30 years
• Specialist vehicles	10 years
• Office equipment	3 - 7 years
• Furniture fittings	7 - 10 years
• Emergency equipment	5 - 15 years
• Motor vehicles	3 - 20 years
• Specialist plant and equipment	5 - 15 years
• Computer equipment	3 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed annualy. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Residual values have been determined for all movable assets based on the percentage cost or fair value as follows: -
10% Office furniture and equipment
20% - 30% Trucks and specialised vehicles
35% Other vehicles
40% Busses
40% Fire engins

1.3 Property, plant and equipment (continued)

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which itt is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised 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.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Intangible assets (continued)

Transitional provision

The municipality changed its accounting policy for intangible assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 5.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability 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 method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

1.6 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

1.6 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non current investments (shares)	Financial asset measured at fair value
Other	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Other	Financial liability measured at amortised cost
Other	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured 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 are not reversed.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 Non-current assets held for sale and disposal groups

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.

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

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

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

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

1.9 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities

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

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

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

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or

1.10 Impairment of non-cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.10 Impairment of non-cash-generating assets (continued)

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

Redesignation

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

1.11 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Employee benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

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

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

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

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

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

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

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Provisions and contingencies

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.13 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.13 Provisions and contingencies (continued)

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 17.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.14 Revenue from exchange transactions

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the municipality has transferred to the purchaser 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.

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

1.15 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.15 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are not recognised.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

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

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

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.21 Irregular expenditure

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

1.22 Use of estimates

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

1.23 Presentation of currency

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

1.24 Offsetting

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

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.26 Conditional grants and receipts

Revenue received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Budget information

The Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 48.

1.28 Value added tax

The municipality accounts for VAT on the cash basis.

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

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

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

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

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

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 104: Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

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

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

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

GRAP 103: Heritage Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

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

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

GRAP 21: Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 26: Impairment of cash-generating assets

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

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

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

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

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

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

GRAP25 defines, amongst others, the following:
- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:
- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:
- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Insured benefits.

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

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

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

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

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

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

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

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

3. Investment property

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	405 577 456	-	405 577 456	405 577 456	-	405 577 456
Buildings	159 293 772	(5 138 509)	154 155 263	159 293 772	-	159 293 772
Leasehold property	6 468 259	-	6 468 259	6 468 259	-	6 468 259
Plant and machinery	283 607	(696 636)	(413 029)	-	-	-
Furniture and fixtures	3 081 696	(503 019)	2 578 677	3 063 862	-	3 063 862
Office equipment	3 772 300	(1 309 475)	2 462 825	3 772 300	(1 309 475)	2 462 825
Planning	45 289	-	45 289	45 289	-	45 289
Roads	109 572 306	(11 318 835)	98 253 471	109 572 306	(7 109 184)	102 463 122
Electricity	90 547 868	(6 504 461)	84 043 407	87 943 477	(4 214 304)	83 729 173
Other equipment	6 069 891	-	6 069 891	6 069 891	-	6 069 891
Asset found	2 446 878	(5 707 440)	(3 260 562)	2 446 878	(5 707 440)	(3 260 562)
Other leased Assets # 1	-	(514 813)	(514 813)	-	-	-
Park facilities	523 429	(24 550)	498 879	523 429	(1 621)	521 808
Motor vehicle leases	15 002 341	(1 512 380)	13 489 961	11 529 981	-	11 529 981
Security	85 027	-	85 027	85 027	-	85 027
Total	**802 770 119**	**(33 230 118)**	**769 540 001**	**796 391 927**	**(18 342 024)**	**778 049 903**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	405 577 456	-	-	405 577 456
Buildings	159 293 772	-	(5 138 509)	154 155 263
Leasehold property	6 468 259	-	-	6 468 259
Plant and machinery	-	283 607	(696 636)	(413 029)
Furniture and fixtures	3 063 862	17 834	(503 019)	2 578 677
Office equipment	2 462 825	-	-	2 462 825
Planning	45 289	-	-	45 289
Roads	102 463 122	-	(4 209 651)	98 253 471
Electricity	83 729 173	2 604 391	(2 290 157)	84 043 407
Other equipment	6 069 891	-	-	6 069 891
Asset found	(3 260 562)	-	-	(3 260 562)
Other leased Assets # 1	-	-	(514 813)	(514 813)
Park facilities	521 808	-	(22 929)	498 879
Motor vehicle leases	11 529 981	3 472 360	(1 512 380)	13 489 961
Security	85 027	-	-	85 027
	778 049 903	**6 378 192**	**(14 888 094)**	**769 540 001**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Depreciation	Total
Land	-	-	405 577 456	-	405 577 456
Buildings	-	-	159 293 772	-	159 293 772
Leasehold property	-	6 468 259	-	-	6 468 259
Furniture and fixtures	3 063 862	-	-	-	3 063 862
Office equipment	1 886 542	1 885 758	-	(1 309 475)	2 462 825
Planning	45 289	-	-	-	45 289
Roads	97 649 386	11 922 920	-	(7 109 184)	102 463 122
Electricity	86 966 395	977 082	-	(4 214 304)	83 729 173
Other equipment	6 069 891	-	-	-	6 069 891
Asset found	-	2 446 878	-	(5 707 440)	(3 260 562)
Fare collection equipment	-	-	-	-	-
Park facilities	-	523 429	-	(1 621)	521 808
Motor vehicle leases	11 529 981	-	-	-	11 529 981
Security	85 027	-	-	-	85 027
	207 296 373	**24 224 326**	**564 871 228**	**(18 342 024)**	**778 049 903**

Property, plant and equipment - Land and buildings take-on balance as at 30 June 2010 (as land and buildings were not valued previously and not split) refer to note 41.

No assets have been pledged as security for any loans.

Assets subject to finance lease (Net carrying amount)

	2011	2010
Leasehold property	6 468 259	6 468 259
Planning	45 289	45 289
Other equipment	6 069 891	6 069 891
Accumulated depreciation	(514 813)	-
Motor vehicle leases	13 489 961	11 529 981
	25 558 587	**24 113 420**

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

5. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	50 190	-	50 190	-	-	-

6. Other financial assets

	2011	2010
Loans and receivables		
Fixed deposits	224 908	732 923
Non-current assets		
Loans and receivables	224 908	732 923

6. Other financial assets (continued)

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

7. Financial assets by category

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

2011

	Held at amortised cost	Total
Trade and other receivables	135 991 732	135 991 732
Other receivables from non-exchange transactions	5 223 900	5 223 900
Cash and cash equivalents	129 162 135	129 162 135
VAT Receivable	97 920 198	97 920 198
	368 297 965	**368 297 965**

2010

	Held at amortised cost	Total
Trade and other receivables	116 355 144	116 355 144
Other receivables from non-exchange transactions	5 851 307	5 851 307
Cash and cash equivalents	108 029 501	108 029 501
VAT Receivable	103 919 599	103 919 599
	334 155 551	**334 155 551**

8. Employee benefit obligations

Defined benefit plan

As at the time of the submission of the financial statements as at 31 August 2011, there was no actuarial valuation available to support the carrying value of the Defined Benefit Medical Aid Obligation. No changes have been processed to the Defined Benefit Medical Aid plan obligation in the current year in order to reflect any changes in the obligation for the municipality.

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

	2011	2010
Carrying value		
Present value of the defined benefit medical aid obligation	(60 311 461)	(60 311 461)

9. Other receivables from exchange transactions

	2011	2010
Deposits	61 168	61 168
Operating lease receivables (if immaterial)	(3)	2
Chris Hani Agency account	112 586 776	77 755 700
Fraudulent transactions	2 471 135	6 694 338
Other debtors	339 837	189 666
Reverse R/D cheques	218 835	-
	115 677 748	**84 700 874**
Subtotal	-	-

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Other receivables from non-exchange transactions

Property rates	5 146 672	5 788 222
Consumer deposits	77 228	63 085
	5 223 900	**5 851 307**

Property rates age analysis		
Current (0-30days)	2 299 994	2 683 845
31-60 days	1 487 831	1 413 083
61-90 days	1 358 846	980 473
90 days +	22 076 342	13 007 886
	27 223 013	**18 085 287**

Other receivables from non-exchange transactions impaired

As of 30 June 2011, other receivables from non-exchange transactions of R (22 076 342) (2010: R (11 595 293)) were impaired and provided for.

The amount of the provision was R (22 076 342) as at 30 June 2011 (2010: R (11 595 293)).

11. VAT receivable

VAT	97 920 198	103 919 599

12. Trade receivables from exchange transactions

Gross balances		
Electricity	20 917 145	12 678 159
Refuse	47 261 647	42 112 100
Interest on Consumer debtors	40 680 408	34 787 460
Sundries	64 928 712	68 610 731
	173 787 912	**158 188 450**

Less: Provision for debt impairment		
Electricity	(12 469 266)	(5 154 382)
Refuse	(43 681 170)	(34 793 632)
Interest on Consumer debtors	(38 079 790)	(28 783 483)
Sundries	(59 243 702)	(57 802 683)
	(153 473 928)	**(126 534 180)**

Net balance		
Electricity	8 447 879	7 523 777
Refuse	3 580 477	7 318 468
Interest on Consumer debtors	2 600 618	6 003 977
Sundries	5 685 010	10 808 048
	20 313 984	**31 654 270**

Electricity		
Current (0 -30 days)	5 005 773	4 002 978
31 - 60 days	2 168 735	1 828 839
61 - 90 days	1 273 370	1 064 028
90 days +	12 469 266	5 782 314
	20 917 144	**12 678 159**

Figures in Rand	2011	2010

12. Trade receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1 503 019	1 286 928
31 - 60 days	1 132 771	979 906
61 - 90 days	944 687	812 908
90 days +	43 681 170	39 032 358
	47 261 647	**42 112 100**
Interest on Consumer debtors		
Current (0 -30 days)	873 075	840 158
31 - 60 days	883 551	817 402
61 - 90 days	843 991	839 877
91 - 120 days	38 079 790	32 290 023
	40 680 407	**34 787 460**
Sundries		
Current (0 -30 days)	5 084 597	3 118 141
31 - 60 days	403 835	735 196
61 - 90 days	196 578	525 092
90 days +	59 243 702	64 232 302
	64 928 712	**68 610 731**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	12 466 464	9 248 205
31 - 60 days	4 588 892	4 361 343
61 - 90 days	3 258 626	3 241 905
90 days +	153 473 928	141 336 997
	173 787 910	158 188 450
Less: Provision for debt impairment	(153 473 928)	(126 534 180)
	20 313 982	**31 654 270**
Total		
Current (0 -30 days)	12 466 464	9 248 205
31 - 60 days	4 588 892	4 361 343
61 - 90 days	3 258 626	3 241 905
90 days +	153 473 930	141 336 997
	173 787 912	158 188 450
Less: Provision for debt impairment	(153 473 928)	(126 534 180)
	20 313 984	**31 654 270**
Less: Provision for debt impairment		
90 days +	(153 473 928)	(126 534 180)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(126 534 180)	-
Contributions to provision	(26 939 748)	-
Prior year balance	-	(126 534 180)
	(153 473 928)	**(126 534 180)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Trade receivables from exchange transactions (continued)

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R (153 473 928) (2010: R (126 534 180)) were impaired and provided for.

The amount of the provision was R (153 473 928) as of 30 June 2011 (2010: R (126 534 180)).

Reconciliation of provision for impairment of consumer debtors

	2011	2010
Opening balance	(126 534 180)	(126 534 180)
Provision for impairment	(21 569 720)	-
	(148 103 900)	**(126 534 180)**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	26 992	26 992
Bank balances	31 412 834	1 081 152
Short-term deposits	97 722 309	106 921 357
	129 162 135	**108 029 501**

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

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

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral.

	2011	2010
Guarantees in respect of housing bonds to employees - Collateral	-	49 280

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK LIMITED - Current Account - 4052819154	42 523 873	11 804 175	15 188 096	29 038 043	735 199	-
ABSA BANK LIMITED - Current Account - 2160143854	9 802 279	571 646	4 033 282	1 902 849	-	-
STANDARD BANK- Current Account - 082646066	-	16 588	17 611	-	-	-
STANDARD BANK - Current Account - 3885053620001	-	13 583	13 546	-	-	-
ABSA BANK - Savings Account - 21604362	127 523	121 252	112 671	-	121 252	112 671
ABSA BANK - Fixed Deposit - 2058745521	8 266	-	-	8 266	-	-
ABSA BANK - Fixed Deposit - 2059236583	9 845	-	-	9 845	-	-
ABSA BANK - Fixed Deposit - 2059236672	22 000	-	-	22 000	-	-
ABSA BANK - Fixed Deposit - 2054238637	16 000	-	-	16 000	-	-
ABSA BANK - Fixed Deposit - 2054410158	6 884	-	-	6 884	-	-
ABSA BANK - Fixed Deposit - 2054871867	7 382	-	-	7 382	-	-
ABSA BANK - Fixed Deposit - 2057750882	18 500	-	-	18 500	-	-
ABSA BANK - Fixed Deposit - 2058745343	14 177	-	-	14 177	-	-
ABSA BANK - Fixed Deposit - 2058745458	10 935	-	-	10 935	-	-
ABSA BANK - Fixed Deposit - 2054880953	7 382	-	-	7 382	-	-
ABSA BANK - Fixed Deposit - 2055339377	10 100	-	-	10 100	-	-
ABSA BANK - Fixed deposit - 2057595270	14 500	-	-	14 500	-	-
ABSA BANK - Fixed Deposit - 2064325597	27 938	-	-	27 938	-	-
ABSA BANK - Money Market - 9090448293	97 059 887	-	-	97 580 261	106 785 896	-
ABSA BANK - Fixed Deposit - 2058681438	15 000	-	-	15 000	-	-
Total	**149 702 471**	**12 527 244**	**19 365 206**	**128 710 062**	**107 642 347**	**112 671**

14. Other financial liabilities

	2011	2010
Held at amortised cost		
Development Bank of South Africa Loan The original loan repayment period was 8 years. The fixed interest rate	1 370 594	3 505 866
ABSA bank loan Draw down loan with R5 million availible to the borrower, at a fixed interest rate payable on a monthly basis.	826 026	-
Other financial liabilities	1 303 479	-
	3 500 099	**3 505 866**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

14. Other financial liabilities (continued)

Non-current liabilities		
At amortised cost	2 196 620	3 505 866
Current liabilities		
At amortised cost	1 303 479	-
	3 500 099	**3 505 866**

15. Finance lease obligation

Minimum lease payments due		
- within one year	4 260 028	4 090 535
- in second to fifth year inclusive	6 130 037	5 624 447
	10 390 065	9 714 982
less: future finance charges	(1 494 549)	(1 109 896)
Present value of minimum lease payments	**8 895 516**	**8 605 086**
Present value of minimum lease payments due		
- within one year	3 490 312	3 847 116
- in second to fifth year inclusive	5 405 204	4 757 970
	8 895 516	**8 605 086**
Non-current liabilities	4 709 108	8 265 737
Current liabilities	3 490 312	-
	8 199 420	**8 265 737**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 11% (2010: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	5 243 887	19 723 089
Financial management grant	727 460	534 927
Municipal system improvement grant	975 065	834 070
Other grants	9 475 050	15 538 861
	16 421 462	**36 630 947**

Movement during the year

Balance at the beginning of the year	36 630 948	23 979 180
Additions during the year	8 094 865	58 821 959
Income recognition during the year	(28 304 351)	(46 170 192)
	16 421 462	**36 630 947**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

16. Unspent conditional grants and receipts (continued)

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

These amounts are invested in a ring-fenced investment until utilised.

Summary of balances and movements on grants	Unspent balance 2010	Receipts	Interest	Transfer operating expenditure	Transfer capital expenditure	Other transfers	Unspent balance 2011
BCIG projects	119 821	-	-	-	-	-	119 821
Bulk Services Levy	489 959	-	43 408	(1 052)	-	392 949	925 264
CMIP Projects	116 338	-	2 942	-	-	-	119 280
Computerized Library System	178 426	-	10 899	-	-	-	189 325
DBSA : Hand Held Terminals	15 000	-	-	-	-	-	15 000
Department of National Health (Attic)	1 714 474	-	-	(1 549 828)	-	-	164 646
Financial Management Grant	534 927	1 250 000	91 126	(1 133 731)	(14 862)	-	727 460
Fire Services	321 757	-	19 529	(55 814)	-	-	285 472
IEC	29 602	-	2 213	(338 280)	(89 990)	700 000	303 545
Interest on Projects Infrastructure	92 728	-	2 355	(133 258)	-	40 953	2 778
LED Project - Resource group	1 429 805	-	86 934	(180 603)	-	-	1 336 136
McBride	(206 168)	-	(12 609)	(6 715)	-	-	(225 492)
Municipal infrastructure grant	19 723 089	5 980 000	828 816	(16 808 138)	(4 479 879)	-	5 243 888
MSP Funds	196 733	-	12 008	-	-	-	208 741
Municipal Systems Improvement Program	834 070	750 000	84 992	(49 619)	-	(644 378)	975 065
Ner: Ezibeleni Infra Upgrade Phase 2	(4 026)	-	(420)	(78 075)	-	-	(82 521)
Nomzamo	44 073	-	2 714	(9 520)	-	-	37 267
Shiloh Greenfields	447 500	-	16 881	(254 950)	-	-	209 431
Poplar Grove	879 542	-	52 650	(52 229)	-	-	879 963
Preparation of Structure Plan	85 667	-	5 233	-	-	-	90 900
Queenstown Rhino Funds	187 967	-	11 469	(5 541)	-	-	193 895
AIDS Grant	9 517	-	577	(1 856)	-	-	8 238
Rural Water Scheme	12 390	-	-	-	-	-	12 390
Sabata	1 347 386	-	80 241	(989 168)	-	64 691	503 150
Service: Informal Settlements	146 591	-	4 942	(69 045)	-	-	82 488
Small micro stratergy and hawker	173 929	-	10 346	(124 899)	-	-	59 376
Valuation Fund	25 894	-	1 582	-	-	-	27 476
Various Projects - CHDM water	2 065 016	-	64 386	(1 744 539)	-	-	384 863
Who-Can-Tell	448 006	-	26 721	(218 079)	-	-	256 648
Electricity upgrade grants	3 499 827	-	213 356	(178 114)	(2 468 765)	(11 745)	1 054 559
Sundry Grants	1 162 565	1 000 000	53 785	(593 611)	-	262 117	1 884 856
Whittlesea Grants	508 543	-	29 501	(110 490)	-	-	427 554
Total	**36 630 948**	**8 980 000**	**1 746 577**	**(24 687 154)**	**(7 053 496)**	**804 587**	**16 421 462**

17. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Landfill provision	13 107 876	1 984 442	15 092 318

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Landfill provision	-	13 107 876	13 107 876

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Trade and other payables

Trade payables	9 458 653	9 096 939
Payments received in advance	6 382 149	5 145 709
Other creditors	4 599 446	719 533
Accrued leave pay	10 770 079	12 666 293
Other creditors	432 120	509 878
	31 642 447	**28 138 352**

19. VAT payable

VAT payable	96 470 528	100 166 178

20. Consumer deposits

Electricity	7 937 497	7 602 712

21. Financial liabilities by category

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

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	3 500 099	3 500 099
Trade and other payables	31 642 447	31 642 447
Finance leases	8 199 420	8 199 420
	43 341 966	**43 341 966**

2010

	Financial liabilities at amortised cost	Total
Other financial liabilities	3 505 866	3 505 866
Trade and other payables	28 138 352	28 138 352
Finance leases	8 265 737	8 265 737
	39 909 955	**39 909 955**

22. Revenue

Property rates	39 333 529	32 737 811
Property rates – Penalties imposed and collection charges	473 753	1 079 950
Service charges	130 496 953	105 972 443
Rental of facilities & equipment	1 466 664	1 463 688
Interest received – trading	8 448 319	15 716 759
Fines	729 472	602 269
Licences and permits	8 644 085	7 777 380
Goverment grants & subsidies	122 801 028	121 847 212
	312 393 803	**287 197 512**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Revenue (continued)

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

Service charges	130 496 953	105 972 443
Rental of facilities & equipment	1 466 664	1 463 688
Interest received – trading	8 448 319	15 716 759
Licences and permits	8 644 085	7 777 380
	149 056 021	**130 930 270**

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

Taxation revenue		
Property rates	39 333 529	32 737 811
Property rates – Penalties imposed and collection charges	473 753	1 079 950
Fines	729 472	602 269
Transfer revenue		
Goverment grants & subsidies	122 801 028	121 847 212
	163 337 782	**156 267 242**

23. Property rates

Rates received

Assessment rates	28 777 882	23 333 136
Infrastructure improvement rates	10 555 647	9 404 675
	39 333 529	32 737 811
Property rates - penalties imposed and collection charges	473 753	1 079 950
	39 807 282	**33 817 761**

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are performed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September 2011 (30 September 2010). Interest at prime plus 1% per annum (2010: prime plus 1%) is levied on rates outstanding two months after due date.

A general rate of 0.00145 for agricultural properties, 0.007223 for commercial properties, 0.00578 for residential properties, 0.00145 for govenrment infrastructure properties and 0.02538 for vacant land is applied to property valuations to determine assessment rates (2010: 0.0235 - agricultural properties, 0.006688 - bussiness properties, 0.00535 - residential properties, 0.001338 - government properties and infrastructure). Rebates of the first R15 000 on the value of residential properties.

24. Service charges

Sale of electricity	112 211 547	90 071 463
Refuse removal	18 194 511	15 900 980
Other service charges	90 895	-
	130 496 953	**105 972 443**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

25. Government grants and subsidies

Equitable share	122 801 028	121 847 212

Equitable Share

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

All registered indigents receive a monthly subsidy of R 50 (2010: R 50), which is funded from the grant.

26. Other revenue

Fees earned	-	(1)
Other income	40 154 532	35 359 067
	40 154 532	**35 359 066**

Figures in Rand	2011	2010

27. General expenses

Advertising	1 150 242	1 141 952
Auditors remuneration	1 857 005	1 779 207
Bank charges	812 286	578 330
Consulting and professional fees	750 626	480 282
Entertainment	213 935	148 526
SPCA contributions	150 000	48 000
Insurance	791 768	1 380 159
Conferences and seminars	634 487	841 604
Lease rentals on operating lease	1 378 990	1 674 841
Horticulture	6 493	7 435
Medical expenses	21 604	26 613
Motor vehicle expenses	643 993	473 530
Fuel and oil	4 347 534	3 830 934
Postage and courier	901 704	1 025 428
Printing and stationery	788 820	773 582
Promotions	12 350	11 795
Secretarial fees	524 746	566 180
Software expenses	6 835	17 386
Subscriptions and membership fees	64 751	60 811
Telephone and fax	1 940 868	1 726 255
Training	606 989	337 260
Travel - local	564 253	349 930
Electricity	898 996	673 977
Sewerage and waste disposal	81 672	104 232
Water	328 138	313 953
Refuse	2 270	42 750
Rates charges	20 034	255 787
Town planning	3 104	32 410
Mayors cup	2 780	192 903
Valuation expenses	-	456 140
Chemicals	123 442	37 644
Post retirement medical aid - service charge	-	5 867 203
Other expenses	4 099 793	3 371 457
	23 730 508	**28 628 496**

Other expenses

Aids council	-	12 650
Ammunition	-	342
Clean-up projects	94 959	64 000
Contract disbursements	10 818	-
Digging of graves	348 770	504 111
Dog licences	3 214	-
Drivers: licences	557 564	367 558
Feeding	485 640	412 948
Firebreaks	8 250	-
Herding fees	185 596	1 260
Laundry	1 054	95 661
Leave gratuity fund	-	288
Levies: institutions	1 538 165	26 625
Medical examination	605	1 275 607
Misc fees: roadworth	26 987	29 164
Musical rights	2 193	12 469
Pauper burials	20 240	20 307
Pound fees	45 338	25 168
Removal expenses reserves	-	11 300
Road signs	47 217	49 625
Safety: nosa	-	1 180
Street expenditure	362 012	303 023

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. General expenses (continued)

Tampering-electricity	-	45 000
Tools & equipment	57 937	58 896
Transfer fees	41 312	36 276
Woman / youth	261 123	17 999
World aids day	800	-
	4 099 794	**3 371 457**

28. Operating surplus

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

Operating lease charges		
Premises		
• Contractual amounts	1 336 810	1 640 941
Lease rentals on operating lease - Other		
• Contractual amounts	42 180	33 900
	1 378 990	**1 674 841**

Gain on sale of property, plant and equipment	9 355 927	3 254 119
Loss on acturial valuations	-	7 801 605
Depreciation on property, plant and equipment	14 888 095	9 285 084
Employee costs	104 306 343	85 448 651

Figures in Rand	2011	2010

29. Employee related costs

Basic	52 338 336	40 396 066
Medical aid - company contributions	6 712 960	2 634 869
UIF	515 126	449 752
WCA	-	422 162
Leave pay provision charge	-	2 064 929
Short term benefit 1	477 333	375 362
Post-employment benefits - Pension - Defined contribution plan	8 779 467	7 495 445
Overtime payments	3 728 087	3 603 048
Long-service awards	142 933	263 797
13th Cheques	4 152 413	3 799 631
Car allowance	2 790 968	2 940 355
Housing benefits and allowances	236 242	279 840
Service bonus	301 467	59 052
Other allowances	27 037	24 064
Telephone allowances	17 333	15 661
Uniforms and protective clothing	484 577	384 737
Night shit services	660 551	622 822
Contract workers	8 660 593	8 242 956
	90 025 423	**74 074 548**

Remuneration of municipal manager

Annual Remuneration	561 352	440 127
Performance Bonuses	46 779	53 551
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	373 442	257 360
	981 573	**751 038**

Remuneration of chief finance officer

Annual Remuneration	508 554	467 027
Performance Bonuses	-	50 493
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	20 704	138 845
	529 258	**656 365**

Remuneration of Technical services Manager

Annual Remuneration	607 555	383 656
Performance Bonuses	55 759	50 146
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	248 521	218 097
	911 835	**651 899**

Remuneration of Corporate services Manager

Annual Remuneration	430 615	401 586
Performance Bonuses	-	50 146
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	70 234	200 168
	500 849	**651 900**

Remuneration of Community services Manager

Annual Remuneration	469 424	413 950
Performance Bonuses	55 759	50 146
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	242 629	187 804
	767 812	**651 900**

Figures in Rand	2011	2010

29. Employee related costs (continued)

Remuneration of Estate services Manager

Annual Remuneration	445 384	391 051
Performance Bonuses	55 758	50 146
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	249 867	210 703
	751 009	**651 900**

30. Remuneration of councillors

Executive Mayor	13 874	11 534
Speaker	555	2 744
Councillors	14 266 491	11 359 825
	14 280 920	**11 374 103**

31. Investment revenue

Interest revenue		
Unlisted financial assets	4 070 515	4 793 415
Bank	1 131 950	1 927 124
	5 202 465	**6 720 539**

32. Depreciation and amortisation

Property, plant and equipment	14 888 095	9 285 084

33. Finance costs

Finance leases	949 656	1 609 217
Bank	236	532
Fair value adjustments on payables	1 984 442	1 923 092
	2 934 334	**3 532 841**

34. Auditors' remuneration

Fees	1 857 005	1 779 207

35. Rental of facilities and equipment

Premises		
Premises	929 201	799 753
Grounds	41 269	56 551
	970 470	**856 304**
Facilities and equipment		
Rental of facilities	487 994	599 546
Rental of equipment	8 200	7 838
	496 194	**607 384**
	1 466 664	**1 463 688**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

36. Contracted services

Security and maintenace contractors	1 943 285	4 853 605

37. Grants and subsidies paid

Other subsidies		
Operating expenditure on conditional grants	27 409 665	24 027 636

38. Bulk purchases

Electricity	95 088 549	72 255 114

39. Cash generated from operations

Surplus	43 448 002	54 194 000
Adjustments for:		
Depreciation and amortisation	14 888 095	9 285 084
(Loss) gain on sale of assets and liabilities	(9 355 927)	4 547 486
Finance costs - Finance leases	949 656	1 609 217
Debt impairment	57 530 576	42 759 776
Movements in retirement benefit assets and liabilities	-	10 328 272
Movements in provisions	1 984 442	13 107 876
Other non-cash items	-	(9 633)
Prior period error	(119 416)	(4 716 524)
Changes in working capital:		
Trade and other receivables from exchange transactions	(30 976 879)	(44 606 319)
Other receivables from non-exchange transactions	627 407	2 413 164
Consumer debtors	(46 190 290)	(39 106 423)
Trade and other payables from exchange transactions	3 504 095	8 273 521
VAT	2 303 751	(1 593 935)
Unspent conditional grants and receipts	(20 209 485)	12 651 768
Consumer deposits	334 785	219 306
	18 718 812	**69 356 636**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	5 252 917	9 535 182
• Community	6 282 684	672 848
• Other	-	27 189 037
	11 535 601	**37 397 067**

This committed expenditure relates to property and will be financed by available bank facilities, grants, existing cash resources.

Operating leases - as lessor (income)

Leases entered into are on a month to month basis, and no contract has been signed in respect of these leases. No straight lining of these leases has been done due to the afore-mentioned statement.

41. Contingencies

A list of contingent liabilities was not provided by the municipality's attorneys at the date of submission of these financial statements.

Figures in Rand	2011	2010

42. Related parties

No related party information was presented in time for presentation of these financials, this information will be made availible subsequently.

43. Prior period errors

The correction of the error(s) results in adjustments as follows:

	2011	2010
Statement of financial position		
Property, plant and equipment - Land and buildings take-on balance as at 30 June 2010 (as land and buildings were not valued previously and not split) refer to note 3.	-	564 871 228
Consumer Debtors - Properties valued incorrectly and SV form was done after year, the final valuation roll incl SV4 and rates were corrected. This was done for 2010 year.	-	(701 773)
Landfill sites	-	6 468 259
Provision for landfill sites	-	(13 107 875)
Statement of Financial Performance		
Rates adjustment	-	701 773
Other	-	1 923 092
Cash flow statement		
Cash flow from operating activities		
Interest adjustment on landfill site provision	-	4 716 524
Adjustment to appropriation account (Information was not availible in respect of this balance at the date of submission)	119 416	-
	119 416	**4 716 524**

44. Risk management

Liquidity risk

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

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand .

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis 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.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

46. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- As at the time of the submission of the financial statements as at 31 August 2011, there was no actuarial valuation available to support the carrying value of the Defined Benefit Medical Aid Obligation. No changes have been processed to the Defined Benefit Medical Aid plan obligation in the current year in order to reflect any changes in the obligation for the municipality.
- No estimation can be made on the financial effect of this information given the nature.

47. Irregular expenditure

	2011	2010
Add: Irregular Expenditure - current year	1 121 571	-
Less: Amounts condoned	(1 121 571)	-
	-	-

Expenditure to the value of R1 121 571.00 was incurred during the current financial year, for which the required documentation was not available in order to comply with minimum required procurement procedures. As a result, the expenditure is considered irregular. All of these amounts have been condoned by council.

48. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2011	2010
Net surplus per the statement of financial performance	43 448 002	54 194 000
Adjusted for:		
Over/ under spending	(43 038 303)	-
Net surplus per approved budget	**409 699**	**54 194 000**

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2011	2010
Current year fee	1 857 005	2 332 804
Amount paid - current year	(1 857 005)	(2 332 804)
	-	-

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

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

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor BLEKIWE M	841	21 811	22 652
Councillor BOKUVA MH	293	2 558	2 851
Councillor DE WET JC	19 828	-	19 828
Councillor DYAN ML	232	1 091	1 323
Councillor DYANTYI SR	151	-	151
Councillor DYWILI ZA/H	308	-	308
Councillor GAJU SL	321	-	321
Councillor GWANTSHU MZ	501	-	501
Councillor HEYMAN RL	220	-	220
Councillor HOKOLO MS	243	1 840	2 083
Councillor JIKELE LE	1 003	20 203	21 206
Councillor JOCKI TM/S	8 292	-	8 292
Councillor MANDILE JT/NE	2 123	-	2 123
Councillor MANTASHE TP	341	315	656
Councillor MAQUNGO NL	170	522	692
Councillor MNYAKA M	994	23 135	24 129
Councillor NDALISO MR	595	1 277	1 872
Councillor NONTSELE MH	155	-	155
Councillor SHAW JM	470	-	470
Councillor SNYDERS A	293	-	293
Councillor TSOTETSI EN	139	-	139
	37 513	**72 752**	**110 265**

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ZA Beje	40	7 343	7 383
Councillor TM/S Jocki	429	-	429
Councillor NB Keva	1 582	-	1 582
Councillor MH Bokuva	266	1 532	1 798
Councillor JJ Makasi	102	71	173
Councillor M Blekiwe	836	19 763	20 599
	3 255	**28 709**	**31 964**

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

30 June 2011	Highest outstanding amount	Aging (in days)
Councillor BLEKIWE M	22 652	-
Councillor BOKUVA MH	2 851	-
Councillor DE WET JC	19 828	-
Councillor DYAN ML	1 323	-
Councillor DYANTYI SR	151	-
Councillor DYWILI ZA/H	308	-
Councillor GAJU SL	321	-
Councillor GWANTSHU MZ	501	-
Councillor HEYMAN RL	220	-

Figures in Rand	2011	2010

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillor HOKOLO MS	2 083	-
Councillor JIKELE LE	21 206	-
Councillor JOCKI TM/S	8 292	-
Councillor MANDILE JT/NE	2 123	-
Councillor MANTASHE TP	656	-
Councillor MAQUNGO NL	692	-
Councillor MNYAKA M	24 129	-
Councillor NDALISO MR	1 872	-
Councillor NONTSELE MH	155	-
Councillor SHAW JM	470	-
Councillor SNYDERS A	293	-
Councillor TSOTETSI EN	139	-
	110 265	**-**

30 June 2010	Highest outstanding amount	Aging (in days)
Councillor ZA Beje	7 383	-
Councillor TM/S Jocki	429	-
Councillor NB Keva	1 582	-
Councillor MH Bokuva	1 798	-
Councillor JJ Makasi	173	-
Councillor M Blekiwe	20 598	-
	31 963	**-**

50. Utilisation of Long-term liabilities

Long-term liabilities raised	3 500 099	3 505 866

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.