

# BIG 5 FALSE BAY MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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# Big 5 False Bay Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

### Mayoral Committee

Mayor

CC Gumede

Councilors

ZM Mokeona

MS Msane

NH Zikhali

CT Khumalo

FZ Zulu

N Thethwayo

**Grading of local municipality**

Low Capacity Municipality

**Accounting Officer**

MA Mngadi

**Auditors**

The Auditor-General

Private Bag X9034

PIETERMARITZBURG

3200

**Lawyers**

Duvenage Incorporated

Old Main Road

Hluhluwe

3960

**Chief Financial Officer**

MSI Mkhwanazi

**Business address**

163 Zebra Street

Hluhluwe

3960

**Postal address**

P. O. Box 89

Hluhluwe

3960

**Bankers**

First National Bank of SA

## Big 5 False Bay Municipality

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that financial statements fairly represent 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 year 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 information.

The annual financial statements have been prepared in accordance with Standards of Generally Accepted Accounting Practices (GRAP).

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal control and financial controls established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet his 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, 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, under reasonable circumstances is above reproach. The focus of risk management in the municipality is the identification, assessment, management and monitoring of all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages.....4..... to .....29..... 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. M A Mngadi**  
**Municipal Manager**

**31 August 2011**

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**BIG 5 FALSEBAY MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

	Note	2011 R	RESTATED 2010 R
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
		47 269 170	40 170 566
Property, Plant and Equipment	<u>18</u>	47 080 749	39 920 073
Intangible Assets	<u>19</u>	188 420	250 493
<b>CURRENT ASSETS</b>			
		6 793 504	6 929 655
Trade and Other Receivables	<u>3</u>	3 874 235	2 855 698
VAT Receivables	<u>4</u>	993 348	9 844
Cash and Cash Equivalents	<u>1</u>	1 251 166	3 425 269
Short Term Investments	<u>2</u>	674 754	638 844
<b>TOTAL ASSETS</b>		<b>54 062 673</b>	<b>47 100 221</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>NET ASSETS</b>			
		41 303 356	36 644 575
Accumulated Surplus		41 303 356	36 644 575
<b>CURRENT LIABILITIES</b>			
		12 759 317	10 455 646
Provisions	<u>21</u>	1 749 568	1 500 898
Unspent Conditional Grant and Receipts	<u>22</u>	1 803 176	2 779 156
Accounts Payable	<u>20</u>	9 206 573	6 175 593
<b>TOTAL LIABILITIES</b>		<b>12 759 317</b>	<b>10 455 646</b>
<b>NET ASSETS AND LIABILITIES</b>		<b>54 062 673</b>	<b>47 100 221</b>

**BIG 5 FALSE BAY MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R	2010 R
<b>REVENUE</b>			
Property Rates	<a href="#">5</a>	3 957 330	3 068 478
Rates Penalties	<a href="#">9</a>	691 334	143 342
Service Charges	<a href="#">6</a>	1 237 384	1 218 465
Rental of facilities and Equipment	<a href="#">7</a>	148 626	162 816
Interest Earned - External Investments	<a href="#">8</a>	192 246	284 059
Fines		28 808	4 158
Government Grants & Subsidies	<a href="#">10</a>	21 201 821	19 460 238
Other		45 202	41 171
Land Sales		807 018	484 504
<b>TOTAL REVENUE</b>		<b>28 309 769</b>	<b>24 867 230</b>
<b>EXPENDITURE</b>			
Employee Related Costs	<a href="#">11</a>	6 752 925	6 333 373
Remuneration of Councillors	<a href="#">12</a>	1 372 874	1 543 562
Depreciation	<a href="#">13</a>	1 841 842	1 032 414
General Expenses	<a href="#">15</a>	9 800 402	4 702 785
Repairs and Maintenance		170 399	158 837
Finance Costs	<a href="#">14</a>	102 977	69 693
Contracted Services		790 325	2 170 241
Grant Expenditure		2 819 244	3 133 327
<b>Total Expenditure</b>		<b>23 650 988</b>	<b>19 144 231</b>
<b>Net Surplus/ (Dificit)</b>		<b>4 658 781</b>	<b>5 722 999</b>

**BIG 5 FALSEBAY MUNICIPALITY****STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2011**

	Notes	Accumulated Surplus	Total
Balance at 1 July 2009		10 031 525	10 031 525
Change in accounting policy		18 246 161	18 246 161
<b>Restated Balance at 1 July 2009</b>		<b>28 277 686</b>	<b>28 277 686</b>
Surplus/(deficit) for the year		5 722 999	5 722 999
Correction of error / VAT write off		483 873	483 873
Correction of an error	17	2 160 017	2 160 017
<b>Restated Balance at 1 July 2010</b>		<b>36 644 575</b>	<b>36 644 575</b>
Surplus/(deficit) for the year		4 658 781	4 658 781
<b>Balance as at 30 June 2011</b>		<b>41 303 356</b>	<b>41 303 356</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government grants and other		28 275 497	45 532 291
Cash paid to suppliers and employees		(21 523 784)	(18 731 093)
Cash generated from operations	16	6 751 713	26 801 198
Interest received		192 246	284 059
Interest paid		(102 977)	(69 693)
Depreciation			
<b>Net cash flows from operating activities</b>		<b>6 840 983</b>	<b>27 015 564</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(8 979 176)	(26 917 796)
<b>Net cash flows from investing activities</b>		<b>(8 979 176)</b>	<b>(26 917 796)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Increase)/Decrease in investments		(35 910)	2 017 751
<b>Net cash flows from financing activities</b>		<b>(35 910)</b>	<b>2 017 751</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2 174 103)</b>	<b>2 115 519</b>
Cash and cash equivalents at the beginning of the year		3 425 269	1 309 751
Cash and cash equivalents at the end of the year	1	1 251 166	3 425 269
		<b>2 174 103</b>	<b>(2 115 518)</b>



### CASH AND CASH EQUIVALENTS

1 Cash and cash equivalents consist of the following:

Cash on hand (Petty cash)	2 000	345
FNB - Hluhluwe: 62022340385 (Main Bank Account)	222 913	482 389
FNB - Hluhluwe : 62214360068 (Call Account)	579 524	1 534 671
FNB - Hluhluwe: 62075347396 (Call Account)	3 585	12 267
FNB - Hluhluwe: 62191984949 (Housing Development Fund)	443 144	1 395 596
	<u>1 251 166</u>	<u>3 425 269</u>

2 Short Term Investments

ABSA - Pubsec Kzn: 9109586760	624 583	608 295
First National Bank- Hluhluwe: 62174958276	30 549	30 549
Call Account FNB 62196695533	19 622	-
	<u>674 754</u>	<u>638 844</u>

3 TRADE AND OTHER RECEIVABLES

Consumer Debtors	5 652 092	3 840 147
Debtors Prepayments	51 706	87 520
Housing Debtors	0	0
Sundry Debtors	37 527	7 563
	<u>5 741 325</u>	<u>3 935 230</u>
Less Provision for Bad debt	1 867 090	1 079 532
<b>Total current debtors</b>	<u><b>3 874 235</b></u>	<u><b>2 855 698</b></u>

Summary of Debtors by Customer Classification:	Consumers & Place of worship	Agriculture & Commercial	National and Provincial Government	Total
<b>as at 30 June 2011</b>				
Current (0 – 30 days)	180 571	245 390	45560	471 522
31 - 60 Days	153 170	198 633	83766	435 569
61 - 90 Days	135 050	158 506	-200742	92 814
91 - 120 Days	140 551	145 951	-80114	206 388
121 - 150 Days	136 986	136 414	42149	315 549
151 - 180 Days	133 374	118 538	46873	298 785
+181 Days	1 904 509	1 312 748	614209	3 831 466
Sub-total	<u>2 784 211</u>	<u>2 316 180</u>	<u>551 703</u>	<u>5 652 093</u>
Less: Provision for doubtful debts	<u>1 867 090</u>	-	-	<u>1 867 090</u>
<b>Total debtors by customer classification</b>	<u><b>917 121</b></u>	<u><b>2 316 180</b></u>	<u><b>551 703</b></u>	<u><b>3 785 003</b></u>

#### Reconciliation of doubtful debt provision

Balance at the beginning of the year	1 079 532	1 474 698
Contribution to provision	787 558	0
Doubtful debts written off against provision		-395 166
Reversal of the Provision		
<b>Balance at the end of the year</b>	<u><b>1 867 090</b></u>	<u><b>1 079 532</b></u>

4 VAT Receivables

993 348      9 844

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

5 PROPERTY RATES

Property Rates	3 957 330	3 068 478
<b>Total property rates</b>	<u><b>3 957 330</b></u>	<u><b>3 068 478</b></u>

6 SERVICE CHARGES

1 237 384      1 218 465

7 RENTAL OF FACILITIES AND EQUIPMENT

148 626      162 816

<b>8 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		192 246	284 059
<b>9 RATES PENALTIES</b>		691 334	143 342
<b>10 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable Share		9 746 782	7 722 652
MAP		-	392 531
FMG		1 086 019	1 860 276
MIG		6 213 210	6 111 747
MSIG		640 498	938 326
Sports and Recreation		1 847 208	981 836
Gijima		-	241 274
Corridor Development		740 044	1 211 595
Treasury 1%		380 095	
Library Grant		547 965	-
		<b>21 201 821</b>	<b>19 460 238</b>
See more details in note 23			
<b>11 EMPLOYEE RELATED COSTS</b>			
Salaries and Wages		5 157 522	4 482 416
Contributions for UIF, pensions and medical aids		580 828	505 004
Travel, motor car, accommodation, subsistence and other allowances		624 272	775 483
Overtime payments		161 644	319 190
Bonus		228 660	251 281
<b>Total Employee Related Costs</b>		<b>6 752 925</b>	<b>6 333 373</b>
<i>Section 57 Employees remuneration included in Employee related costs Refer to Note 11.1 for more details</i>			
<b>11.1 Section 57 Remuneration</b>			
<b>Remuneration of the Municipal Manager</b>			
Annual Remuneration		560 198	525 145
Performance- and other bonuses			44 755
Travel, motor car, accommodation, subsistence and other allowances		131 774	98 620
Contributions to UIF, Medical and Pension Funds		2 995	2 995
<b>Total</b>		<b>694 967</b>	<b>671 515</b>
<b>Remuneration of the Chief Finance Officer</b>			
Annual Remuneration		518 747	543 568
Performance- and other bonuses			-
Travel, motor car, accommodation, subsistence and acting allowance		111 732	111 447
Contributions to UIF, Medical and Pension Funds		35 399	35 399
<b>Total</b>		<b>665 879</b>	<b>690 414</b>
<b>Remuneration for manager :Planning Services</b>			
Annual Remuneration		518 747	486 326
Performance- and other bonuses			40 412
Travel, motor car, accommodation, subsistence and other allowances		66 000	66 000
Contributions to UIF, Medical and Pension Funds		2 995	2 995
<b>Total</b>		<b>587 742</b>	<b>595 733</b>

<b>Remuneration for manager :Corporate Services</b>		
Annual Remuneration	566 747	357 662
Performance- and other bonuses		40 879
Travel, motor car, accommodation, subsistence and other allowances	56 397	173 821
Contributions to UIF, Medical and Pension Funds		
<b>Total</b>	<b>623 144</b>	<b>572 362</b>

## 12 REMUNERATION OF COUNCILLORS

Executive Mayor	-	-
Deputy Executive Mayor	-	-
Speaker	-	-
Executive Committee Members	-	-
Councillors	838 324	778 330
Councillors' pension and medical aid contributions	129 967	115 609
Councillors' allowances	404 584	649 623
<b>Total Councillors' Remuneration</b>	<b>1 372 874</b>	<b>1 543 562</b>

### In-kind Benefits

The Executive Mayor is provided with an office and secretarial support at the cost of the Council.

### Employee Benefits

The Municipal employees belong to Natal Joint Municipal Pension Fund and Municipal Council Pension Fund, contributed amounts are paid over to the fund

## 13 DEPRECIATION

Property, plant and equipment	1 768 377	941 673
Intangible assets	73 465	90 741
<b>Total Depreciation and Amortisation</b>	<b>1 841 842</b>	<b>1 032 414</b>

## 14 FINANCE COSTS

**102 977**      **69 693**

## 15 GENERAL EXPENSES

Included in general expenses are the following:-

Audit Committee	71 805	0
Membership fees	1 450	13 688
Audit fees	1 522 180	490 091
Bank charges	26 712	23 382
Property Rates	91 367	0
Bursaries	279 755	315 205
Council support	14 008	0
Water and Electricity	283 595	214 303
Entertainment	84 264	290 641
Equipment and tools	9 582	0
Events and Social Projects	792 826	0
Fuel and oil	339 399	201 523
Housing Survey	51 540	0
Insurance	79 968	85 738
Legal expenses	268 449	60 597
Group Life	161 825	0
Licence fees - vehicles	11 790	25 372
General	1 648	59 469
Rental of office equipment	460 810	875 112
Postage & Telephone cost	447 324	227 234
Povert Alleviation	51 886	0
Printing and stationery	226 786	149 085
Publicity	135 190	54 341
Sport and Recreation	4 338	0
Security	302 342	628 536
Uniforms & overalls	63 320	28 994
Bad Debts	787 558	0
Upliftment Programme	705 985	0
Disaster Management	914 296	
Vehicle lease	633 187	619 450
Plotter Maps	1 850	0
Leave Expense	213 964	340 023
Staff Training	609 995	0
IT Upgrade	108 275	0
Inservice Training	2 400	0
Loss on sale of asset	38 733	0
Other		
	<b>9 800 402</b>	<b>4 702 785</b>

## 16 CASH GENERATED FROM OPERATIONS

### Cash Receipts from Rate Payers

#### Government and other

Sale of Goods and Services	5 886 048	4 430 285
Grants Received	21 201 821	19 744 297
Interest Received	-192 246	-284 059
Other Receipts	1 221 900	692 649
Correction of error	2 160 017	18 246 161
VAT Writte off	0	483 873
(Increase)/Decrease in debtors	-1 018 538	1 339 062
(Increase)/Decrease in VAT Receivable	-983 505	856 152
(Increase)/Decrease in long term debtors	0	23 871
	0	

#### Total Cash Receipts from Rate Payers Government and other

<b>28 275 497</b>	<b>45 532 291</b>
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### Cash paid to suppliers and employees

Employee Cost	8 125 799	7 876 935
Other Payments	15 525 189	11 267 296
Interest Paid	-102 977	-69 693
Loss on Sale of Assets	-38 733	
Depreciation	-1 841 842	-1 032 414
Increase/(Decrease) in Provisions	-248 670	-1 114 787
Increase/(Decrease) in conditional grants	3 135 997	908 630
Increase/(Decrease) in trade payables	-3 030 980	895 126

#### Total Cash Paid to suppliers and employees

<b>21 523 784</b>	<b>18 731 093</b>
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### Cash Generated from operations

<b>6 751 713</b>	<b>26 801 198</b>
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### Reconciliation of Net Surplus to Cashflow Generated from operations

#### Net Surplus for the year

<b>4 658 781</b>	<b>5 722 999</b>
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#### Adjustment for:

	<b>2 092 931</b>	<b>21 078 198</b>
Depreciation	1 841 840	1 032 414
Interest paid	102 977	69 693
Loss on Sale of Assets	38 733	-
Interest earned	(192 246)	(284 059)
correction of prior error	2 160 017	18 246 161
VAT Writte off	0	483 873
(Increase)/Decrease in debtors	-1 018 538	1 339 062
(Increase)/Decrease in VAT Receivable	-983 505	856 152
(Increase)/Decrease in long term debtors	0	23 871
Increase/(Decrease) in Provisions	248 670	1 114 787
Increase/(Decrease) in conditional grants	-3 135 997	-908 630
Increase/(Decrease) in trade payables	3 030 980	-895 126

### Cash generated from operations

<b>6 751 713</b>	<b>47 879 395</b>
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## 17 CORRECTION OF ERROR

During the year ended 30 June 2009 and previous years, Unspent conditional grants and revenue were incorrectly recognised: -

The comparative amount has been restated as follows:

Mig income	1893173	0
FMG Income	115131	0
MSIG Income	133176	0
Other correction	18537	0
<b>Net effect on surplus/(deficit) for the year</b>	<b>2160017</b>	

### Net effect on Statement of Financial Position

Unspent conditional grants	-	2 141 480
Other Receivables		(32 228)
Other Payables		50 765

### Net effect on Accumulated surplus opening balance

<b>2 160 017</b>
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## BASIS OF ACCOUNTING

### 1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below as per Directive 4.

## BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY

### ACCOUNTING POLICIES for the year ended 30 June 2011

#### 1.2 PRESENTATION CURRENCY

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

#### 1.3 GOING CONCERN ASSUMPTION

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

#### 1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
GRAP 25	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

### PROPERTY, PLANT AND EQUIPMENT

#### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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.

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

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**2.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**2.4 DEPRECIATION AND IMPAIRMENT**

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

	<u>Years</u>	<u>Other</u>	<u>Years</u>
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-80	Other vehicles	5
		Office equipment	3-7
		Furniture and fittings	7-10
		Watercraft	15
<b>Community</b>		Bins and containers	5
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	25

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009 , with respect to the measurement of property , plant and equipment as set out in paragraph 73 to 83.

**2.5 DERECOGNITION**

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

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**

**ACCOUNTING POLICIES  
for the year ended 30 June 2011**

**INTANGIBLE ASSETS**

**3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

Where an intangible asset 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.

**3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
-------------------	---------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.



**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**3.4 DERECOGNITION**

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

**INVESTMENT PROPERTY**

**4.1 INITIAL RECOGNITION**

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

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

**4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**5 INVESTMENTS**

Investments, which include listed, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**6 RECEIVABLES**

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

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

**7 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE**

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

## **8 CASH AND CASH EQUIVALENTS**

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

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

## **9 UNAUTHORISED EXPENDITURE**

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

## **10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure 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.

## **11 FRUITLESS AND WASTEFUL EXPENDITURE**

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

## **12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services;  
- the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

ACCOUNTING POLICIES  
for the year ended 30 June 2011

**13 COMPARATIVE INFORMATION**

**Prior Year Comparatives**

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

**Current Year Comparatives**

Budgeted amount have been included in Note 33 to these financial statements for current financial year only.

**14 REVENUE FROM EXCHANGE TRANSACTIONS**

**REVENUE**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

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

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

**15 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

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

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

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

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

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

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

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2011**

**16 GRANTS, TRANSFERS AND DONATIONS**

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

**17 BORROWING COSTS**

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

**18 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

**19 OTHER POST RETIREMENT BENEFITS**

The municipality provides post-retirement health care benefits to their retirees. The entitlement of these benefits is usually conditional on the employees remaining in service up to retirement age and the completion of the minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined pension benefit plans. Actuarial gains and losses arising from experience adjustment, and changes in actuarial assumption, are charged or credited to revenue over the expected average remaining lives of the relevant employees to the extent which they exceed the 10% corridor.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2011**

**20 IMPAIRMENT OF ASSETS**

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**21. TRANSITIONAL PROVISIONS**

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 102	Intangible Assets - paragraph 110-118
IAS 19	Retirement benefits



























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

18

PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Other R	Total R
<b>Carrying Values at 01 July 2010</b>	<b>946 500</b>	<b>27 143 335</b>	<b>10 539 003</b>	<b>1 291 235</b>	<b>39 920 073</b>
Cost	946 500	27 117 859	9 597 852	3 342 106	41 004 316
Capital Under Construction	-	1 206 370	3 655 966	-	4 862 336
Revaluation	-	-	-	-	-
Accumulated Depreciation	-	(1 180 894)	(2 714 814)	(2 050 871)	(5 946 579)
- Cost	-	(1 180 894)	(2 714 814)	(2 049 871)	(5 945 579)
- Revaluation	-	-	-	-	-
Acquisitions / Write-Ons	-	536 657	-	129 552	666 209
Capital Under Construction	-	7 272 023	1 029 530	-	8 301 552
- Current Year	-	7 272 023	1 029 530	-	8 301 552
- Capitalised	-	-	-	-	-
Increases / Decreases in Revaluation	-	-	-	-	-
Depreciation	-	(908 533)	(518 438)	(341 406)	(1 768 377)
- Based on Cost	-	(908 533)	(518 438)	(341 406)	(1 768 377)
- Based on Revaluation	-	-	-	-	-
Carrying Value of Disposals / Write-Offs	-	-	-	(38 708)	(38 708)
- Cost	-	-	-	(75 845)	(75 845)
- Accumulated Depreciation	-	-	-	37 137	37 137
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
<b>Carrying Values at 30 June 2011</b>	<b>946 500</b>	<b>34 043 481</b>	<b>11 050 095</b>	<b>1 040 673</b>	<b>47 080 749</b>
Cost	946 500	27 654 515	9 597 852	3 395 813	41 594 680
Capital Under Construction	-	8 478 392	4 685 496	-	13 163 888
Revaluation	-	-	-	-	-
Accumulated Depreciation	-	(2 089 427)	(3 233 252)	(2 355 140)	(7 677 819)
- Cost	-	(2 089 427)	(3 233 252)	(2 355 140)	(7 677 819)
- Revaluation	-	-	-	-	-



**19 INTANGIBLE ASSETS**

Reconciliation of carrying value	Computer Software R'000	Total R'000
<b>as at 1 July 2010</b>	<b>250 493</b>	<b>250 493</b>
Cost	571 373	571 373
Accumulated Amortisation	(320 880)	(320 880)
<b>Movements</b>	<b>(62 050)</b>	<b>(62 050)</b>
Acquisitions	11 415	11 415
Amortisation	(73 465)	(73 465)
<b>as at 30 June 2011</b>	<b>188 420</b>	<b>188 420</b>
Cost	582 788	582 788
Accumulated Amortisation	(394 368)	(394 368)

**20 ACCOUNTS PAYABLE**

Trade creditors	7 510 514	4 259 304
Payments received in advance	51 706	87 520
Site Deposits	553 960	326 900
Unallocated Deposits	1 018	230
Housing Development	822 632	75 231
Mahogany community Trust	21 050	-
Accrued Leave	-	-
Accrued Bonus	-	-
Accruals	40 907	1 205 800
Other creditors	204 786	220 607
<b>Total creditors</b>	<b>9 206 573</b>	<b>6 175 593</b>

**21 PROVISIONS**

Land fill site Provision	(850 475)	(769 661)
Bonus Provision	(222 413)	(222 412)
Leave Provision	(676 680)	(508 825)
<b>Total Provisions</b>	<b>(1 749 568)</b>	<b>(1 500 898)</b>

The movement in current provisions are reconciled as follows: -

	Bonus Provision	Leave Provision	Land field Site Provision	Total
<b>as at 1 July 2010</b>	(222 412)	(508 825)	(769 661)	(1 500 898)
Contributions to provision	-	(167 855)	(80 814)	(248 669)
Expenditure incurred	0		0	-
<b>as at 30 June 2011</b>	<b>(222 412)</b>	<b>(676 680)</b>	<b>(850 475)</b>	<b>(1 749 567)</b>

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5%, over an average period of 20 years.

The bonus provisions relates to amounts not yet paid to Section 57 Employees due to the assessment process not yet finalised

## 22 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### Unspent Conditional Grants from other spheres of Government

MIG Grants	1 728 644	1 943 854
Finance Management Grant	-	(113 981)
MSIG	-	(97 502)
MAP	76	76
Sports and Recreation	34 455	306 664
Corridor Development	-	740 044
Library Grant	-	-
Recycle Development Grant	40 000	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>1 803 176</b>	<b>2 779 156</b>

See **Note 23** below for reconciliation of grants and receipts.

<b>23 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	9 746 782	7 722 652
MIG Grant	6 213 210	6 111 747
Other Government Grants and Subsidies	5 241 829	5 625 838
<b>Total Government Grant and Subsidies</b>	<b>21 201 821</b>	<b>19 460 238</b>
<b>MIG Grant</b>		
<b>Balance unspent at beginning of year</b>	1 943 854	1 892 750
Current year receipts	6 052 162	8 056 024
Conditions met - transferred to revenue	(6 267 372)	(6 111 747)
Restatement - Correction of Error		(1 893 173)
<b>Conditions still to be met - remain liabilities</b>	<b>1 728 644</b>	<b>1 943 854</b>
<b>FMG Grant</b>		
<b>Balance unspent at beginning of year</b>	(113 982)	360 798
Current year receipts	1 200 000	1 500 000
Conditions met - transferred to revenue	(1 086 019)	(1 859 649)
<b>Other Adjustments</b>		(115 131)
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>(113 982)</b>
<b>MAP Grant</b>		
<b>Balance unspent at beginning of year</b>	77	392 608
Current year receipts	-	-
Conditions met - transferred to revenue	-	(392 531)
<b>Other Adjustments</b>		-
<b>Conditions still to be met - remain liabilities</b>	<b>77</b>	<b>77</b>
<b>MSIG Grant</b>		
<b>Balance unspent at beginning of year</b>	(97 502)	268 906
Current year receipts	750 000	735 000
Conditions met - transferred to revenue	(652 498)	(968 232)
<b>Other Adjustments</b>		(133 176)
<b>Conditions still to be met - remain liabilities</b>	<b>(0)</b>	<b>(97 502)</b>
<b>Sports and Recreation Grant</b>		
<b>Balance unspent at beginning of year</b>	306 664	375 000
Current year receipts	1 575 000	913 500
Conditions met - transferred to revenue	(1 847 208)	(981 836)
<b>Other Adjustments</b>		-
<b>Conditions still to be met - remain liabilities</b>	<b>34 455</b>	<b>306 664</b>
<b>Corridor Development Grant</b>		
<b>Balance unspent at beginning of year</b>	740 045	1 951 640
Current year receipts		-
Conditions met - transferred to revenue	(740 045)	(1 211 595)
<b>Other Adjustments</b>		-
<b>Conditions still to be met - remain liabilities</b>	<b>0</b>	<b>740 045</b>
<b>Libray Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	547 965	-
Conditions met - transferred to revenue	(547 965)	-
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>-</b>
<b>Recycle Development Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	40 000	-
Other Adjustments	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>40 000</b>	<b>-</b>
<b>24 Audit fees</b>		
Opening balance	-	-
Current year audit fee	1 219 254	307 970
Amount paid - current year	(1 217 820)	(307 970)
<b>Balance unpaid (included in payables)</b>	<b>1 434</b>	<b>0</b>
<b>25 Fruitless and wasteful expenditure</b>	<b>1 009 421</b>	<b>617 000</b>
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance -	617 000	-
Current year	392 421.24	617 000
Fruitless and wasteful expenditure awaiting	<b>1 009 421</b>	<b>617 000</b>

## 26 OPERATING LEASES

2011

2 010

At the reporting date the entity has outstanding commitments under operating lease which fall due as follows :

Due within 12 months	248 700	41 450
Due within 2 to 5 years	-	-
	<b>248 700</b>	<b>41 450</b>

## 27 CAPITAL COMMITMENTS

### Commitments in respect of capital expenditure

*Commitments relates to MIG projects that have already been registered by June 2011 for the 2011/12 financial year*

#### - Approved but not yet contracted for Infrastructure

	-
34 880 000	12 470 000
<b>Total</b>	<b>34 880 000</b>

This expenditure will be financed from:

- Government Grants	34 880 000	12 470 000
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## 28 CONTINGENT LIABILITY

No contingent liabilities/assets were identified for the current year.

## 29 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Note 31.





### 30 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.

Cash flow forecasts are prepared and monitored monthly

#### Liquidity risk

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

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

#### 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.

#### Unauthorised Expenditure

<b>Opening balance</b>	52 232	-
Unauthorised Expenditure current year	93 684	52 232
Condoned or written off by council		
<b>Unauthorised expenditure awaiting condonment</b>	<b>145 916</b>	<b>52 232</b>

The balance is a result of over expenditure on the operating budget in prior years.

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

**BIG 5 FALSE BAY MUNICIPALITY**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

31	REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variance greater than 10 % versus Budget
	Property rates	4 648 664	4 000 000	(648 664)	-16%	Due to none payment which resulted in Interest being levied
	Service charges	1 237 384	985 000	(252 384)	-26%	Improvement in billing and collection of service charges
	Interest earned	192 246				Decrease in amount available for investment and decline of interest rate
	Other	45 202	-	(45 202)	-100%	This is due to Venue/Hall hire and tender fee revenue that was not budgeted for.
	Fines, licences and permits	28 808	5 000	(23 808)	-476%	The Traffic department is newly established thus systems are still being put in place to boost traffic fine revenue
	Government grants and subsidies	21 201 821	18 500 000	(2 701 821)	-15%	DORA determines fiscal allocation per each year. Includes the sale of land (not budgeted for in the 2010/11 Annual Budget)
	Land Sales	807 018	38 700	(768 318)	-1985%	
	Rental revenue	148 626	170 400	21 774	13%	Variance considered reasonable.
		<b>28 309 769</b>	<b>24 015 200</b>	<b>(4 294 569)</b>		
	<b>EXPENDITURE</b>					
	Employee related costs	6 752 925	8 397 150	1 644 225	19.58%	This was due to resignations not filled.
	Councillor remunerations	1 372 874	1 320 754	(52 120)	-3.95%	Upper limit increases and travelling expenses not budgeted for
	Depreciation	1 841 842	929 400	(912 442)	-98.18%	This was due to WIP PPE projects finalised earlier than expected
	Repairs and maintenance	170 399	586 600	416 201	70.95%	Due to cash flow constraints stricter measures have been put in place to cut on spending
	Interest paid	102 977	-	(102 977)	-100.00%	This was due to the movement in landfill site which was not budgeted for.
	Administration and other expenses	9 800 402	7 960 000	(1 840 402)	-23.12%	This was due to expenditure that was originally budgeted for under contracted services.
	Contracted Services	790 325	1 473 400	683 075	46.36%	Budgeted for under contracted services but incurred under other expenses instead.
	Grant Expenditure	2 819 244	2 890 000	70 756	2.45%	Variance considered reasonable.
		<b>23 650 988</b>	<b>23 557 304</b>	<b>93 684</b>		
		<b>4 658 781</b>	<b>457 896</b>	<b>4 200 885</b>		

Big 5 False Bay Municipality  
APPENDIX A  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>Land</b>										
Land	946 500	-	-	-	946 500	-	-	-	-	946 500
	946 500	-	-	-	946 500	-	-	-	-	946 500
<b>Buildings</b>										
Dwellings	38 051	-	-	-	38 051	(3 961)	(1 267)	-	(5 228)	32 823
Non Residential Structures	27 079 808	536 657	8 478 392	-	36 094 857	(1 176 933)	(907 266)	-	(2 084 198)	34 010 658
					-					-
<b>Infrastructure</b>										
Drains										
Roads	8 725 321	-	4 685 496	-	13 410 817	(2 697 915)	(516 275)		(3 214 190)	10 196 627
Sewerage Mains & Purification	-	-	-	-	-	-	-		-	-
Electricity Mains	94 870	-	-	-	94 870	(14 766)	(1 896)		(16 662)	78 208
Water Meters	-	-	-	-	-	-	-		-	-
Solid Waste Disposal	769 661	-	-	-	769 661	-	-		-	769 661
Storm Water	-	-	-	-	-	-	-		-	-
	36 707 710	536 657	13 163 888	-	50 408 255	(3 893 574)	(1 426 704)		(5 320 278)	45 087 976
<b>Community Assets</b>										
Recreation Grounds	-	-	-	-	-	-	-		-	-
Civic Buildings	-	-	-	-	-	-	-		-	-
Cemeteries	8 000	-	-	-	8 000	(2 134)	(266)		(2 400)	5 600
	8 000	-	-	-	8 000	(2 134)	(266)		(2 400)	5 600
<b>Total carried forward</b>	37 662 210	536 657	13 163 888	-	51 362 755	(3 895 708)	(1 426 971)		(5 322 679)	46 040 076

Big 5 False Bay Municipality  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

financial

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
<b>Total brought forward</b>	37 662 210	536 657	13 163 888	-	51 362 755	(3 895 708)	(1 426 971)	-	(5 322 679)	46 040 076
<b>Other Assets</b>										
Motor vehicles	1 488 076			(63 701)	1 424 375	(687 738)	(203 368)	26 684	(864 422)	559 953
Computer Equipment	728 516	59 118			787 634	(617 460)	(40 502)		(657 962)	129 672
Other Assets	277 307	39 380		(10 394)	306 293	(114 209)	(42 257)	8 783	(147 683)	158 610
	40 156 109	635 155	13 163 888	(74 095)	53 881 057	(5 315 115)	(1 713 097)	35 466	(6 992 745)	46 888 312
<b>Finance Lease Assets</b>										
Office Equipment	848 207	31 054		(1 750)	877 511	(631 464)	(55 280)	1 670	(685 074)	192 437
Other Assets	-	-		-	-	-	-	-	-	-
	848 207	31 054	-	(1 750)	877 511	(631 464)	(55 280)	1 670	(685 074)	192 437
<b>Total</b>	<b>41 004 316</b>	<b>666 209</b>	<b>13 163 888</b>	<b>(75 845)</b>	<b>54 758 568</b>	<b>(5 946 579)</b>	<b>(1 768 377)</b>	<b>37 137</b>	<b>(7 677 819)</b>	<b>47 080 749</b>

**Big 5 False Bay Municipality**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
**as at 30 June 2011**

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Executive & Council	29 161 174	573 769	7 272 023	-	37 006 966	1 557 360	927 281		2 484 641	34 522 324
Finance & Admin	720 112	29 999		(1 574)	748 537	373 537	140 685	(1 574)	512 648	235 888
Housing, Planning & Development	1 524 266	5 873			1 530 139	717 967	217 308		935 275	594 864
Health	5 405				5 405	5 405			5 405	-
Community & Social Services	802 055	13 453	1 206 370		2 021 877	548 303	38 177		586 481	1 435 396
Corporate Services	390 730	54 530		(3 025)	442 234	278 253	34 337	(2 357)	310 233	132 001
Sport & Recreation					-				-	-
Environmental Protection					-				-	-
Waste Management					-				-	-
Technical Services	8 970 466		4 685 496	(71 245)	13 584 717	2 785 149	484 026	(33 205)	3 235 969	10 348 748
Water					-				-	-
Electricity					-				-	-
Other					-				-	-
<b>Total</b>	<b>41 574 207</b>	<b>677 623</b>	<b>13 163 888</b>	<b>(75 845)</b>	<b>55 339 874</b>	<b>6 265 975</b>	<b>1 841 814</b>	<b>(37 137)</b>	<b>8 070 653</b>	<b>47 269 221</b>

The total Carrying value includes intangible assets (see Note 19)

**Big 5 False Bay Municipality**  
**APPENDIX C**  
**SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE**

Actual Income 2 010	Actual expenditure 2 010	Surplus / (Deficit) 2 010		Actual Income 2 011	Actual expenditure 2 011	Surplus / (Deficit) 2 011
R	R	R		R	R	R
<b>24 867 231</b>	<b>19 144 231</b>	<b>5 722 999</b>	<b>Community Services</b>	<b>28 310 483</b>	<b>23 651 758</b>	<b>4 658 725</b>
	3 015 838	-3 015 838	Executive & Council	20 500	2 560 848	-2 540 348
17 511 358	9 671 427	7 839 931	Municipal Manager	640 498	5 736 389	-5 095 891
3 432 741	1 849 532	1 583 209	Finance	18 301 057	5 769 638	12 531 419
	1 606 864	-1 606 864	Corporate Services	0	3 894 876	-3 894 876
	1 363 205	-1 363 205	Technical	6 953 254	2 503 641	4 449 613
	107 385	-107 385	Library			0
3 923 132	916 974	3 006 158	Other			0
			Community Services	2 395 174	2 658 232	-263 058
0	613 006	-613 006	Local Economic Development	0	528 134	-528 134
<b>24 867 231</b>	<b>19 144 231</b>	<b>5 722 999</b>	<b>Subsidised Services</b>	<b>28 310 483</b>	<b>23 651 758</b>	<b>4 658 725</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Economic Services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Trading Services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>24 867 231</b>	<b>19 144 231</b>	<b>5 722 999</b>	<b>Total</b>	<b>28 310 483</b>	<b>23 651 758</b>	<b>4 658 725</b>