

JOHN TAOLO GAETSEWE

DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2011

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

John Taolo Gaetsewe Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-segonyana Municipality and Joe Morolong Municipality

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor
Speaker
Executive Councillor
Executive Councillor

S. Mosikatsi
S.B Gaobusiwe
O.C.Mogodi
M.E.Mochwari

MUNICIPAL MANAGER

Sipho Abednigo Sebushe
Thomelang Hilguard Matlhare (Acting Municipal Manager)

CHIEF FINANCIAL OFFICER

Sharona French-Sulliman

REGISTERED OFFICE

P.O. Box 1480
Kuruman
8460

AUDITORS

Auditor-General
Private Bag X5013
Kimberley
8300

PRINCIPLE BANKERS

ABSA Bank

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

MEMBERS OF THE JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

COUNCILLOR

Executive Mayor	S Mosikatsi
Speaker	B Gaobusiwe
Executive Committee	C Mogodi
Executive Committee	E Mochwari
Executive Committee	GC Assegaa
Executive Committee	OE Hantise
Part Time Councillor	J Rakoi
Part Time Councillor	V Makoke
Part Time Councillor	A Mwembo
Part Time Councillor	A van der Westhuizen
Part Time Councillor	OH Kgopodithata
Part Time Councillor	V Jordan
Part Time Councillor	J Freeman
Part Time Councillor	MG Sephecolo
Part Time Councillor	MM Nhlapo
Part Time Councillor	B Mosegedi
Part Time Councillor	TT Tlholenyane
Part Time Councillor	MAP Brink
Part Time Councillor	JC Kaars
Part Time Councillor	G Phetlhu

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.


Tlhomelang Hilguard Mathare
Acting Municipal Manager

21.10.2011
Date

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		111 861 824	81 442 144
Capital Replacement Reserve	2	275 373	173 017
Donations and Public Contribution Reserve	2	66 167 116	65 673 395
Revaluation Reserve	2	10 170 812	10 439 709
Self Insurance Reserve	2	1 100 000	950 000
Accumulated Surplus/(Deficit)		34 148 522	4 206 023
Non-Current Liabilities		21 843 012	17 997 145
Long-term Liabilities from continued operations	3	2 588 222	4 308 084
Long-term Liabilities from discontinued operations	3	1 650 843	-
Non-current Employee Benefits	4	17 603 947	13 689 061
Current Liabilities		14 482 038	29 450 882
Consumer Deposits	5	6 733	-
Current Employee Benefits	6	5 222 261	4 045 820
Payables from exchange transactions	7	2 422 667	7 419 346
Unspent Conditional Government Grants and Receipts	8	6 776 914	17 824 620
Current Portion of Long-term Liabilities	3	53 464	161 096
Total Net Assets and Liabilities		148 186 874	128 890 171
ASSETS			
Non-Current Assets		110 653 512	91 866 710
Property, Plant and Equipment	11	108 213 226	89 682 573
Assets Held for Sale	12	423 847	582 493
Investment Property	13	1 682 000	1 365 000
Intangible Assets	14	329 366	231 768
Investments	15	5 073	4 876
Current Assets		37 533 363	37 023 461
Inventory	16	34 719	31 328
Receivables from exchange transactions	17	6 579 456	2 870 786
Receivables from non-exchange transactions	18	309 696	253 984
Unpaid Conditional Government Grants and Receipts	8	96 741	1 524 957
Taxes	9	2 392 940	6 063 103
Cash and Cash Equivalents	19.1	28 119 811	26 279 303
Total Assets		148 186 874	128 890 171

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
REVENUE			
Revenue from Non-exchange Transactions		108 070 121	66 279 210
Taxation Revenue		-	865 784
Property taxes	20	-	865 784
Transfer Revenue		108 070 121	65 413 393
Government Grants and Subsidies	21	105 051 570	65 413 393
Public Contributions and Donations		-	-
Contributed Property, Plant and Equipment	22	3 018 552	-
Other Revenue		-	33
Fines		-	33
Third Party Payments		-	-
Actuarial Gains		-	-
Other		-	-
Revenue from Exchange Transactions		28 073 982	138 153 739
Property Rates - penalties imposed and collection charges		-	-
Service Charges	23	-	7 654 650
Water Services Authority Contribution		-	-
Rental of Facilities and Equipment	24	42 398	44 196
Interest Earned - external investments	25	1 840 113	1 594 626
Interest Earned - outstanding receivables	26	-	35 335
Workshop Income		2 066 315	2 432 666
Other Income - Projects		14 611 223	85 060 923
Other Income	27	9 513 933	41 331 343
Unamortised Discount - Interest		-	-
Total Revenue		136 144 103	204 432 949
EXPENDITURE			
Employee related costs	28	(39 893 159)	(36 911 191)
Remuneration of Councillors	29	(3 399 655)	(3 286 132)
Debt Impairment	30	(100 000)	(1 846 054)
Collection Costs		-	(55 656)
Depreciation and Amortisation	31	(1 005 231)	(2 432 090)
Repairs and Maintenance		(4 394 734)	(5 616 252)
Project Cost		(55 304 324)	(100 801 063)
Actuarial Losses	4	(3 009 848)	-
Finance Costs	32	(1 654 024)	(378 264)
Bulk Purchases	33	-	(5 631 414)
Contracted Services		-	-
Grants and Subsidies Paid	34	(5 638 494)	(66 667)
Other Operating Grant Expenditure		-	-
General Expenses	35	(7 971 295)	(13 408 274)
Total Expenditure		(122 370 763)	(170 433 057)
Operating Surplus/(Deficit) for the Year		13 773 340	33 999 892
Gains/(Loss) on Sale of Assets	36	30 767	-
(Impairment loss)/Reversal of impairment loss	37	-	(214 717)
Fair Value Adjustments		317 000	-
Operating Surplus/(Deficit) from continued operations		14 121 107	33 785 175
Operating Surplus/(Deficit) from discontinued operations	38	(2 719 925)	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		11 401 182	33 785 175

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Capital Replacement Reserve R	Donations and Public Contribution Reserve R	Revaluation Reserve R	Self Insurance Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2009	-	43 279 599	11 690 944	800 000	16 392 229	72 162 772
Correction of Error - note 39.7	-	10 113	(919 670)	-	(19 750)	(929 307)
Restated balance	-	43 289 712	10 771 274	800 000	16 372 479	71 233 465
Net Surplus/(Deficit) for the year	-	-	-	-	33 785 175	33 785 175
Net Surplus/(Deficit) previously reported	-	-	-	-	32 431 552	32 431 552
Effect of Correction of Errors and Changes in Accounting Policy	-	-	-	-	1 353 623	1 353 623
Transfer to/from CRR	1 447 240	-	-	150 000	(1 597 240)	-
Equitable Share- previous years	-	-	-	-	(4 577 750)	(4 577 750)
Property, Plant and Equipment purchased	(1 274 223)	-	-	-	1 274 224	1
Capital Grants used to purchase PPE	-	24 174 650	-	-	(24 174 650)	-
Capital Financed from Income Account (Grant)	-	-	-	-	19 750	19 750
Offsetting of depreciation	-	(1 790 967)	(331 565)	-	2 122 532	-
Restated Balance at 30 June 2010	173 017	65 673 395	10 439 709	950 000	23 224 520	100 460 641
Net Surplus/(Deficit) for the year	-	-	-	-	11 401 182	11 401 182
Transfer to/from CRR	1 200 000	-	-	150 000	(1 350 000)	-
Property, Plant and Equipment purchased	(1 097 644)	3 018 552	-	-	(1 920 908)	-
Offsetting of depreciation	-	(2 524 831)	(268 897)	-	2 793 728	-
Balance at 30 June 2011	275 373	66 167 116	10 170 812	1 100 000	34 148 522	111 861 823
Statement of Financial Position Difference	275 373 (0)	66 167 116 0	10 170 812 (0)	1 100 000 -	34 148 522 0	111 861 824 (0)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		1 642 690	825 696
Sale of goods and services		9 991 245	7 619 758
Grants		92 575 648	71 993 684
Investment Income		2 120 619	1 629 961
Other receipts		12 043 881	41 375 539
Cash payments			
Employee costs		(41 211 335)	(36 906 276)
Suppliers		(69 861 054)	(37 849 037)
Finance costs		(1 654 024)	(378 264)
Net Cash from Operating Activities	40	5 647 670	48 311 061
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(3 570 483)	(25 427 124)
(Increase)/Decrease in Intangible Assets		(218 476)	-
(Increase)/Decrease in Non-current Assets Held for Sale		158 646	(582 493)
(Increase)/Decrease in Non-current Investments		(197)	(1 036)
Net Cash from Investing Activities		(3 630 511)	(26 010 653)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(176 651)	(161 096)
Net Cash from Financing Activities		(176 651)	(161 096)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 840 508	22 139 312
Cash and Cash Equivalents at the beginning of the year		26 279 303	4 139 991
Cash and Cash Equivalents at the end of the year	41	28 119 811	26 279 303
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 840 508	22 139 312

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

REFERENCE	TOPIC
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IPSAS 20	Related Party Disclosure
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IAS 19	Employee Benefits
IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges in a Net Investment in a Foreign Operation
Directive 5	Determining the GRAP Reporting Framework
ASB guide 1	Guideline on Accounting for Public Private Partnerships

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective:

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REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets Held for Sale and Discontinued Operations	1 April 2011
GRAP 104	Financial Instruments	1 April 2012

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	Employee Benefits	Unkonwn

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2 PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

GRAP 24: Presenting of Budget Information in Financial Statements is not yet effective. However GRAP 1.15 requires a comparison between actual and budgeted amounts. This information has been disclosed in the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
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**1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS
ISSUED BUT NOT YET EFFECTIVE**

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 6 (Revised)	<u>Consolidated and Separate Financial Statements</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	<u>Investments in Associate</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	<u>Interest in Joint Ventures</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	<u>Segment Reporting</u> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	<u>Presentation of Budget Information in Financial Statements</u> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 103	<u>Heritage Assets</u> No adjustments will necessary other than a separate line item in the Statement of Financial Position and the transfer of the values from property, plant and equipment.	1 April 2012
GRAP 105	<u>Transfer of Functions between Entities under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	<u>Transfer of Functions between Entities not under Common Control</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	<u>Mergers</u> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7 FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.8 RESERVES

1.8.1 Capital Replacement Reserve (CRR)

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In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.8.2 *Donations and Public Contributions Reserve*

When items of property, plant and equipment are financed from public contributions, a transfer is made from accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the Public Contribution recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus/(deficit).

1.8.3 *Revaluation Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9 LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly

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discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.9.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.10 BORROWING COST

Borrowing costs 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 the Statement of Financial Performance when incurred.

1.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
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- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

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

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13 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 resource 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 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;

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- 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.
- (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.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.14 EMPLOYEE BENEFITS

(a) Post Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

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(c) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.15 PROPERTY, PLANT AND EQUIPMENT

1.15.1 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 assets acquired is initially measure 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.

1.15.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, 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.

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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.

1.15.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, other 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.

1.15.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. 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 useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	10-30	Buildings	30
Pedestrian Malls	20	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	20
Libraries	20-30	Quarries	25
Parks and gardens	20-30	Emergency equipment	10
Other assets	15-20	Computer equipment	3

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<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed 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.

1.16 INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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.

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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 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.

1.16.2 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.

1.16.3 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. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed 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

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and the carrying value and is recognised in the Statement of Financial Performance.

1.17 INVESTMENT PROPERTY

1.17.1 *Initial Recognition*

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.17.2 *Subsequent Measurement – Fair Value Model*

Subsequent to initial recognition, items of investment property is measured at fair value. 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.

1.17.3 *De-recognition*

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

1.18 CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of

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completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

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

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

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

1.19 NON-CURRENT ASSETS HELD FOR SALE

1.19.1 *Initial Recognition*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered 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.

1.19.2 *Subsequent Measurement*

Non-current assets held for sale (or disposal group) are measured at the lower of 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.

1.20 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 *Cash generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 *Non-cash-generating assets*

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's 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 recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit 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 with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21 NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated 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.

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.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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1.22 INVENTORY

1.22.1 *Initial Recognition*

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

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

1.22.2 *Subsequent Measurement*

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

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

1.23 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and trade and other payables.

1.23.1 *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.23.2 *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial

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liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

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

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1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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.

1.23.3 De-recognition

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

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A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 *Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24 REVENUE

1.24.1 *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 as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

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, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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.

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

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

1.24.2 *Revenue from Exchange Transactions*

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Trade and Other Payables in the Statement of Financial Position.

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 points per property.

Service charges relating to sanitation (sewerage) 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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

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Interest revenue is recognised using the effective interest rate method.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24.3 Grants, Transfers and Donations (Non-exchange Revenue)

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.

1.25 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26 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 a 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.

1.27 IRREGULAR EXPENDITURE

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
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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 200), the Public Office Bearers Act, and (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.

1.28 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could 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.

1.29 CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.30 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.31 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations

The cost of post retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

Impairment of trade receivables

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

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2011

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

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

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.32 TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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

	2011 R	2010 R
2. NET ASSET RESERVES		
RESERVES	77 713 301	77 236 121
Capital Replacement Reserve	275 373	173 017
Donations and Public Contribution Reserve	66 167 116	65 673 395
Revaluation Reserve	10 170 812	10 439 709
Self Insurance Reserve	1 100 000	950 000
Total Net Asset Reserve and Liabilities	77 713 301	77 236 121
2.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.		
2.2 The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not cash backed.		
2.3 The Revaluation Reserve is created by surplus arising from the revaluation of property, plant and equipment.		
2.4 The Self Insurance Reserve is used to finance future insurance claims.		
3. LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	4 292 529	4 469 180
Less: Current Portion transferred to Current Liabilities	(53 464)	(161 096)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	4 239 065	4 308 084
Disclosed as follows in the Statement of Financial Position:		
Long-term Liabilities - continued operations	2 588 222	4 308 084
Long-term Liabilities - discontinued operations	1 650 843	-
Total Long-term Liabilities	4 239 065	4 308 084
3.1 The obligations under annuity loans are scheduled below:		
	Minimum payments	
Amounts payable under annuity loans:		
Payable within one year	450 064	450 064
Payable within two to five years	1 800 257	1 800 257
Payable after five years	4 949 764	5 399 828
	7 200 085	7 650 149
Less: Future finance obligations	(2 961 020)	(3 342 065)
Present value of annuity loans obligations	4 239 065	4 308 084
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
4. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	17 603 947	13 689 061
Total Non-current Employee Benefits	17 603 947	13 689 061
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	14 345 737	12 669 554
Contribution for the year	1 754 254	2 090 085
Expenditure for the year	(656 676)	(601 398)
Actuarial Loss/(Gain)	3 009 848	187 496
Total provision 30 June	18 453 163	14 345 737
Less: Transfer of Current Portion to Current Provisions - Note 6	(849 216)	(656 676)
Balance 30 June	17 603 947	13 689 061

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

	2011 R	2010 R
4.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	67	70
Continuation members (e.g. Retirees, widows, orphans)	23	22
Total Members	90	92

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

In-service members	7 042 263	5 601 924
Continuation members	11 410 900	8 743 813
Total Liability	18 453 163	14 345 737

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R
In-service members	5 113 000	3 955 000
Continuation members	8 157 952	7 852 000
Total Liability	13 270 952	11 807 000

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

Bonitas
Fed
Hosmed
LA Health
Key Health, and
SAMVU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R590 088, whereas the Interest Cost for the next year is estimated to be R1 565 507.

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	8.68	9.03
Health Care Cost Inflation Rate	7.27	6.99
Net Effective Discount Rate	1.31	1.91

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	18 453 163	14 345 737
Fair value of plan assets	-	-
	18 453 163	14 345 737
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	18 453 163	14 345 737

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

	2011 R	2010 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	14 345 737	13 270 952
Total expenses	1 097 578	887 289
Current service cost	487 822	402 142
Interest Cost	1 266 432	1 086 545
Benefits Paid	(656 676)	(601 398)
Actuarial (gains)/losses	3 009 848	187 496
Present value of fund obligation at the end of the year	18 453 163	14 345 737

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	-	-

Sensitivity Analysis on the Accrued Liability

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption				
Central Assumptions	7.042	11.411	18.453	

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	8.611	12.662	21.273	15.00%
Health care inflation	-1%	5.815	10.333	16.148	-12.00%
Post-retirement mortality	-1 year	7.283	11.846	19.129	4.00%
Average retirement age	-1 year	7.599	11.411	19.010	3.00%
Withdrawal Rate	-50%	7.797	11.411	19.208	4.00%

4.2 Retirement funds**CAPE JOINT PENSION FUND**

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%).

Contributions paid recognised in the Statement of Financial Performance	38 789	34 480
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CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9.0%) and Council (18.0%). The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100,3% (30 June 2009 - 103,3%).

Contributions paid recognised in the Statement of Financial Performance	3 297 953	2 816 531
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Municipal Council Pension Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Municipal Councillors Pension Fund	520 770	534 186
	<u>520 770</u>	<u>534 186</u>
5. CONSUMER DEPOSITS		
Electricity and Water	6 733	-
Total Consumer Deposits	<u>6 733</u>	<u>-</u>
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
6. CURRENT EMPLOYEE BENEFITS		
Staff Bonuses	2 657 092	1 960 088
Staff Leave	1 431 953	1 429 056
Compensation for injuries on duty contribution	284 000	-
Current Portion of Non-Current Provisions	849 216	656 676
Current Portion of Post Retirement Benefits - Note 4	<u>849 216</u>	<u>656 676</u>
Total Provisions	<u>5 222 261</u>	<u>4 045 820</u>
The movement in current provisions are reconciled as follows:		
6.1 <u>Staff Bonuses</u>		
Balance at beginning of year	1 960 088	1 400 469
Contribution to current portion	2 481 829	1 458 364
Expenditure incurred	(1 784 825)	(898 745)
Balance at end of year	<u>2 657 092</u>	<u>1 960 088</u>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
6.2 <u>Staff Leave</u>		
Balance at beginning of year	1 429 056	1 294 140
Contribution to current portion	1 792 824	134 916
Expenditure incurred	(1 789 927)	-
Balance at end of year	<u>1 431 953</u>	<u>1 429 056</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
7. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	2 136 211	6 961 868
Payments received in advance	286 456	457 478
Unspent Funds Thwane	-	149 259
Correction of Error - Note 39.1	-	(149 259)
Total Trade Payables	<u>2 422 667</u>	<u>7 419 346</u>
Payables are being recognised net of any discounts.		

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

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

	2011 R	2010 R
8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	6 776 914	17 824 620
National Government Grants	1 649 281	6 083 745
Provincial Government Grants	4 890 863	11 392 966
Other Sources	236 770	198 650
Correction of Error - Note 39.2	-	149 259
Less: Unpaid Grants	(96 741)	(1 524 957)
National Government Grants	-	-
Provincial Government Grants	-	(1 524 957)
Other Sources	(96 741)	-
Total Conditional Grants and Receipts	6 680 173	16 299 663

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9. TAXES		
VAT Receivable	2 392 940	3 318 179
PAYE	-	2 744 924
Total Taxes	2 392 940	6 063 103

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

10. SHORT-TERM LOANS

The Municipality has no short term loans.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
11.	PROPERTY, PLANT AND EQUIPMENT		
	<u>See attached sheet</u>		
	page 1		

EXAMPLE MUNICIPALITY

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

11. PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2011

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2010	10 898 101	54 085 597	21 055 411	19 750	-	3 623 714	-	89 682 573
Cost	14 751 903	58 714 838	21 083 000	19 750	-	8 619 018	-	103 188 509
Original Cost	10 969 526	77 311 780	12 545 618	19 750	-	8 789 396	-	109 636 070
Correction of Error - Note 39.3	168 378	(18 596 942)	-	-	-	(170 378)	-	(18 598 942)
Revaluation	3 613 999	-	8 537 382	-	-	-	-	12 151 381
Accumulated Depreciation	(3 853 802)	(4 629 241)	(27 589)	-	-	(4 995 304)	-	(13 505 936)
Original Cost	(3 831 685)	(4 646 419)	(27 600)	-	-	(5 024 743)	-	(13 530 447)
Correction of Error - Note 39.3	(22 117)	17 178	11	-	-	29 439	-	24 511
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	21 709 813	-	-	-	879 168	-	22 588 981
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(431 238)	(2 524 850)	(13 790)	-	-	(1 088 450)	-	(4 058 328)
Normal Depreciation	(431 238)	(2 524 850)	(13 790)	-	-	(1 088 450)	-	(4 058 328)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
Carrying value at 30 June 2011	10 466 863	73 270 560	21 041 621	19 750	-	3 414 432	-	108 213 226
Cost	14 751 903	80 424 651	21 083 000	19 750	-	9 498 186	-	125 777 490
Original Cost	11 137 904	80 424 651	21 083 000	19 750	-	9 498 186	-	122 163 491
Revaluation	3 613 999	-	-	-	-	-	-	3 613 999
Accumulated Depreciation	(4 285 040)	(7 154 091)	(41 379)	-	-	(6 083 754)	-	(17 564 264)
Original Cost	(4 285 040)	(7 154 091)	(41 379)	-	-	(6 083 754)	-	(17 564 264)
Revaluation	-	-	-	-	-	-	-	-

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

11.2 30 JUNE 2010

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2009	11 038 315	49 465 460	21 069 200	-	10 402	5 584 422	-	87 167 799
Cost	14 466 377	52 334 120	21 083 000	-	49 958	10 902 974	-	98 836 429
Original Cost	8 212 911	52 334 120	12 545 618	-	49 958	10 902 974	-	84 045 581
Correction of Error	2 639 467	-	-	-	-	-	-	2 639 467
Revaluation	3 613 999	-	8 537 382	-	-	-	-	12 151 381
Accumulated Depreciation	(3 428 062)	(2 868 660)	(13 800)	-	(39 556)	(5 318 552)	-	(11 668 630)
Original Cost	(788 595)	(2 868 660)	(13 800)	-	(39 556)	(5 318 552)	-	(9 029 163)
Correction of Error	(2 639 467)	-	-	-	-	-	-	(2 639 467)
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	117 148	6 443 859	-	19 750	-	269 175	-	6 849 932
Capital under Construction	-	18 596 942	-	-	-	-	-	18 596 942
Transfers from/(to) Non-current Assets Held for Sale	-	-	-	-	-	(582 493)	-	(582 493)
Cost	-	-	-	-	-	(1 855 278)	-	(1 855 278)
Accumulated Depreciation	-	-	-	-	-	1 272 785	-	1 272 785
Depreciation	(403 623)	(1 781 337)	(13 800)	-	(10 402)	(1 351 297)	-	(3 560 459)
Normal Depreciation	(403 623)	(1 781 337)	(13 800)	-	(10 402)	(1 351 297)	-	(3 560 459)
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
Carrying value of disposals	-	(59 563)	-	-	-	(155 154)	-	(214 717)
Cost	-	(63 141)	-	-	-	(527 475)	-	(590 616)
Accumulated Depreciation	-	3 578	-	-	-	372 321	-	375 899
Carrying value at 30 June 2010	10 751 840	72 665 361	21 055 400	19 750	-	3 764 653	-	108 257 004
Cost	14 583 525	77 311 780	21 083 000	19 750	-	8 789 396	-	121 787 451
Original Cost	10 969 526	77 311 780	12 545 618	19 750	-	8 789 396	-	109 636 070
Revaluation	3 613 999	-	8 537 382	-	-	-	-	12 151 381
Accumulated Depreciation	(3 831 685)	(4 646 419)	(27 600)	-	-	(5 024 743)	-	(13 530 447)
Original Cost	(3 831 685)	(4 646 419)	(27 600)	-	-	(5 024 743)	-	(13 530 447)
Revaluation	-	-	-	-	-	-	-	-

Refer to Appendix B for a more detailed disclosure of Property, Plant and Equipment.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Accumulated depreciation as a result of reviewing of remaining useful lives

24 511

24 511

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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page 3

	2011 R	2010 R
12. NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale at beginning of year - at book value	582 493	-
Additions for the year	-	582 493
	582 493	582 493
Non-current assets sold/written off during the year	(158 646)	-
Non-current assets held for sale at end of year - at book value	423 847	582 493
13. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	1 365 000	1 365 000
Valuation	1 365 000	1 365 000
Accumulated Depreciation	-	-
Fair Value Adjustments	317 000	-
Net Carrying amount at 30 June	1 682 000	1 365 000
Valuation	1 682 000	1 365 000
Accumulated Depreciation	-	-
Estimate Fair Value of Investment Property at 30 June	1 682 000	1 365 000
14. INTANGIBLE ASSETS		
Net Carrying amount at 1 July	231 771	342 805
Cost	680 133	680 133
Accumulated Amortisation	(448 362)	(344 329)
Acquisitions	218 476	-
Amortisation	(120 881)	(111 037)
Net Carrying amount at 30 June	329 366	231 768
Cost	898 609	680 133
Accumulated Amortisation	(569 243)	(448 362)
15. INVESTMENTS		
Unlisted		
Long term deposits	5 073	4 876
Total Investments	5 073	4 876
Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		
16. INVENTORY		
Water - At purification cost	34 719	31 328
Total Inventory	34 719	31 328
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
17. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	607 476	466 067
Water	712 215	418 042
Refuse	102 861	88 187
Sewerage	84 309	112 469
Other Arrears	5 679 328	2 299 162
Total: Receivables from exchange transactions (before provision)	7 186 189	3 383 927
Provision for Impairments	(606 733)	(513 141)
Total: Receivables from exchange transactions (after provision)	6 579 456	2 870 786

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

The fair value of receivables approximate their carrying value.

	2011 R	2010 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	248 557	265 095
31 - 60 Days	50	26 810
61 - 90 Days	37	24 270
+ 90 Days	358 832	149 892
Total	607 476	466 067
<u>(Water): Ageing</u>		
Current (0 - 30 days)	590 085	361 942
31 - 60 Days	19 466	23 558
61 - 90 Days	9 733	10 935
+ 90 Days	92 930	21 607
Total	712 214	418 042
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	64 320	44 775
31 - 60 Days	5 234	7 356
61 - 90 Days	3 820	4 396
+ 90 Days	29 486	31 660
Total	102 860	88 187
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	81 714	65 711
31 - 60 Days	2 277	15 349
61 - 90 Days	184	3 210
+ 90 Days	135	28 199
Total	84 310	112 469
<u>(Other): Ageing</u>		
Current (0 - 30 days)	3 349 064	1 435 359
31 - 60 Days	13 376	289 163
61 - 90 Days	3 487	5 037
+ 90 Days	2 313 401	569 603
Total	5 679 328	2 299 162
<u>(Total): Ageing</u>		
Current (0 - 30 days)	4 333 740	2 172 882
31 - 60 Days	40 403	362 236
61 - 90 Days	17 261	47 848
+ 90 Days	2 794 784	800 961
Total	7 186 188	3 383 927

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

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2011			
Current (0 - 30 days)	508 689	925 665	2 899 387
31 - 60 Days	30 671	9 243	488
61 - 90 Days	16 419	842	-
+ 90 Days	457 686	895 039	1 442 060
Sub-total	1 013 465	1 830 789	4 341 935
Less: Provision for bad debts	(606 733)	-	-
Total debtors by customer classification	406 732	1 830 789	4 341 935

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2010			
Current (0 - 30 days)	423 928	967 979	780 976
31 - 60 Days	54 270	24 631	283 334
61 - 90 Days	41 664	6 184	-
+ 90 Days	261 122	1 491 090	544 803
Sub-total	780 984	2 489 884	1 609 113
Less: Provision for bad debts	(513 141)	-	-
Total debtors by customer classification	267 843	2 489 884	1 609 113

Reconciliation of Provision for Bad Debts

Balance at beginning of year	513 141	169 348
Contribution to provision	100 000	350 000
Bad Debts written off against provision	(6 408)	(6 207)
Reversal of provision	-	-
Balance at end of year	606 733	513 141

The total amount of this provision is R606 733 and consist of:

Services	-	-
Other Debtors	606 733	513 141
Total Provision for Bad Debts on Receivables from exchange transactions	606 733	513 141

18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	305 396	249 684
Other Receivables	4 300	4 300
Deposit Van Zylsrus Eskom	1 000	1 000
Tranquility Trust	3 300	3 300
	309 696	253 984
Less: Provision for bad debts	-	-
Total Receivables from non-exchange transactions	309 696	253 984

The fair value of other receivables approximate their carrying value.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	176 592	28 592
31 - 60 Days	5 232	24 708
61 - 90 Days	143	26 517
+ 90 Days	123 429	169 867
Total	305 396	249 684

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2011			
Current (0 - 30 days)	320.00	175 732	540
31 - 60 Days	248.00	4 905	78
61 - 90 Days	12.00	96	34
+ 90 Days	1 317.00	100 846	21 267
Sub-total	1 897	281 579	21 919
Less: Provision for bad debts	-	-	-
Total debtors by customer classification	1 897	281 579	21 919

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2010			
Current (0 - 30 days)	22 631	4 871	1 090
31 - 60 Days	22 263	1 593	852
61 - 90 Days	24 933	743	842
+ 90 Days	148 046	5 930	15 890
Sub-total	217 873	13 137	18 674
Less: Provision for bad debts	-	-	-
Total debtors by customer classification	217 873	13 137	18 674

19. BANK ACCOUNTS

19.1 Cash and Cash Equivalents

Current Accounts	1 582 135	1 966 278
Call Investments Deposits	26 535 926	24 311 275
Cash Floats	1 750	1 750
Total Cash and Cash Equivalents - Assets	28 119 811	26 279 303

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R6 776 914 are held to fund the Unspent Conditional Grants (2010: R16 299 663).

The municipality has the following bank accounts:

Current Accounts

ABSA Bank Limited - Account Number 960 000 099 (Primary Bank Account):	1 582 135	1 966 278
Total Current Accounts	1 582 135	1 966 278

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

	2011 R	2010 R
Call Investment Deposits		
First National Bank - Account Number 62016341208 (Call Account)	3 674 134	3 522 257.81
First National Bank - Account Number 62047254272 (Call Account)	3 292	3 155.41
ABSA Bank Limited - Account Number 92-3663-0418 (Call Account)	1 046 716	269 750.08
ABSA Bank Limited - Account Number 92-3663-0125 (Call Account)	200 000	46 585
ABSA Bank Limited - Account Number 92-4823-0606 (Call Account)	1 695 006	-
ABSA Bank Limited - Account Number 92-2896-9110 (Call Account)	4 195 324	2 815 721
ABSA Bank Limited - Account Number 92-2735-1378 (Call Account)	808 548	6 007 545
ABSA Bank Limited - Account Number 92-2940-7543 (Call Account)	-	36 435
ABSA Bank Limited - Account Number 92-2940-7909 (Call Account)	-	1 096 476
ABSA Bank Limited - Account Number 92-3734-1098 (Call Account)	-	2 254 497
Standard Bank Limited - Account Number 048596582-001 (Call Account)	6 263 830	1 153 115
Standard Bank Limited - Account Number 048596582-002 (Call Account)	1 075	100
Standard Bank Limited - Account Number 048596582-003 (Call Account)	5 319 566	2 030 468
Standard Bank Limited - Account Number 048596582-004 (Call Account)	3 328 435	5 075 168
Total Call Investment Deposits	26 535 926	24 311 275

20. PROPERTY RATES

Actual**Rateable Land and Buildings**

Residential, Commercial and State Property

- 10 511 057

- 10 511 057

Less: Rebates

- (9 645 273)

Total Assessment Rates

- 865 784

Property Rates are disclosed under Discontinued Operations - Note 38

Valuations - 1 July 2010**Rateable Land and Buildings**

1 855 991 654 1 883 761 000

Stand

1 855 831 654 1 883 601 000

Building Clause

160 000 160 000

Total Assessment Rates

1 855 991 654 1 883 761 000

Valuations on 1 July 2010:

	Building Clause Valuation	Site Valuation	Building Valuation	Total Valuation
Domestic	160 000	-	146 977 447	147 137 447
Accommodation	-	-	-	-
Commercial	-	-	-	-
Church	-	-	112 103	112 103
Light Industrial	-	-	-	-
Agricultural/Rural	-	-	1 708 742 104	1 708 742 104
State	-	-	-	-
Other - Pensioners etc.	-	-	-	-
Sporting Bodies	-	-	-	-
Total Property Valuations	160 000	-	1 855 831 654	1 855 991 654

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	.588/R	0.55c/R
Commercial	1.18/R	1.1c/R
Industrial, Agricultural and Casino	1.18/R	1.1c/R

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 2% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

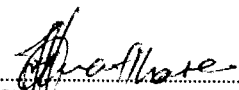
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2011 R	2010 R
21. GOVERNMENT GRANTS AND SUBSIDIES		
<u>Unconditional</u>		
Equitable Share	50 354 088	43 120 660
<u>Conditional</u>	54 697 481	22 292 733
Grants and Donations	54 697 481	22 292 733
Subsidies	-	-
Total Government Grants and Subsidies	105 051 570	65 413 393
Government Grants and Subsidies - Operating	105 051 570	65 413 393
Government Grants and Subsidies - Capital	-	-
Total Government Grants and Subsidies	105 051 570	65 413 393
22. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Hotazel	3 018 552	-
Total Contributed Property, Plant and Equipment	3 018 552	-
23. SERVICE CHARGES		
Electricity	-	3 849 274
Water	-	2 627 181
Refuse Removal	-	491 746
Sewerage and Sanitation Charges	-	686 449
Total Service Charges	-	7 654 650
Service Charges are disclosed under Discontinued Operations - Note 38		
24. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	42 398	44 196
Total Rental of Facilities and Equipment	42 398	44 196
25. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 840 113	1 594 626
Total Interest Earned - External Investments	1 840 113	1 594 626
26. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Other Receivables	-	35 335
Total Interest Earned - Outstanding Receivables	-	35 335
Interest Earned - Outstanding Receivables are disclosed under Discontinued Operations - Note 38		

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

	2011 R	2010 R
27. OTHER INCOME		
Admin Fees	-	1 061 613
Admin Private Jobs	7 829 672	13 763 658
Cemetery fees	-	190
Clearance Certificates	3 400	-
Donations	-	24 174 651
Fees Buildingplans	24 752	3 416
Land Use Applications	20 000	-
Product Related Services	1 156 000	1 689 850
Photostats	32 515	164 897
Telephone Private	323 424	317 397
Training	112 126	155 671
Total Other Income	9 501 889	41 331 343
28. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	21 271 365	21 939 811
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 528 088	7 026 711
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5 912 514	3 900 218
Housing Benefits and Allowances	1 115 267	1 062 440
Overtime Payments	37 018	-
Bonuses	2 481 829	1 772 310
Provision for leave	1 792 824	134 916
Contribution to provision - Post Retirement Medical - Note 4	1 754 254	1 074 785
	39 893 159	36 911 191
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	39 893 159	36 911 191
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual Remuneration	746 350	-
Travelling Allowance	2 880	-
Telephone Allowance	71 131	-
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	820 361	-
Remuneration of the Director : Finance		
Annual Remuneration	729 108	618 112
Car Allowance	28 800	28 800
Acting allowance	-	86 619
Performance Bonus	-	-
Leave Payments	63 330	95 680
Total	821 238	829 211
Remuneration of Director : Corporate Services		
Annual Remuneration - All Inclusive Packages	60 759	618 112
Car Allowance	2 400	28 800
Acting allowance	9 915	49 846
Performance Bonus	-	-
Leave Payments	-	-
Total	73 074	696 758

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

	2011 R	2010 R
Remuneration of Manager Development and Planning		
Annual Remuneration - All Inclusive Package	741 456	690 775
Car Allowance	28 800	28 800
Telephone allowance	-	-
Performance Bonus	-	-
Leave Payments	56 916	132 228
Total	827 172	851 803
Remuneration of Director : Technical Services		
Annual Remuneration - All Inclusive Package	703 260	657 252
Car Allowance	28 800	28 800
Telephone allowance	-	-
Performance Bonus	-	-
Leave Payments	94 945	-
Total	827 005	686 052
Remuneration of Director : Community Services		
Annual Remuneration	468 840	-
Car Allowance	19 200	-
Telephone allowance	-	-
Performance Bonus	-	-
Contributions - UIF, Medical, Pension	-	-
Total	488 040	-
29. REMUNERATION OF COUNCILLORS		
Mayor	641 053	610 523
Speaker	502 023	478 120
Chairpersons of committees	1 887 072	1 485 418
Councillors	369 507	712 071
Total Councillors' Remuneration	3 399 655	3 286 132
In-kind Benefits		
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
Certification by the Municipal Manager		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.		
		
Signed: Municipal Manager		
30. DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 17	100 000	1 846 054
Total Contribution to Bad Debts Provision	100 000	1 846 054
31. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	884 349	2 319 055
Intangible assets	120 881	113 035
Total Depreciation and Amortisation	1 005 231	2 432 090
Depreciation of R3 173 979 are disclosed under Discontinued Operations - Note 38		

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

	2011 R	2010 R
32. FINANCE COSTS		
Long-term Liabilities	387 592	378 264
Creditors	1 266 432	-
Total Finance Costs	1 654 024	378 264
33. BULK PURCHASES		
Electricity	-	2 607 168
Water	-	3 024 246
Total Bulk Purchases	-	5 631 414
Bulk Purchases are disclosed under Discontinued Operations - Note 38		
34. GRANTS AND SUBSIDIES PAID		
Institutions	53 844	66 667
Total Grants and Subsidies	53 844	66 667
35. GENERAL EXPENSES		
Administration Cost	-	1 114 000
Advertisements	95 229	90 388
Advocacy Programmes	178 130	58 047
Audit Fees(External Audit)	1 029 509	1 303 465
Bank Cost	33 589	59 610
Books & Publications	37 293	14 649
Buildings Rent	-	9 480
Capacity Building	-	15 000
Catering	292 774	338 069
Commonage Expenditure	10 005	54 201
Communications	213 514	371 703
Conferences	34 110	64 813
Disaster Assistance	89 654	126 096
DMA Committee	77 000	83 110
Exhibitions	59 139	-
Fuel and Oil	599 546	555 838
Funerals Poor & Needy	3 877	4 378
Household Expenditure	164 919	101 673
HR Foundation	-	1 000 583
Idle Time	97 878	74 704
Internal Audit	-	294 276
ISRDP/IMBIZO Events	30 415	305 928
KHRF-Youth Advisory Centre	511 671	-
Legal Fees	146 360	111 576
Library Usage	5 506	-
Licences	24 564	16 607
Mayoral Special Programs	192 401	117 124
Membership Fees	524 095	246 879
Municipal Services	613 479	922 134
Pest Control	21 569	12 764
Postage,ect	7 608	5 903
Printing and Stationery	233 037	297 378
Rates & Taxes	-	72 406
Records Management	8 359	27 150
Risk Assessment	-	186 360
Security Services	409 200	414 551
Short Term Insurance	390 504	700 168
Speakers Programmes	-	17 765
Study Assistance	75 422	59 872
Subsidisation Households	-	29 802
Targeted Groups	-	141 779
Telephone	1 049 900	1 373 930
Tourism Events	101 122	197 829
Training	317 808	449 908
Travel and Subsistance	-	1 877 014
Uniforms	27 093	18 597
Valuations	151 431	-
Water Quality	113 585	70 767
Total General Expenses	7 971 295	13 408 274

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

	2011 R	2010 R
36. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	(30 767)	(237 880)
Total Gain/ (Loss) on Sale of Assets	(30 767)	(237 880)
37. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment	-	(214 717)
Total (Impairment Loss)/ Reversal of Impairment Loss	-	(214 717)
38. PROFIT/ (LOSS) FROM DISCONTINUED OPERATIONS		
Revenue		
Property Taxes	1 698 401	-
Fines	118	-
Service Charges	13 793 507	-
Rental of Facilities and Equipment	2 187	-
Interest Earned - Outstanding Receivables	280 506	-
Other Income	518 930	-
Total Revenue	16 293 649	-
Expenditure		
Employee related costs	(1 636 403)	-
Debt Impairment	(2 757 626)	-
Depreciation and Amortisation	(3 173 979)	-
Repairs and Maintenance	(89 326)	-
Bulk Purchases	(7 528 229)	-
Contracted Services	(200 000)	-
General Expenses	(3 628 010)	-
Total Expenditure	(19 013 574)	-
Total Profit/ (Loss) from discontinued operations	(2 719 925)	-

John Taolo Gaetsewe District Municipality provided services to District Management Areas under their control. These areas were transferred by a section 12 notice by the MEC of Cooperative Governance and Transitional Affairs to Local B-Municipalities. Since 30 June 2011, John Taolo Gaetsewe District Municipality has no longer control over these District Management Areas and provide no longer any services to these areas.

39. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

39.1 Payables from exchange transactions

Balance previously reported	-	7 568 605
Unspent Grant: Farm Thawane - disclosed under Unspent Grants - Note 7	-	(149 259)
Restated Balance	-	7 419 346

Unspent Grant: Farm Thawane was previously disclosed under Payables from exchange transactions and is now disclosed under Unspent Grants.

39.2 Unspent Conditional Government Grants and Receipts

Balance previously reported	-	17 675 361
Unspent Grant: Farm Thawane - previously disclosed under Payables from exchange transactions - Note 8	-	149 259
Restated Balance	-	17 824 620

Unspent Grant: Farm Thawane was previously disclosed under Payables from exchange transactions and is now disclosed under Unspent Grants.

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

	2011 R	2010 R
39.3 Property, Plant and Equipment		
Balance previously reported	-	108 257 004
Assets incorrectly capitalised in prior year - Note 11.1	-	(18 598 942)
Recalculation of Accumulated Depreciation - Note 11.1	-	24 511
Restated Balance	-	89 682 573
Donated Assets were incorrectly capitalised in the prior year and remaining useful lives were reviewed for the first-time during the year.		
39.4 Heritage Assets		
Balance previously reported	-	19 750
Asset capitalised more than once in prior years - Note 39.7	-	(19 750)
Restated Balance	-	-
Asset was capitalised under Property, Plant and Equipment and Heritage Assets in prior years.		
39.5 Donations and Public Contribution Reserve		
Balance previously reported	-	65 663 282
Recalculation of offset-depreciation	-	10 113
Restated Balance	-	65 673 395
Remaining useful lives were reviewed for the first-time during the year.		
39.6 Revaluation Reserve		
Balance previously reported	-	11 359 379
Recalculation of offset-depreciation	-	(919 670)
Fair Value Adjustments on Investment Property previously allocated to Revaluation Reserve	-	(1 419 820)
Restated Balance	-	9 019 889
Remaining useful lives were reviewed for the first-time during the year.		
39.7 Accumulated Surplus/(Deficit) - 2009/2010		
Asset capitalised more than once in prior years - Note 39.4	-	(19 750)
Total	-	(19 750)

39.8 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Balance previously reported	Adjustments	Restated Balance
Revenue			
Property taxes	865 784	-	865 784
Government Grants and Subsidies	65 413 393	-	65 413 393
Public Contributions and Donations	-	-	-
Contributed Property, Plant and Equipment	-	-	-
Fines	33	-	33
Third Party Payments	-	-	-
Actuarial Gains	-	-	-
Other Revenue from non-exchange transactions	-	-	-
Property Rates - penalties imposed and collection charges	-	-	-
Service Charges	7 654 650	-	7 654 650
Water Services Authority Contribution	-	-	-
Rental of Facilities and Equipment	44 196	-	44 196
Interest Earned - external investments	1 594 626	-	1 594 626
Interest Earned - outstanding receivables	35 335	-	35 335
Licences and Permits	2 432 666	-	2 432 666
Income for Agency Services	85 060 923	-	85 060 923
Other Income	41 331 343	-	41 331 343
Unamortised Discount - Interest	-	-	-
Total	204 432 949	-	204 432 949

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

Expenditure

Employee related costs	(35 836 406)	(1 074 785)	(36 911 191)
Remuneration of Councillors	(3 286 132)	-	(3 286 132)
Debt impairment	(1 846 054)	-	(1 846 054)
Collection Costs	(55 656)	-	(55 656)
Depreciation and Amortisation	(3 785 713)	1 353 623	(2 432 090)
Repairs and Maintenance	(5 616 252)	-	(5 616 252)
Unamortised Discount - Interest	(100 801 063)	-	(100 801 063)
Actuarial Losses	-	-	-
Finance Costs	(378 264)	-	(378 264)
Bulk Purchases	(5 631 414)	-	(5 631 414)
Contracted Services	-	-	-
Grants and Subsidies Paid	(66 667)	-	(66 667)
Other Operating Grant Expenditure	-	-	-
General Expenses	(14 483 059)	1 074 785	(13 408 274)
Total	(171 786 680)	1 353 623	(170 433 057)
Net Surplus/(Deficit) for the year	376 219 629	(1 353 623)	374 866 006

	2011 R	2010 R
40. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	11 401 182	33 785 175
Adjustments for:		
Depreciation and amortisation	4 179 206	2 432 090
Loss/(Gain) on disposal of property, plant and equipment	-	(214 717)
Fair Value Adjustments	(317 000)	-
Contribution from/to provisions - Non-Current - Expenditure incurred	-	887 289
Contribution from/to provisions - Non-Current - Actuarial losses	1 097 578	187 496
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	3 009 848	-
Contribution to provisions – Bad debt	-	350 000
Reversal of Provision for Bad debt	100 000	-
Bad debts written off	2 744 924	-
Operating Surplus/(Deficit) before changes in working capital	22 215 739	37 427 333
Changes in working capital	(16 568 069)	10 883 728
Increase/(Decrease) in Consumer Deposits	6 733	-
Increase/(Decrease) in Provisions	-	416 061
Increase/(Decrease) in Trade and Other Payables	(4 996 679)	3 249 259
Increase/(Decrease) in Employee Benefits	983 901	-
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(11 047 706)	6 580 291
Increase/(Decrease) in Taxes	925 239	735 825
(Increase)/Decrease in Deposits	-	(4 300)
(Increase)/Decrease in Inventory	(3 391)	1 572
(Increase)/Decrease in Trade Receivables from exchange transactions	(3 808 670)	(34 892)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(55 712)	(60 088)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	1 428 216	-
Cash generated/(absorbed) by operations	5 647 670	48 311 061

41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 19	1 582 135	1 966 278
Call Investments Deposits - Note 19	26 535 926	24 311 275
Cash Floats - Note 19	1 750	1 750
Total cash and cash equivalents	28 119 811	26 279 303

42. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 42	28 119 811	26 279 303
Less:	(6 776 914)	(17 824 620)
Unspent Committed Conditional Grants - Note 8	(6 776 914)	(17 824 620)
Net cash resources available for internal distribution	21 342 897	8 454 683
Allocated to:		
Capital Replacement Reserve	(275 373)	(173 017)
Resources available for working capital requirements	21 067 524	8 281 666

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

	2011 R	2010 R
43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	4 292 529	4 469 180
Used to finance property, plant and equipment - at cost	(4 292 529)	(4 469 180)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
44.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	-	2 280 494
Unauthorised expenditure current year - operational	127 365	5 105 636
Unauthorised expenditure current year - capital	-	-
Approved by Council or condoned	(127 365)	(7 386 130)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
Incident	Disciplinary steps/criminal proceedings	
Over expenditure of approved budget	None	
44.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	704 169
Fruitless and wasteful expenditure current year	41 549	20 717
Condoned or written off by Council	-	(724 886)
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	41 549	-
Incident	Disciplinary steps/criminal proceedings	
None	None	
44.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure current year	144 325	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	144 325	-
Incident	Disciplinary steps/criminal proceedings	
None	None	
45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 Contributions to organised local government - (MFMA 125 (1)(b)) - (SALGA CONTRIBUTIONS)		
Opening balance	-	-
Council subscriptions	244 611	233 268
Amount paid - current year	(244 611)	(233 268)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

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

	2011 R	2010 R
45.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 497 509	1 597 741
External Audit - Auditor-General	1 493 984	1 303 465
Internal Audit	-	-
Audit Committee	3 525	294 276
Amount paid - current year	(1 497 509)	(1 597 741)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

45.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	2 585 193	4 054 004
Amounts received - current year	(7 039 408)	-
Amounts claimed - current year (payable)	7 019 376	-
Amount paid - current year	-	(1 468 811)
Amount paid - previous year	-	-
Closing balance	2 565 161	2 585 193

VAT is payable on the invoice basis. All VAT returns have been submitted by the due date throughout the year.

45.4 PAYE and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions	7 774 038	7 060 403
Amount paid - current year	(7 774 038)	(7 060 403)
Balance unpaid (included in creditors)	-	-

45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	4 020 991	6 687 932
Amount paid - current year	(4 020 991)	(6 687 932)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

45.6 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory	-	-	-	-
Insurance	-	-	-	-
Other	-	-	-	-
Executive & Council	-	-	-	-
Corporate Services	-	-	-	-
Community Services	-	122 279	-	-
Financial Services	-	-	-	-
Technical Services	-	80 775	-	-
Electrical Services	-	-	-	-
Town Planning	-	-	-	-
Strategic Services	9 500	-	-	-
	<u>9 500</u>	<u>203 054</u>	<u>-</u>	<u>-</u>

46. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2011 R	2010 R
1% (2010: 1%) Increase in interest rates	#REF!	#REF!
1% (2010: 1%) Decrease in interest rates	#REF!	#REF!

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2011 %	2011 R	2010 %	2010 R
<u>Non-exchange Receivables</u>				
Rates	100.00%	305 396	100.00%	249 684
<u>Exchange Receivables</u>				
Electricity	8.45%	607 476	13.77%	466 067
Water	9.91%	712 215	12.35%	418 042
Refuse	1.43%	102 861	2.61%	88 187
Sewerage	1.17%	84 309	3.32%	112 469
Other	79.03%	5 679 328	67.94%	2 299 162
	100.00%	7 186 189	100.00%	3 383 927

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 2% where applicable.

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

The provision for bad debts could be allocated between the different classes of receivables as follow:

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	7 186 189	3 383 927
Receivables from non-exchange transactions	309 696	253 984
Cash and Cash Equivalents	28 118 061	26 277 553
Unpaid Conditional Grants and Subsidies	96 741	1 524 957
	<u>35 710 687</u>	<u>31 440 421</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2011				
Long-term Liabilities	450 064	1 800 257	4 949 764	-
Trade and Other Payables	2 136 211	-	-	-
Unspent Conditional Grants and Receipts	6 776 914	-	-	-
	<u>9 363 189</u>	<u>1 800 257</u>	<u>4 949 764</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2010				
Long-term Liabilities	450 064	1 800 257	5 399 828	-
Trade and Other Payables	6 961 868	-	-	-
Unspent Conditional Grants and Receipts	17 824 620	-	-	-
	<u>25 236 552</u>	<u>1 800 257</u>	<u>5 399 828</u>	<u>-</u>
			2011 R	2010 R

47. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

47.1 Financial Assets**Classification****Investments**

Fixed Deposits	Financial Instruments at cost	5 073	4 876
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
Receivables from Exchange Transactions			
Trade receivables from exchange transactions	Financial Instruments at amortised cost	7 186 189	3 383 927
Receivables from Non-Exchange Transactions			
Sundry Debtors	Financial Instruments at amortised cost	4 300	4 300
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	28 118 061	26 164 502
Cash Floats and Advances	Financial Instruments at amortised cost	1 750	1 750
Total Financial Assets		35 315 373	29 559 355
SUMMARY OF FINANCIAL ASSETS			
Financial Instruments at amortised cost:			
Investments	Fixed Deposits	5 073	4 876
Receivables from Exchange Transactions	Other Debtors	7 186 189	3 383 927
Receivables from Non-exchange Transactions	Sundry Debtors	4 300	4 300
Cash and Cash Equivalents	Bank Balances	28 118 061	26 164 502
Cash and Cash Equivalents	Call Deposits	1 750	1 750
		7 190 489	3 388 227
Total Financial Assets		7 190 489	3 388 227
47.2 Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	4 292 529	4 469 180
Trade and Other Payables			
Trade Creditors	Financial Instruments at amortised cost	2 136 211	6 961 868
Payments received in advance	Financial Instruments at amortised cost	286 456	457 478
		6 715 196	11 888 526
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	4 292 529	4 469 180
Trade and Other Payables	Trade Creditors	2 136 211	6 961 868
Trade and Other Payables	Payments received in advance	286 456	457 478
		6 715 196	11 888 526
48. EVENTS AFTER THE REPORTING DATE			
John Taolo Gaetsewe District Municipality is from 1 July 2011 no longer an agent for Department of Roads and Public Works. The maintenance of roads function was transferred back to the department.			
49. CONTINGENT LIABILITY			
Claims against Council		8 669 392	8 669 392
Severance Benefit - BM Olivier		8 616 251	8 616 251
Arrear Salary - KW Molete		53 141	53 141
		8 669 392	8 669 392
50. RELATED PARTIES			
50.1 Compensation of key management personnel			
The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.			
51. COMMITMENTS			
Housing Vanzylsrus		546 000	174 400
Upgrading and Extension of Sewerage Treatment Works			3 022 752
		546 000	3 197 152

52. GOING CONCERN

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

APPENDIX A
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011
ANNUITY LOANS							
DBSA	10.848%	NC 101797		1 696 652	-	45 809	1 650 843
DBSA	11.640%	NC 102567		2 772 528	-	130 842	2 641 686
Total Annuity Loans				4 469 180	-	176 651	4 292 529
TOTAL EXTERNAL LOANS				4 469 180	-	176 651	4 292 529

APPENDIX B
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Correction of Error/ Change in Accounting Policy	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Correction of Error/ Change in Accounting Policy	Additions	Disposals		Closing Balance
Land and Buildings												
Land	3 092 400	(100)	-	-	-	3 092 300	-		-	-	-	3 092 300
Buildings	11 491 125	168 478	-	-	-	11 659 603	3 831 685	22 117	431 238	-	4 285 040	7 374 563
	14 583 525	168 378	-	-	-	14 751 903	3 831 685	22 117	431 238	-	4 285 040	10 466 863
Infrastructure												
Infrastructure	77 311 780	(18 596 942)	21 709 813	-	-	80 424 651	4 646 419	(17 178)	2 524 850	-	7 154 091	73 270 560
Roads and Streets	-	-	-	-	-	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	-	-	-	-	-	-	-	-	-	-	-	-
Electricity mains	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-
Water Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets												
Farms	77 311 780	(18 596 942)	21 709 813	-	-	80 424 651	4 646 419	(17 178)	2 524 850	-	7 154 091	73 270 560
Libraries	21 083 000	-	-	-	-	21 083 000	27 600	(11)	13 790	-	41 379	21 041 621
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-
	21 083 000	-	-	-	-	21 083 000	27 600	(11)	13 790	-	41 379	21 041 621
Heritage Assets												
	19 750	-	-	-	-	19 750	-	-	-	-	-	19 750
Total carried forward	112 998 055	(18 428 564)	21 709 813	-	-	116 279 304	8 505 704	4 928	2 969 878	-	11 480 510	104 798 794

APPENDIX B
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation			Accumulated Depreciation								
	Opening Balance	Correction of Error/ Change in Accounting Policy	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Correction of Error/ Change in Accounting Policy	Additions	Disposals	Closing Balance	Carrying Value
Total brought forward	112 998 055	(18 428 564)	21 709 813	-	-	116 279 304	8 505 704	4 928	2 969 878	-	11 480 510	104 798 794
Lease Assets	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment (Lease)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	8 789 396	(170 378)	879 168	-	-	9 498 186	5 024 743	(29 439)	1 088 450	-	6 083 754	3 414 432
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-
Emergency equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Fire Engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse Tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy Tankers	-	-	-	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-	-	-	-
	8 789 396	(170 378)	879 168	-	-	9 498 186	5 024 743	(29 439)	1 088 450	-	6 083 754	3 414 432
Total	121 787 451	(18 598 942)	22 588 981	-	-	125 777 490	13 530 447	(24 511)	4 058 328	-	17 564 264	108 213 226

APPENDIX C
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Correction of Error	Additions	Disposals Income		Closing Balance
Executive & Council	6 788 838	(4 456 077)	722 718	-	-	3 055 479	4 873 837	(4 354 170)	96 366	-	616 033	2 439 446
Budget & Treasury Office	39 881 388	(36 254 659)	109 174	-	-	3 735 903	3 380 349	(409 301)	596 179	-	3 567 227	168 676
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	61 700	299 072	13 901	-	-	374 673	52 024	159 117	34 696	-	245 837	128 836
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	950 082	291 599	33 376	-	-	1 275 057	309 437	334 771	154 624	-	798 832	476 225
Housing	-	-	-	-	-	-	368 280	(368 280)	-	-	-	-
Public Safety	2 732 426	(2 732 426)	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport	493 548	94 191 807	21 709 813	-	-	116 395 168	154 896	8 412 765	2 982 612	-	11 550 273	104 844 895
Water	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	72 207 764	(71 266 552)	-	-	-	941 212	4 391 624	(3 799 412)	193 852	-	786 064	155 148
Other	123 115 746	-	22 588 982	-	-	125 777 492	13 530 447	-	4 058 329	-	17 564 266	108 213 226

APPENDIX D
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
35 103 820	11 225 389	23 878 431	Executive & Council	12 631 569	19 330 929	(6 699 360)
44 465 920	21 413 678	23 052 242	Budget & Treasury Office	52 253 202	7 103 822	45 149 380
-	-	-	Corporate Services	2 857 693	14 116 365	(11 258 673)
22 897	6 912 640	(6 889 743)	Planning & Development	21 004	5 476 620	(5 455 616)
-	-	-	Health	-	-	-
8 770	4 589 630	(4 580 860)	Community & Social Services	258 045	6 183 040	(5 924 996)
-	-	-	Housing	6 524 256	6 543 667	(19 411)
853 034	2 668 400	(1 815 366)	Public Safety	912 986	2 866 872	(1 953 886)
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
-	-	-	Waste Management	516 087	704 248	(188 161)
27 382 190	29 981 431	(2 599 241)	Waste Water Management	788 891	667 657	121 235
-	-	-	Road Transport	43 708 472	45 556 722	(1 848 250)
-	-	-	Water	26 881 339	25 124 535	1 756 804
92 736 986	92 432 235	304 751	Electricity	5 500 308	7 778 193	(2 277 884)
-	-	-	Other	-	-	-
200 573 617	169 223 403	31 350 214	Sub Total	152 853 852	141 452 669	11 401 182
-	(2 434 961)	2 434 961	Less Inter-Departmental Charges	-	-	-
200 573 617	166 788 442	33 785 175	Total	152 853 852	141 452 669	11 401 182

APPENDIX E(1)
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	1 698 401	1 431 000	267 401	18.69%	Income more than Budgeted
Government Grants and Subsidies	119 662 793	141 815 000	(22 152 207)	-15.62%	Not all Subsidies Received
Public Contributions and Donations	-	-	-	0.00%	
Contributed PPE	3 018 552	-	3 018 552	0.00%	
Fines	118	1 000	(882)	-88.21%	Only Library fines Received
Third Party Payments	-	-	-	0.00%	
Actuarial gains	-	-	-	0.00%	
Dividends received	-	-	-	0.00%	
Property rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	13 793 507	11 368 000	2 425 507	21.34%	Income more than Budgeted
Water Services Authority Contribution	-	-	-	0.00%	
Rental of Facilities and Equipment	2 110 900	35 000	2 075 900	5931.14%	Roads and Workshop Rentals Included
Interest Earned - External Investments	1 840 113	1 000 000	840 113	84.01%	Income more than Budgeted
Interest Earned - Outstanding Receivables	280 506	30 000	250 506	835.02%	Income more than Budgeted
Licences and Permits	-	-	-	0.00%	
Agency Services	-	-	-	0.00%	
Other Income	10 032 863	-	10 032 863	0.00%	
Unamortised discount - Interest	-	-	-	0.00%	
Gains on Disposal of PPE	99 100	5 000	94 100	1881.99%	Income more than Budgeted
Reversal of Impairment Loss	-	-	-	0.00%	
Changes in Fair Value	317 000	-	317 000	0.00%	
Inventory: Reversal of write-down to Net Realisable Value	-	-	-	0.00%	
Total Revenue	152 853 852	155 685 000	(2 831 148)	-1.82%	
EXPENDITURE					
Executive & Council	(19 330 929)	(20 436 000)	1 105 071	-5.41%	
Budget & Treasury Office	(7 103 822)	(7 767 000)	663 178	-8.54%	
Corporate Services	(14 116 365)	(13 989 000)	(127 365)	0.91%	
Planning & Development	(5 476 620)	(6 949 000)	1 472 380	-21.19%	Expenditure less than bugeted
Health	-	-	-	0.00%	
Community & Social Services	(6 183 040)	(7 923 000)	1 739 960	-21.96%	Expenditure less than bugeted
Housing	(6 543 667)	(9 343 000)	2 799 333	-29.96%	
Public Safety	(2 866 872)	(3 580 000)	713 128	-19.92%	Expenditure less than bugeted
Sport & Recreation	-	-	-	0.00%	
Environmental Protection	-	-	-	0.00%	
Waste Management	(704 248)	(985 000)	280 752	-28.50%	Expenditure less than bugeted
Waste Water Management	(2 422 043)	(2 741 000)	318 957	-11.64%	Expenditure less than bugeted
Road Transport	(56 201 068)	(60 089 000)	3 887 932	-6.47%	Expenditure less than bugeted
Water	(12 725 802)	(15 650 000)	2 924 198	-18.68%	Projects included in Expenditure
Electricity	(7 778 193)	(9 338 000)	1 559 807	-16.70%	Expenditure less than bugeted
Less: Interdepartmental Charges	-	-	-	0.00%	
Total Expenditure	(141 452 669)	(158 790 000)	17 337 331	-10.92%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	11 401 182	(3 105 000)	14 506 182	-467.19%	

APPENDIX E (2)
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Budget R	2011 Variance		2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
					R	R		
Executive & Council	722 718	-	722 718	650 000	72 718		11.19%	Vehicle more than budget
Budget & Treasury Office	109 174	-	109 174	250 000	(140 826)		-56.33%	
Corporate Services	-	-	-	236 000	(236 000)		-100.00%	
Planning & Development	13 901	-	13 901	24 000	(10 099)		-42.08%	
Health	-	-	-	-	-		#DIV/0!	
Community & Social Services	33 376	-	33 376	32 000	1 376		4.30%	
Housing	-	-	-	-	-		#DIV/0!	
Public Safety	-	-	-	600 000	(600 000)		-100.00%	Assets was allocated to Local Mun
Sport & Recreation	-	-	-	-	-		#DIV/0!	
Environmental Protection	-	-	-	-	-		#DIV/0!	
Waste Management	-	-	-	-	-		#DIV/0!	
Waste Water Management	-	-	-	2 554 958	(2 554 958)		-100.00%	
Road Transport	21 709 813	-	21 709 813	8 000	21 701 813		271272.66%	Capital contb from BHP Billiton
Water	-	-	-	-	-		#DIV/0!	
Electricity	-	-	-	-	-		#DIV/0!	
Total	22 588 982	-	22 588 982	4 354 958	18 234 024	4 186957486		

APPENDIX F
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2010	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure Transferred to Revenue	Capital Expenditure during the year	Balance 30 June 2011	Unspent 30 June 2011 (Creditor)	Unpaid 30 June 2011 (Debtor)
<u>National Government Grants</u>									
Municipal Systems Improvement	466 892	750 000	-	-	(316 579)	-	900 313	900 313	-
Equitable Share	-	47 906 954	-	1 490 954	(49 397 908)	-	-	-	-
Finance Management	1 490 954	1 000 000	-	(1 490 954)	(958 264)	-	41 736	41 736	-
Equitable Share	-	-	-	-	-	-	-	-	-
Depart of Water Affairs (Green and Blue Drop)	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	4 125 899	344 000	-	-	(344 000)	-	-	-	-
		12 367 000	-	-	(15 785 667)	-	707 232	707 232	-
Total National Government Grants	6 083 745	62 367 954	-	-	(66 802 418)	-	1 649 281	1 649 281	-
<u>Provincial Government Grants</u>									
Housing Accreditation	370 251	2 046 669	-	19 740	(1 360 140)	-	1 076 520	1 076 520	-
Library	-	170 000	-	-	(170 000)	-	-	-	-
Near Grant	-	558 000	-	-	(558 000)	-	-	-	-
Fire Grant	-	350 000	-	-	(206 192)	-	143 808	143 808	-
Asbestos Roads	869 464	1 057 100	-	-	(1 926 564)	-	-	-	-
School Sanitation	89 770	-	-	-	(89 770)	-	-	-	-
Fencing of Roads: Candlen & Bendel	1 282 436	-	-	-	(1 282 436)	-	-	-	-
Housing Project: Vanzylsrus	3 166 303	2 631 546	-	-	(4 040 202)	-	1 757 647	1 757 647	-
Housing Sector Plan	-	417 646	-	8 623	(426 269)	-	-	-	-
Spot Regraveling	4 117 541	-	-	-	(4 117 541)	-	-	-	-
Taxi Ranks	257 974	-	-	-	(257 974)	-	-	-	-
Debushing	(1 524 957)	1 804 341	-	251	(279 635)	-	-	-	-
EPWP Incentive Grant	-	65 000	-	-	-	-	65 000	65 000	-
Main Road Maintenance	1 239 227	19 939 210	-	-	(21 178 437)	-	-	-	-
Batharhos Paving	-	1 600 000	-	-	(1 256 006)	-	343 994	343 994	-
Rural Transport	-	2 000 000	-	-	(496 106)	-	1 503 894	1 503 894	-
Total Provincial Government Grants	9 868 009	32 639 512	-	28 614	(37 645 272)	-	4 890 863	4 890 863	-
<u>Other Grant Providers</u>									
HIV AIDS Council	70 718	100 000	-	-	(5 705)	-	165 013	165 013	(96 741)
Commonage Farms	149 259	-	-	-	(246 000)	-	-	-	-
Joe Morolong Water Monitoring	13 224	296 000	-	-	(237 467)	-	71 757	71 757	-
Vanzylsrus Housing Retention	114 708	-	-	-	(114 708)	-	-	-	-
Total Other Grant Providers	347 909	396 000	-	-	(603 880)	-	140 029	236 770	(96 741)
Total Grants	16 299 663	95 403 466	-	28 614	(105 051 570)	-	6 680 173	6 776 914	(96 741)