

Annual Financial Statements

for

RICHMOND LOCAL MUNICIPALITY

for the year ended 30 June: 2012

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Mr ES Sithole
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RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

Cllr. A Ragavaloo	Mayor
Cllr. PC Ngcobo	Deputy Mayor
Cllr. T Shabalala	Speaker
Cllr. TD Kunene	Member of the Executive Committee
Cllr. KE Magubane	Member
Cllr. RB Shange	Member
Cllr. B Ngcongco	Member
Cllr. J Jili	Member
Cllr. P Moonsamy	Member
Cllr. B Ngubo	Member
Cllr. S Mdlalose	Member
Cllr. TC Madonda	Member
Cllr. M Maphumulo	Member
Cllr. BM Mngadi	Member

Municipal Manager

Mr ES Sithole

Chief Financial Officer (Acting)

Mrs H Osman

Grading of Local Authority

Grade 4

Auditors

Auditor-General

RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information (continued)

Bankers

First National Bank

Registered Office:

Memorial Hall
57 Shepstone Street
RICHMOND
3780

Physical address:

Memorial Hall
57 Shepstone Street
RICHMOND
3780

Postal address:

Private Bag x1028
RICHMOND
3780

Telephone number:

033 212 2155

Fax number:

033 212 4183

E-mail address:

halima.osman@lgnet.org.za

**RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 67, in terms of Section 126(1) of the Municipal Finance Management Act (Act no. 56 of 2003) and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: Mr. ES Sithole

31 August 2012

RICHMOND LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2012
Index

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

Index

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Accounting Policies

Notes to the Annual Financial Statements

Appendix A: Schedule of External Loans

Appendix B: Analysis of Property, Plant and Equipment

Appendix C: Segmental Analysis of Property, Plant and Equipment

Appendix D: Segmental Statement of Financial Performance

Appendix E: Disclosure of Grants in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Page

5

6

7

8

9 - 28

29 - 62

63

64

65

66

67

**RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	2012 R	2011 R Restated
ASSETS			
Current assets			
Inventories	2	175 162	171 710
Other financial assets	3	20 768	17 551
Trade and other receivables from exchange transactions	5	51 353	49 752
Other receivables from non- exchange transactions	6	3 451 556	1 348 538
VAT receivable	7	1 136 189	1 056 694
Consumer debtors	8	390 684	496 435
Cash and cash equivalents	9	37 721 545	36 386 170
		<u>42 947 257</u>	<u>39 526 850</u>
Non-current assets			
Property, plant and equipment	10	86 894 918	75 823 300
Investment property	11	4 114 853	4 114 853
Intangible assets	12	23 379	33 798
Other financial assets	3	32 633	54 922
Non current other receivables from non-exchange transactions	6	1 918 788	1 916 263
Non current consumer debtors	8	2 752 958	1 403 674
		<u>95 737 529</u>	<u>83 346 810</u>
Non-current assets held for sale	13	1 113 114	1 018 872
Total Assets		<u>139 797 900</u>	<u>123 892 532</u>
LIABILITIES			
Current liabilities			
Other financial liabilities	14	20 768	17 551
Operating lease liability	15	222 087	184 075
Current portion of finance lease obligation	16	119 594	46 164
Trade and other payables from exchange transactions	17	5 719 181	7 050 027
Unspent conditional grants and receipts	18	21 765 192	15 743 516
		<u>27 846 822</u>	<u>23 041 333</u>
Non-current liabilities			
Other financial liabilities	14	32 367	54 656
Retirement benefit obligation	19	5 297 000	3 849 564
Non current finance lease obligation	16	138 766	96 251
Provisions	20	3 589 430	3 214 300
		<u>9 057 563</u>	<u>7 214 771</u>
Total Liabilities		<u>36 904 385</u>	<u>30 256 104</u>
Net Assets		<u>102 893 515</u>	<u>93 636 428</u>
Net assets			
Accumulated surplus		102 893 515	93 636 428

**RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 R	2011 R Restated
REVENUE			
Revenue from Non-exchange Transactions		48 474 882	52 062 969
Taxation Revenue		6 908 471	5 539 594
Property rates	22	6 115 439	5 085 774
Property rates - penalties imposed and collection charges	22	793 032	453 820
Transfer Revenue		41 563 752	46 440 053
Government grants and subsidies	24	41 563 752	46 440 053
Other Revenue		2 659	83 322
Fines		2 659	83 322
Revenue from Exchange Transactions		4 781 327	5 946 171
Service charges	23	283 028	1 125 151
Rental of facilities and equipment		1 349 177	821 944
Interest earned - external investments		1 610 290	1 390 269
Interest earned - outstanding debtors		98 028	133 227
Licences and permits		489 679	1 620 880
Income from agency services		427 511	375 170
Other revenue	25	523 614	479 530
Total Revenue		53 256 209	58 009 140
EXPENDITURE			
Employee related costs	27	20 027 040	16 318 069
Remuneration of councillors	28	3 389 998	3 044 342
Debt impairment	8	473 068	1 646 091
Depreciation and amortisation	29	4 016 422	3 340 292
Collection costs		16 939	28 433
Repairs and maintenance		2 113 536	2 653 064
Finance costs	30	26 696	832
Contracted services		2 339 742	1 416 279
Grants and subsidies paid	32	64 730	93 582
Landfill Rehabilitation	20	256 130	232 846
General expenses	26	11 511 884	12 528 778
Total Expenditure		44 236 185	41 302 608
Operating Surplus for the year		9 020 024	16 706 532
(Loss)/ Gain on disposal on property, plant & equipment/Investment property		(9 200)	78 109
(Impairment loss)/ reversal on impairment loss		41 648	(148 634)
Gain on donated assets		67 930	94 466
Gain on fair valuing of assets		126 458	-
NET SURPLUS FOR THE YEAR		9 246 860	16 730 473

**RICHMOND LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012**

Balance at 1 July 2010

Interest received
Prior year adjustment

Net income (expense) recognised directly in net assets

Surplus for the year - restated (Note 45.15)

Total recognised income and expenses for the year

Total changes

Balance at 1 July 2011

Interest received
Prior year adjustment

Net income (expense) recognised directly in net assets

Surplus for the year

Total recognised income and expenses for the year

Total changes

Balance as at 30 June 2012

**Restated
Accumulated
Surplus/ (Deficit)**

R

77 059 969

9 966

(163 980)

(154 014)

16 730 473

16 576 459

16 576 459

93 636 428

10 228

(1)

10 227

9 246 860

9 257 087

9 257 087

102 893 515

**RICHMOND LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 R	2011 R Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		5 249 925	7 856 739
Grants		47 176 466	42 509 539
Interest received		1 708 318	1 523 496
Other receipts		456 551	-
Payments			
Employee costs		(21 199 992)	(18 830 351)
Suppliers		(17 183 175)	(18 361 832)
Interest paid		(26 696)	(832)
Other payments		(16 939)	-
Net cash flows from operating activities	33	<u>16 164 458</u>	<u>14 696 759</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(15 270 028)	(21 928 088)
Proceeds on disposal of property, plant and equipment		325 000	88 916
Loan repayments from financial assets		19 072	22 436
Net cashflow from investing activities		<u>(14 925 956)</u>	<u>(21 816 736)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		96 873	142 415
Net cash flows from financing activities		<u>96 873</u>	<u>142 415</u>
Net increase/ (decrease) in cash equivalents		1 335 375	(6 977 562)
Cash and cash equivalents at the beginning of the year		36 386 170	43 363 732
Cash and cash equivalents at the end of the year	9	<u>37 721 545</u>	<u>36 386 170</u>

1 Presentation of Annual Financial Statements

Basis of Presentation

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

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

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. Related Party Disclosures are in terms of IPSAS 20.

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

In the current year, the municipality has adopted the following interpretations that are effective for the current financial year and that are relevant to its operations:

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010).

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

IGRAP 3: Determining Whether an Arrangement Contains a Lease

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made;
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for

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

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds. This interpretation is not applicable to the municipality.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The municipality does not operate in a hyperinflationary economy.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP is not applicable to the municipality.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

The interpretation clarifies minimum funding requirements for a post-employment or other long-term defined benefit plan.

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

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by municipalities that undertake the construction of assets in exchange transactions directly or through subcontractors.

The standard is not applicable to the municipality.

IGRAP 9: Distributions of Non-cash Assets to Owners

This Interpretation of the Standards of GRAP is not applicable to the municipality.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of cash or items of property, plant and equipment by municipalities that receive such assets from their customers then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

The impact of the interpretation is not material.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current

IGRAP 13: Operating Leases – Incentives

This interpretation deals with the issue of how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The impact of the interpretation is not material.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

This interpretation deals with complex transactions that could indicate a leasing arrangement.

The impact of the interpretation is not material.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

This Interpretation of the Standards of GRAP is not applicable to the municipality.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been approved and are effective at a date later than that of the financial statements have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from the date announced by the Minister of Finance.

GRAP 21	Impairment of Non-cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 23	Revenue from Non-exchange Transactions - issued February 2008 - effective date from 1 July 2012
GRAP 24	Presentation of Budget Information - issued November 2007 - effective date from 1 July 2012
GRAP 26	Impairment of Cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 103	Heritage Assets - issued July 2008 - effective date from 1 July 2012

The municipality expects to adopt the above standards for the first time in the 2013 financial statements.

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

The following GRAP standards have been approved but are not yet effective nor available for early adoption and have not been considered in formulating the accounting policies. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The date is currently not available.

GRAP 25	Employee Benefits - issued March 2009
GRAP 104	Financial Instruments - issued October 2009
GRAP 105	Transfer of functions between entities under common control - issued November 2010
GRAP 106	Transfer of functions between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010

The municipality expects to adopt the standards for the first time once effective.

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

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretation not yet effective or relevant

The following GRAP standard has been approved but an effective date has not been determined and the standard is not available for use.

GRAP 18	Segment Reporting - issued February 2011
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Presentation Currency

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

Going Concern Assumption

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

Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in a note to the financial statements.

Where accounting errors or a change in accounting policy 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. Refer to Note 2 for details.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the financial statements are set out below:

Debtors and/or loans receivable

The municipality assesses its debtors and loans receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 20.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Post retirement benefits

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

Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

Effective interest rate

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

Allowance for doubtful debt

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

1.2 Property, plant and equipment

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 period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where items of property, plant and equipment 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.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.2 Property, plant and equipment (continued)

Initial recognition (continued)

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 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.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

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

Subsequent measurement

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

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

Depreciation and impairment

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to the municipality.

The annual depreciation rates are based on the following estimated asset lives:-

Item	Average useful life
Land	
• Land	Infinite
Buildings	
• Dwellings	25-30
• Non Residential Dwelling	25-30
Infrastructure	
• Cemeteries	15-30
• Electricity	15-30
• Reservoirs - Water	20-40
• Roads	15-50
• Solid Waste Disposal	10-55
Heritage	
• Heritage assets	Infinite
Other assets	
• Furniture and Office equipment	5-15
• Computer Equipment	5-10
• Machinery and Equipment	5-15
• Motor Vehicles	7
Leased assets	
• Finance leased assets	3

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

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.2 Property, plant and equipment (continued)

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising 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.

1.3 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation or both, 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 the 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 at no cost or for a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at the date of completion.

Subsequent measurement

Subsequent to initial measurement investment property is measured at cost.

1.4 Intangible assets

Initial recognition

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. Intangible assets are initially recognised at cost.

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.

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

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

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Subsequent measurement

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.

1.4 Intangible assets (continued)

Amortisation

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

Item	Useful life
Computer software, other	5 years

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

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

Derecognition

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

1.5 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

Classification

Financial assets

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted shares
- Long-term receivables
- Consumer debtors
- Other debtors
- Short-term investment deposits
- Bank balances and cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Unlisted shares	Held-to maturity investments
Long-term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Short-term investment deposits	Held-to maturity investments
Bank balances and cash	Loans and receivables

1.5 Financial instruments (continued)

Classification (continued)

Financial assets

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Trade and other payables
- Long-term liabilities
- Current portion of long term liabilities

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial and subsequent measurement

Financial assets

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Fair value determination

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

1.5 Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39

Initially financial assets are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of financial assets is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made in accordance with IAS 39.64 whereby the recoverability of financial assets (including indigent debtors) is assessed collectively after grouping the assets in financial assets with similar credit risk characteristics.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in the Statement of Financial Performance with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

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

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

Financial liabilities

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

1.5 Financial instruments (continued)

Held-to-maturity investments

Unlisted shares

The municipality holds shares in NCT Forestry Co-opt Limited due to their past forestry operations. These shares are held at cost and are not available for sale or transferable on the open market. Should the municipality member cease farming and wish to redeem the shares, this would be done at the annual meeting of members and the paid up value (cost) of the shares refunded to the member.

Loans and receivables

Trade and other receivables

Consumer and other receivables are categorised as financial assets: loans and receivables and are initially recognised at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Bad debts are written off during the year in which they are identified.

An impairment or bad debt loss is recognised when it is probable that the municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities carried at amortised cost

Trade and other payables

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairments, if any, are considered to be immaterial.

1.6 Leases

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

Finance leases - lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the 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 de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. 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 - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

Operating leases - lessor

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

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

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

1.7 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In general, the basis of allocating cost to inventory items is the weighted average method.

1.7 Inventories (continued)

Subsequent measurement

Inventories, consisting of consumable stores 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. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. 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, are 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 the cost qualifies for capitalisation to the cost of another asset.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

1.9 Impairment of assets

Cash generating assets

Identification:

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

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

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

Value in use:

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

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

1.9 Impairment of assets (continued)

Cash generating assets (continued)

Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement:

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

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

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

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

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

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

Non-cash generating assets

Identification:

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

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

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

1.9 Impairment of assets (continued)

Non-cash generating assets (continued)

Value in use:

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

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

Depreciated replacement cost approach:

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

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

Recognition and measurement:

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

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

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

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

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

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

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

1.10 Employee Benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution fund.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.10 Employee Benefits (continued)

Post retirement health care benefits

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

1.11 Provisions and contingencies

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

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.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as it occurs.

Contingent assets and liabilities are not recognised, however where material contingent liabilities are disclosed by way of note.

1.12 Revenue recognition

Revenue from exchange transactions

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

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

1.12 Revenue recognition (continued)

Revenue from non-exchange transactions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

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 assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

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

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder or detailed in the memorandum of agreement it is recorded as part of the liability otherwise it is recognised as interest earned in the Statement of Financial Performance.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 Unauthorised expenditure

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

1.16 Fruitless and wasteful expenditure

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

1.17 Irregular expenditure

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

1.18 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.19 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the

Risks and exposure are disclosed as follows:

Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

1.19 Risk management of financial assets and liabilities (continued)

Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

Market Risk

Owing to legislative restrictions the municipality has no exposure to market risk.

1.20 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

1.21 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

1.22 Budget information

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

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

1.23 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R Restated
2. Inventories		
Stationery	-	30 212
Fuel and Oil	175 162	141 498
	<u>175 162</u>	<u>171 710</u>
Inventory is carried at the lower of cost or net replacement value.		
3. Other financial assets		
At cost		
Unlisted shares	266	266
NCT Forestry Co-Operative Limited Richmond Local Municipality previously conducted farming and forestry functions, therefore they were required to be a member of the Forestry Co-opt. These shares held are non-transferable and do not accrue interest nor dividends. Should the municipality wish to cease their membership, the original cost of the shares will be refunded to the municipality.		
Loans and receivables		
Umgungundlovu District Municipality	53 135	72 207
The Richmond Local Municipality's water and sanitation services have been transferred to the district municipality during the transfer of functions and powers in the 2003/04 financial year. This transfer included a loan balance in favour of DBSA relating to water and sanitation assets. Although the loan is in the name of Richmond Local Municipality and payments are made by the Municipality, the payments of this loan are recovered from Umgungundlovu District Municipality.		
Total other financial assets	<u>53 135</u>	<u>72 207</u>
Non-current assets		
At cost	266	266
Loans and receivables	32 367	54 656
	<u>32 633</u>	<u>54 922</u>
Current assets		
Loans and receivables	20 768	17 551
Total other financial assets	<u>53 401</u>	<u>72 473</u>
Loans and receivables		
Umgungundlovu District Municipality	<u>53 135</u>	<u>72 207</u>

The fair value is determined by using the face value of capital outstanding.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
4. Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:	Loans & receivables	Total
2012		
Trade and other receivables	5 607 679	5 607 679
Cash and cash equivalents	37 721 545	37 721 545
	<u>43 329 224</u>	<u>43 329 224</u>
2011		
Trade and other receivables	3 533 630	3 533 630
Cash and cash equivalents	36 386 170	36 386 170
	<u>39 919 800</u>	<u>39 919 800</u>
5. Trade and other receivables from exchange transactions		
Trade debtors	33 838	33 054
Accrued Interest	17 515	16 698
	<u>51 353</u>	<u>49 752</u>
6. Other receivables from non-exchange transactions		
Gross balances		
Deposits	9 300	6 700
NCT debtor	921 981	498 642
Accrued Income: Housing	1 918 788	1 916 263
Umgungundlovu District Municipality	1 322 035	156 136
Other debtors	1 384 222	906 137
	<u>5 556 326</u>	<u>3 483 878</u>
Less: Provision for debt impairment		
Deposits	-	-
NCT debtor	-	-
Accrued Income: Housing	-	-
Umgungundlovu District Municipality	-	-
Other debtors	(185 982)	(219 077)
	<u>(185 982)</u>	<u>(219 077)</u>
Net balance		
Deposits	9 300	6 700
NCT debtor	921 981	498 642
Accrued Income: Housing	1 918 788	1 916 263
Umgungundlovu District Municipality	1 322 035	156 136
Other debtors	1 198 240	687 060
	<u>5 370 344</u>	<u>3 264 801</u>
Other receivables from non-exchange transactions impaired: The amount of the provision was R185 982 as at 30 June 2012 (2011: R219 077)		
Non-current assets		
Accrued Income: Housing	1 918 788	1 916 263
Current assets		
Deposits	9 300	6 700
NCT debtor	921 981	498 642
Umgungundlovu District Municipality	1 322 035	156 136
Other debtors	1 198 240	687 060
	<u>3 451 556</u>	<u>1 348 538</u>
Total other receivables from non-exchange transactions	<u>5 370 344</u>	<u>3 264 801</u>

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

7. VAT receivable

VAT	<u><u>1 136 189</u></u>
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VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services.

8. Consumer debtors

Gross balances

Rates	5 182 008
Refuse	117 625
	<u><u>5 299 633</u></u>

Less: Provision for debt impairment

Rates	(2 093 132)
Refuse	(62 859)
	<u><u>(2 155 991)</u></u>

Net balance

Rates	3 088 876
Refuse	54 766
	<u><u>3 143 642</u></u>

Rates

Current (0 -30 days)	(37 856)
31 - 60 days	148 563
61 - 90 days	116 043
91 - 120 days	109 168
121 - 365 days	4 846 090
	<u><u>5 182 008</u></u>

Refuse

Current (0 -30 days)	24 142
31 - 60 days	13 891
61 - 90 days	11 843
91 - 120 days	8 938
121 - 365 days	58 811
	<u><u>117 625</u></u>

Reconciliation of debt impairment provision

Balance at beginning of the year	(1 654 961)
Bad debts written off	5 133
Contributions to provision	(506 163)
	<u><u>(2 155 991)</u></u>

Consumer debtors pledged as security

Consumer debtors have not been pledged as security or encumbered in any way.

Consumer debtors past due but not impaired

Consumer debtors which show a history of payment are not considered to be impaired.

At 30 June 2012, R3 157 356 (2011: R1 860 241) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Amounts not past due or impaired	(13 714)
Amounts past due but not impaired	3 157 356
Amounts past due and impaired	2 155 991
	<u><u>5 299 633</u></u>

2012
 R

8. Consumer debtors (continued)

Analysis of the age of amounts past due but not impaired:

Rates

31 - 60 days	148 563
61 - 90 days	116 043
91 - 120 days	109 168
121 - 365 days	2 752 958
	<u>3 126 732</u>

Refuse

31 - 60 days	13 891
61 - 90 days	11 843
91 - 120 days	4 890
121 - 365 days	-
	<u>30 624</u>

3 157 356

Credit quality of consumer debtors

The credit quality of consumers that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other receivables from non-exchange transactions impaired:

The amount of the provision was R2 155 991 as at 30 June 2012 (2011: R1 654 961)

Impairment of debtors was performed on a portfolio basis.

Judgement and estimation was applied to determine the impairment of debtors.

A discount rate of 9% was used to determine the effect of discounting. The rate used was the interest rate applicable at 30 June 2012.

Total value of indigent consumers as at 30 June 2012 is R28 388.

Non-current assets

Rates	2 752 958
Refuse	-
	<u>2 752 958</u>

Current assets

Rates	335 918
Refuse	54 766
	<u>390 684</u>

Total consumer debtors

3 143 642

9. Cash and cash equivalents

Cash and cash equivalents consist of: cash on hand, bank balances as well as short term deposits.

Cash on hand	3 200
Bank balances	1 017 662
Short-term deposits	36 700 683
	<u>37 721 545</u>

Current assets

37 721 545

2011
R
Restated

1 056 694

3 546 200
8 870
3 555 070

(1 646 091)
(8 870)
(1 654 961)

1 900 109
-
1 900 109

39 868
156 121
125 598
174 848
3 049 765
3 546 200

-
-
-
-
8 870
8 870

(1 440)
-
(1 653 521)
(1 654 961)

39 868
1 860 241
1 654 961
3 555 070

2011
R
Restated

156 121
125 598
174 848
1 403 674
1 860 241

-
-
-
-
-

1 860 241

1 403 674
-
1 403 674

496 435
-
496 435

1 900 109

3 200
1 752 792
34 630 178
36 386 170

36 386 170

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts:

Account number / description	Bank statement balances		Cash book balances	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
FNB: 53565322104: Current Account	1 017 662	1 752 792	1 017 662	1 752 792
FNB: 61356002695: Call Account	14 472 863	1 613 217	14 472 863	1 613 217
FNB: 62117170407: Call Account	175 293	168 321	175 293	168 321
FNB: 62134473280: Call Account	226 518	216 759	226 518	216 759
FNB: 62155682844: Call Account	333 642	319 268	333 642	319 268
FNB: 62176174383: 32 day Call Account	854 946	818 112	854 946	818 112
FNB: 62202088333: 32 day Call Account	-	167 125	-	167 125
FNB: 62241817537: Call Account	473 547	905 967	473 547	905 967
FNB: 62241817727: Call Account	238 011	243 990	238 011	243 990
FNB: 74316220834: 32 day Account	-	744 291	-	744 291
FNB: 74248816230: 32 day Account	-	15 000 000	-	15 000 000
FNB: 62296629116: 32 day Account	8 406 892	2 935 949	8 406 892	2 935 949
FNB: 62352174496: Call Account	4 045 011	-	4 045 011	-
FNB: 62338525928: Call Account	86 903	-	86 903	-
Nedbank: 7165013946-001: Daily Call Account	7 115 834	11 497 179	7 115 834	11 497 179
Nedbank: 7165013946-013: Daily Call Account	271 223	-	271 223	-
	37 718 345	36 382 970	37 718 345	36 382 970

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. Property, plant and equipment

	2012			Restated 2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	8 146 584	-	8 146 584	8 146 584	-	8 146 584
Buildings	33 385 806	(3 455 667)	29 930 139	27 826 400	(2 471 693)	25 354 707
Infrastructure	51 852 720	(11 008 684)	40 844 036	45 186 399	(9 242 934)	35 943 465
Heritage	128 080	-	128 080	128 080	-	128 080
Other assets	12 172 681	(4 567 015)	7 605 666	9 768 368	(3 659 524)	6 108 844
Finance leased assets	363 952	(123 539)	240 413	149 655	(8 035)	141 620
	106 049 823	(19 154 905)	86 894 918	91 205 486	(15 382 186)	75 823 300

Reconciliation of property, plant and equipment - 2012

	Opening Balance	Additions	Assets under construction	Disposals	Transfers	Fair value adjustments	Depreciation	Impairment (loss)/ reversal	Total
Land	8 146 584	-	-	-	-	-	-	-	8 146 584
Buildings	25 354 707	5 559 406	-	-	-	-	(796 453)	(187 521)	29 930 139
Infrastructure	35 943 465	6 666 321	-	-	-	-	(1 971 813)	206 063	40 844 036
Heritage	128 080	-	-	-	-	-	-	-	128 080
Other assets	6 108 844	2 897 934	-	(334 201)	(94 175)	126 458	(1 122 233)	23 039	7 605 666
Finance leased assets	141 620	214 297	-	-	-	-	(115 504)	-	240 413
	75 823 300	15 337 958	-	(334 201)	(94 175)	126 458	(4 006 003)	41 581	86 894 918

Reconciliation of Property, plant and equipment - 2011 - Restated

	Opening Balance	Additions	Assets under construction	Disposals	Transfers	Fair value adjustments	Depreciation	Impairment (loss)/ reversal	Total
Land	8 146 584	-	-	-	-	-	-	-	8 146 584
Buildings	19 548 008	2 771 649	4 141 135	(462 239)	-	-	(643 846)	-	25 354 707
Infrastructure	25 560 532	4 195 949	8 112 884	-	-	-	(1 817 180)	(108 720)	35 943 465
Heritage	128 080	-	-	-	-	-	-	-	128 080
Other assets	4 177 547	2 800 937	-	(28 670)	-	62 668	(863 725)	(39 913)	6 108 844
Finance leased assets	-	149 655	-	-	-	-	(8 035)	-	141 620
	57 560 751	9 768 535	12 254 019	(490 909)	-	62 668	(3 332 786)	(148 633)	75 823 300

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
11. Investment property		
Carrying value of land at cost	<u>4 114 853</u>	<u>4 114 853</u>
The investment property relates to the plantation rented to NCT.		
Net income derived from this property amounts to	<u>748 339</u>	<u>304 235</u>

	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	87 482	(64 103)	23 379	87 482	(53 684)	33 798

Reconciliation of intangible assets - 2012

	Opening Balance	Transfers	Additions	Disposals	Amortisation	Total
Computer software, other	33 798	-	-	-	(10 419)	23 379

Reconciliation of intangible assets - 2011

	Opening Balance	Transfers	Additions	Disposals	Amortisation	Total
Computer software, other	26 816	-	14 485	-	(7 503)	33 798

13. Non-current assets held for sale

The municipality has resolved to dispose of redundant non-current assets. The non-current assets are to be sold piecemeal. The following categories of assets were held for sale at year end:

Land	963 384	963 384
Motor vehicles	<u>149 730</u>	<u>55 488</u>
	<u>1 113 114</u>	<u>1 018 872</u>

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R Restated
14. Other financial liabilities		
Held at amortised cost		
DBSA	<u>53 135</u>	<u>72 207</u>
<p>This loan relates to water and sanitation assets. The loan was transferred to the Umgungundlovu District Municipality together with the water and sanitation assets. The loan is in the name of Richmond Municipality, payments are made by the Municipality and recovered from Umgungundlovu District Municipality. The loans bear interest at rates between 8 and 10% per annum and are secured by the water and sewerage works.</p>		
Non current liabilities		
At amortised cost	32 367	54 656
Current liabilities		
At amortised cost	<u>20 768</u>	<u>17 551</u>
	<u>53 135</u>	<u>72 207</u>
For further details refer to Appendix A.		
15. Operating lease liability		
Current liabilities	<u>222 087</u>	<u>184 075</u>
	<u>222 087</u>	<u>184 075</u>
<p>Vacant land is being leased from Ingonyama Trust Board, on which community halls have been constructed by the Richmond Local Municipality. The lease period is 40 years with an escalation of 10% per annum. The lease rental over the contracted period is smoothed over the period of the lease. The difference between the smoothed rental and the rental paid during the year is raised as an operating lease accrual.</p>		
<p>The future minimum lease payments under a non-cancellable operating lease for the actual liability are as follows:</p>		
No later than 1 year	44 259	44 259
Later than 1 year and no later than 5 years	177 037	177 037
Later than 5 years	1 298 271	1 342 531
Total future cash flows	<u>1 519 567</u>	<u>1 563 827</u>
16. Finance lease obligation		
Minimum lease payments due		
No later than 1 year	138 018	57 108
Later than 1 year and no later than 5 years	145 734	104 775
Later than 5 years	-	-
	<u>283 752</u>	<u>161 883</u>
Less: future finance charges	<u>(25 392)</u>	<u>(19 468)</u>
Present value of minimum lease payments	<u>258 360</u>	<u>142 415</u>
Present value of minimum lease payments due		
No later than 1 year	119 594	46 164
Later than 1 year and no later than 5 years	138 766	96 251
Later than 5 years	-	-
	<u>258 360</u>	<u>142 415</u>
<p>The average lease term was 3 years and the effective borrowing rate was 9%. Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.</p>		
<p>The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. For further details refer to Appendix A.</p>		

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
17. Trade and other payables from exchange transactions		
Unallocated deposits	180 602	174 241
Leave pay accrual	1 252 416	1 010 458
Sundry payables	434 049	2 123 543
Retentions	1 322 586	1 572 722
Trade creditors	2 364 435	1 921 348
Deposits received	19 400	18 739
Payments received in advance	145 693	228 976
	<u>5 719 181</u>	<u>7 050 027</u>
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprise:		
Free Basic Electricity	-	59 831
Financial Management Grant - FMG	181 133	398 727
MSIG	90 178	61 891
Siyathuthuka Phase 1	869 969	869 969
Zwelethu Housing	305 541	290 961
Siyathuthuka Phase 2	864 261	825 659
Patheni Housing	152 109	144 469
Argossy Farm	60 398	60 398
Municipal Infrastructure Grant (MIG)	8 771 083	2 412 042
Indigent Support	-	6 022
Development Information Systems - DIS	153 502	153 502
Project Consolidated	48 380	48 380
RSDI - DC 22	-	36 125
Municipal Infrastructure Development	67 651	67 651
Public Participation	-	103 875
COGTA Ward Committee	-	3 620
Municipal Assistance Programme - Map Grant	-	93 921
Small Town Regeneration	6 115 987	10 106 473
Library Services Grant	85 000	-
DME: Electrification Grant	4 000 000	-
	<u>21 765 192</u>	<u>15 743 516</u>
Movement during the year		
Balance at the beginning of the year	15 743 516	25 663 940
Additions during the year	21 796 259	13 831 268
Income recognition during the year	(15 774 583)	(23 751 692)
	<u>21 765 192</u>	<u>15 743 516</u>

See note 24 for reconciliation of grants from National/Provincial Government
These amounts are invested in a ring-fenced investment until utilised.

Refer to appendix E for further details on grant and subsidies.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
19. Retirement benefits		
Defined benefit plan		
Post retirement medical aid plan		
<p>The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes (Bonitas, Hosmed, Keyhealth, LA Health and SAMWU), most of which offer a range of options pertaining to levels of cover. The post employment Health care benefit actuarial valuation was conducted by One Pangaea Financial. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme. Eligible In-service employees will receive a post-employment subsidy 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members receive a 60% subsidy. Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy</p>		
Movement in the defined benefit obligation:		
Balance at the beginning of the year	3 849 564	3 380 504
Current-service cost	383 000	261 557
Interest cost	372 000	308 963
Contributions (benefits paid)	(119 000)	(101 460)
Actuarial loss/ (gain)	-	-
Modelling and membership changes	276 000	-
Discount rate changes	313 000	-
Medical inflation	166 000	-
Miscellaneous	55 000	-
Other	1 436	-
Balance at end of the year	<u>5 297 000</u>	<u>3 849 564</u>
Net expense recognised in the statement of financial performance		
Current-service cost	383 000	261 557
Interest cost	372 000	308 963
Actuarial (gains) losses	-	-
Benefit Payments	(119 000)	(101 460)
Modelling and membership changes	276 000	-
Discount rate changes	313 000	-
Medical inflation	166 000	-
Miscellaneous	55 000	-
Other	1 436	-
Total (Included in employee benefits expense) Note 27	<u>1 447 436</u>	<u>469 060</u>
Key assumptions used		
Assumptions used on last valuation on 30 June 2012.		
Average retirement age	63	63
Discount rates used	8.35%	9.28%
Health care cost inflation rate	6.85%	7.35%
Net effective discount rate	1.40%	1.80%
Continuation of membership at retirement	100.00%	100.00%
Proportion assumed married at retirement	100.00%	100.00%
Proportion of eligible non-members joining the scheme by retirement	50.00%	50.00%

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

**2011
R
Restated**

19. Retirement benefits (continued)

Other assumptions:

Mortality during employment - In accordance with the SA 85-90 ultimate table

Mortality post-retirement - In accordance with the PA90-2 ultimate table (PA90-1 in prior year)

Percentage of in-service members withdrawing before retirement

Age	Withdrawal rates
20	12.00%
25	6.60%
30	5.10%
35	3.60%
40	2.60%
45	1.80%
50	1.10%
>55	0%

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

20. Provisions

Non-current liabilities

Environmental rehabilitation: Landfill site

Long service awards

2 817 430

772 000

3 589 430

2 561 300

653 000

3 214 300

Reconciliation of environmental rehabilitation provision

Opening balance

Movement

Closing balance

2 561 300

256 130

2 817 430

2 328 454

232 846

2 561 300

The landfill provision represents management's best estimate of the Municipality's liability.

The landfill site assessment was conducted by SSI Engineers & Environmental Consultants. The landfill site is expected to be fully operational until 2015 and it is assumed that the rehabilitation will only take place thereafter.

The prime rate of 10% has been used as the discounting factor in the provision.

Depreciation for the current year amounted to R465 691 (2011: R465 691).

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
20. Provisions		
Reconciliation of long service awards provision		
Opening balance	653 000	590 000
Movement	119 000	63 000
Closing balance	<u>772 000</u>	<u>653 000</u>

Employees who achieve 10 years of service will be granted 10 days leave which must be taken or encashed in the same year that the employee qualifies for the award.

Employees who achieve 15 years of service will be granted 20 days leave which must be taken or encashed in the same year that the employee qualifies for the award.

Employees who achieve 20, 25, 30, 35, 40 or 45 years of service will be granted 30 days leave which must be taken or encashed in the same year that the employee qualifies for the award.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2012 (2011: 30 June 2011). A discount rate of 8.25% was used.

21. Housing development fund

Ring-fenced internal funds and reserves within accumulated surplus

Opening balance	239 038	229 072
Interest earned	10 228	9 966
	<u>249 266</u>	<u>239 038</u>

The housing development fund is cash backed and the funds are invested in a 32 day call deposit account. Part of the funding is included in the municipality's main account.

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

22. Property rates

Rates raised

Property rates	6 115 439
Property rates - penalties imposed & collection charges	793 032
	<u>6 908 471</u>

Valuations

Residential	357 355 000
Commercial	113 597 000
Government and public sector	216 697 000
Municipal	121 399 000
Small holdings and farms	701 846 000
	<u>1 510 894 000</u>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Assessment rates are determined by applying the following cents in the rand on the market valuation:

Residential properties	0.005693
Business, commercial and industrial properties	0.011385
Agriculture properties	0.001449
State Owned property	0.011385
Public service infrastructure	0.001449
Public benefit organisation property	0.001449
Other	0.003306

Rebates are granted to:

Agricultural property owners	50%
Residential property owners	0%
Land reform, public benefit organisations, monuments, informal settlements, rural communal and municipal property owners	100%
Public service infrastructure property owners.	30%

The first R15,000 of the valuation of residential properties are exempt from the calculation of rates.

Rates are levied on an annual basis with the final date for payment being 30 June 2012 (2010: 30 June 2011).

Interest at a fixed rate of 18% per annum (2011: 18%) is levied on rates outstanding two months after due date.

23. Service charges

Refuse removal	<u>283 028</u>
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2011
R
Restated

5 085 774
453 820
5 539 594

343 810 000
113 069 000
203 146 000
59 928 000
778 806 000
1 498 759 000

0.0055
0.011
0.0014
0.011
0.0014
0.0014
0.0029

60%
20%

100%
30%

1 125 151

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

24. Government grants

Equitable share	24 863 000
Council support grant	986 000
Scholar patrol grant	23 728
Free Basic Electricity	-
Waste Management	-
Financial management grant	1 717 594
MSIG	761 713
Gijima	-
DME: Siyathuthuka Electrification	-
Zwelethu Housing	37 522
Inhlazuka Housing	1 148 611
Patheni Housing	-
St Bernard Mission	37 250
Municipal Infrastructure Grant	7 140 959
ID Registration & Distribution (DC22)	-
Indigent Support	6 022
Interdepartmental Monitoring	-
Development Information Systems	-
Spatial Planning	-
RSDI - DC 22	36 125
Municipal Infrastructure Development	-
Public Participation	103 875
Basic Bookkeeping	-
COGTA Ward Committee	3 620
Municipal assistance programme	93 921
Small Town Regeneration	4 459 279
Hiv/Aids Grant - DC 22	15 000
Library Service Grant - Staffing cost	129 533
RSDI	-
Rounding	(1)
	<u>41 563 752</u>

24.1 Equitable Share

Balance unspent at beginning of year	-
Current-year receipts	24 863 000
Conditions met - transferred to revenue	(24 863 000)
	<u>-</u>

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

In terms of council rates policy, an annual subsidy of R7 641 was received by qualifying applicants.

24.2 Council Support Grant

Balance unspent at beginning of year	-
Current-year receipts	986 000
Conditions met - transferred to revenue	(986 000)
	<u>-</u>

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

In terms of council rates policy, an annual subsidy of R7 641 was received by qualifying applicants.

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

24. Government grants (continued)

24.3 Scholar Patrol Grant

Balance unspent at beginning of year	-
Current-year receipts	23 728
Conditions met - transferred to revenue	(23 728)
	<u>-</u>

This grant is used to remunerate scholar patrols.

24.4 Free Basic Electricity

Balance unspent at beginning of year	59 831
Current-year receipts	-
Conditions met - transferred to revenue	(59 831)
Conditions still to be met - transferred to liabilities (see note 18)	-
	<u>-</u>

These funds form part of the Equitable share received by the municipality that was aside to subsidise future free basic electricity for qualifying indigents. The full amount of Equitable share was reflected in revenue in the previous years.

24.5 Department on Environment Affairs (Waste Management)

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>-</u>

Funds to be used to purchase refuse recepticals to be placed at strategic points in the Richmond CBD.

24.6 National Treasury

24.6.1 Financial Management Grant - FMG

Balance unspent at beginning of year	398 727
Current-year receipts	1 500 000
Conditions met - transferred to revenue	(1 717 594)
Conditions still to be met - transferred to liabilities (see note 18)	181 133
	<u>181 133</u>

24.6.2 MSIG

Balance unspent at beginning of year	61 891
Current-year receipts	790 000
Conditions met - transferred to revenue	(761 713)
Conditions still to be met - transferred to liabilities (see note 18)	90 178
	<u>90 178</u>

These funds are to be used for the updating of the municipality's financial policies, financial management system and fixed asset register to comply with the new GRAP standards.

The municipality has appointed service providers for some of the above projects and is in the process of appointing service providers to assist with the outstanding projects.

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

24. Government grants (continued)

24.7 Gijima

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>-</u>

These funds were utilised on the finalisation of the closeout report by Gijima (DED)

24.8 Department of Human Settlement

24.8.1 Department of Minerals and Energy Affairs (DME - Siyathuthuka Electrification)

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>-</u>

Eskom was engaged to assist with the connection of electrical power supply to residential properties.

24.8.2 Siyathuthuka Phase 1

Balance unspent at beginning of year	869 969
Current-year receipts	-
Conditions met - transferred to revenue	-
Other	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>869 969</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

24.8.3 Zwelethu Housing

Balance unspent at beginning of year	290 961
Current-year receipts	52 102
Conditions met - transferred to revenue	(37 522)
Conditions still to be met - transferred to liabilities (see note 18)	<u>305 541</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

24.8.4 Siyathuthuka Phase 2

Balance unspent at beginning of year	825 659
Current-year receipts	38 602
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>864 261</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

**2012
R**

24. Government grants (continued)

24.8.5 Inhlazuka Housing

Balance unspent at beginning of year	-
Current-year receipts	1 148 611
Conditions met - transferred to revenue	(1 148 611)
	<u>-</u>

Funds were utilised on housing projects.

24.8.6 Patheni Housing

Balance unspent at beginning of year	144 469
Current-year receipts	7 640
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>152 109</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

24.8.7 Argosy Farm

Balance unspent at beginning of year	60 398
Current-year receipts	-
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>60 398</u>

Housing projects are still work-in-progress. Funds will be utilised on the completion of these projects.

24.8.8 St Bernard Mission

Balance unspent at beginning of year	-
Current-year receipts	37 250
Conditions met - transferred to revenue	(37 250)
	<u>-</u>

Funds were utilised on housing projects.

24.8.9 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	2 412 042
Current-year receipts	13 500 000
Conditions met - transferred to revenue	(7 140 959)
Conditions still to be met - transferred to liabilities (see note 18)	<u>8 771 083</u>

Projects are work-in-progress and covers multi-fiscal years.

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R**

24. Government grants (continued)

24.10 Department of Cooperative Governance & Traditional Affairs & District Municipality

24.10.1 ID Registration & Distribution (DC 22)

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>-</u>

Waiting for the finalisation of projects as per business plans.

24.10.2 Indigent Support

Balance unspent at beginning of year	6 022
Current-year receipts	-
Conditions met - transferred to revenue	(6 022)
	<u>-</u>

Waiting for the finalisation of projects as per business plans.

24.10.3 Interdepartmental Monitoring

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>-</u>

Waiting for the finalisation of projects as per business plans.

24.10.4 Development Information Systems - DIS

Balance unspent at beginning of year	153 502
Current-year receipts	-
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>153 502</u>

Waiting for the finalisation of projects as per business plans.

24.10.5 Project Consolidated

Balance unspent at beginning of year	48 380
Current-year receipts	-
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u>48 380</u>

Waiting for the finalisation of projects as per business plans.

24.10.6 Spatial Planning

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>-</u>

Waiting for the finalisation of projects as per business plans.

2012
R

24. Government grants (continued)

24.10.7 RSDI - DC 22

Balance unspent at beginning of year	36 125
Current-year receipts	-
Conditions met - transferred to revenue	(36 125)
Conditions still to be met - transferred to liabilities (see note 18)	-

Waiting for the finalisation of projects as per business plans.

24.10.8 Municipal Infrastructure Development

Balance unspent at beginning of year	67 651
Current-year receipts	-
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	67 651

Waiting for the finalisation of projects as per business plans.

24.10.9 Public Participation

Balance unspent at beginning of year	103 875
Current-year receipts	-
Conditions met - transferred to revenue	(103 875)
	-

Waiting for the finalisation of projects as per business plans.

24.10.10 Basic Bookkeeping

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	-

Waiting for the finalisation of projects as per business plans.

24.10.11 COGTA Ward Committee

Balance unspent at beginning of year	3 620
Current-year receipts	-
Conditions met - transferred to revenue	(3 620)
	-

Waiting for the finalisation of projects as per business plans.

24.11 Municipal Assistance Programme - Map Grant

Balance unspent at beginning of year	93 921
Current-year receipts	-
Conditions met - transferred to revenue	(93 921)
	-

Utilised on Municipal Assistance projects.

**2012
R**

24. Government grants (continued)

24.12 Small Town Regeneration

Balance unspent at beginning of year	10 106 473
Current-year receipts	-
Conditions met - transferred to revenue	(4 459 279)
Other	468 793
Conditions still to be met - transferred to liabilities (see note 18)	<u><u>6 115 987</u></u>

The projects have been advertised and the SCM process is still in progress.

24.13 Library Services Grant

Balance unspent at beginning of year	-
Current-year receipts	85 000
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u><u>85 000</u></u>

This grant is for the position of a cyber cadet officer. (IT Officer)

24.14 DME: Electrification Grant

Balance unspent at beginning of year	-
Current-year receipts	4 000 000
Conditions met - transferred to revenue	-
Conditions still to be met - transferred to liabilities (see note 18)	<u><u>4 000 000</u></u>

This grant is for the electrification of houses.

24.15 HIV/AIDS Grant - DC 22

Balance unspent at beginning of year	-
Current-year receipts	15 000
Conditions met - transferred to revenue	(15 000)
	<u><u>-</u></u>

This grant is the for HIV/AIDS programmes.

24.16 Library Services Grant - Staffing costs

Balance unspent at beginning of year	-
Current-year receipts	129 533
Conditions met - transferred to revenue	(129 533)
	<u><u>-</u></u>

This grant was used to offset salary costs

24.17 RSDI

Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u><u>-</u></u>

This grant was used for capital additions

2011
R

20 834 558
849 000
21 851
1 120 276
1 957
2 122 666
815 728
127 962
283 700
166 743
835 650
36 375
-
9 020 348
25 000
7 641
673
18 992
1 868
4 000
77 541
-
4 064
10 860
295 591
9 427 684
-
-
329 325
-

46 440 053

-
20 834 558
(20 834 558)
-

-
849 000
(849 000)
-

2011
R

-
21 851
(21 851)
-

1 180 107
-
(1 120 276)
59 831

1 957
-
(1 957)
-

1 021 393
1 500 000
(2 122 666)
398 727

127 619
750 000
(815 728)
61 891

2011
R

26 547
101 415
(127 962)
-

283 700
-
(283 700)
-

197 571
-
-
672 398
869 969

424 607
33 097
(166 743)
290 961

788 044
37 615
-
825 659

2011
R

-
835 650
(835 650)
-

171 715
9 129
(36 375)
144 469

60 398
-
-
60 398

-
-
-
-

1 787 390
9 645 000
(9 020 348)
2 412 042

2011
R

-
25 000
(25 000)
-

13 663
-
(7 641)
6 022

673
-
(673)
-

172 494
-
(18 992)
153 502

48 380
-
-
48 380

1 868
-
(1 868)
-

2011
R

-
40 125
(4 000)
36 125

145 192
-
(77 541)
67 651

103 875
-
-
103 875

4 064
-
(4 064)
-

-
14 480
(10 860)
3 620

389 512
-
(295 591)
93 921

2011
R

18 713 170
-
(9 427 684)
820 987
10 106 473

-
-
-
-

-
-
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-

-
-
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-
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-

-
329 325
(329 325)
-

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
25. Other revenue		
Management fee	79 860	72 600
Impound - Motor Vehicles	3 799	4 726
Impound - Animals	6 620	5 044
Refuse bags	1 827	1 134
Cemetery levy	27 753	34 450
Plot clearing	79 840	-
Insurance claims	-	137 274
Re-imbursive costs	91 831	94 375
SETA refund	103 981	28 851
Tender deposit	63 158	55 233
Sundry income	64 945	45 843
	<u>523 614</u>	<u>479 530</u>
26. General expenses		
Advertising	292 779	191 221
Auditors remuneration	532 817	405 754
Bank charges	54 389	53 810
Bursary	79 845	14 442
Spacial development framework	281 600	-
Cleaning	103 512	52 731
Conferences and seminars	54 855	52 415
Consulting and professional fees	219 544	561 343
Electricity	839 886	753 042
Employment agencies	286 695	-
Entertainment	55 741	37 092
Fuel and oil	971 810	674 335
Government grant expenditure - Financial Management Grant (FMG)	1 717 593	2 077 072
Government grant expenditure - Free basic Electricity	622 613	1 120 276
Government grant expenditure - Free Basic Services	10 576	1 033 963
Government grant expenditure - Inhlazuku Housing	1 148 611	835 649
Government grant expenditure - Management Assistance Program (MAP)	93 921	257 018
Government grant expenditure - MSIG	574 642	688 109
Government grant expenditure - Siyathuthuka Electrification	-	283 700
Government grant expenditure - Other	325 032	614 156
Insurance	347 447	243 800
Kwanaloga games	100 599	90 321
Lease rentals on operating expenses	155 981	426 131
Marketing	129 551	91 455
Motor vehicle expenses	88 067	73 905
Other expenses	683 427	943 397
Postage and courier	50 874	50 191
Printing and stationery	186 807	179 417
SALGA levies	110 000	100 000
Subscriptions and membership fees	2 340	1 892
Subsistence, travel and accommodation	338 589	408 093
Telephone and fax	200 536	214 048
Valuation roll	851 205	-
	<u>11 511 884</u>	<u>12 528 778</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
27. Employee related costs		
Basic	13 259 562	10 800 050
Acting allowance	55 505	17 791
Bonus	716 128	624 823
Medical aid - company contributions	783 210	798 181
UIF	108 397	110 154
WCA	125 294	101 075
SDL	151 304	132 894
Pension	1 501 738	1 486 292
Post-employment benefits - Medical Aid - Defined benefit plan	1 447 436	469 060
Contribution to long service awards provision	119 000	63 000
Leave encashment	709 000	649 829
Job evaluation	111 753	-
Travel, motor car, accomodation, subsistence and other allowances	357 870	528 444
Overtime payments	393 939	404 487
Housing benefits and allowances	19 491	34 372
Uniforms	162 206	92 487
Levies	5 207	5 130
	<u>20 027 040</u>	<u>16 318 069</u>
Remuneration of Municipal Manager		
Annual Remuneration	631 472	583 711
Housing Allowance	18 000	18 000
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	26 772	18 289
	<u>796 244</u>	<u>740 000</u>
Remuneration of Chief Finance Officer		
Annual Remuneration	283 700	475 452
Car Allowance	18 000	36 000
Contributions to UIF, Medical and Pension Funds	44 274	88 548
	<u>345 974</u>	<u>600 000</u>
Remuneration of Strategic Manager: Corporate Services		
Annual Remuneration	525 746	487 014
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	50 734	52 986
	<u>636 480</u>	<u>600 000</u>
Remuneration of Strategic Manager: Community Services		
Annual Remuneration	502 000	465 895
Car Allowance	60 000	63 000
Contributions to UIF, Medical and Pension Funds	74 480	71 105
	<u>636 480</u>	<u>600 000</u>
Remuneration of Strategic Manager: Technical Services		
Annual Remuneration	518 379	486 989
Car Allowance	30 000	30 500
Contributions to UIF, Medical and Pension Funds	88 101	82 511
	<u>636 480</u>	<u>600 000</u>
28. Remuneration of councillors		
Mayor	607 226	570 336
Deputy Mayor	280 982	265 297
Exco	264 155	249 744
Speaker	280 982	265 297
Councillors	1 956 653	1 693 668
	<u>3 389 998</u>	<u>3 044 342</u>

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R Restated
28. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor is full time and is provided with an office and secreterial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
The Mayor has one full time bodyguard and a full time driver. The Deputy Mayor has one full-time bodyguard/driver.		
29. Depreciation and amortisation		
Property, plant and equipment	4 006 003	3 332 788
Intangible assets	10 419	7 504
	<u>4 016 422</u>	<u>3 340 292</u>
Refer to reconciliation of carrying amounts in note 3 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.		
30. Finance costs		
Non-current liabilities	<u>26 696</u>	<u>832</u>
31. Auditors' remuneration		
Fees	<u>532 817</u>	<u>405 754</u>
32. Grants and subsidies paid		
Museum subsidy	53 880	93 582
Richmond Tourism	10 850	
	<u>64 730</u>	<u>93 582</u>
Items and artefacts are on display at the Museum. This attracts local and foreign tourists. The grant is to assist with the day to-day operations of the museum.		

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
33. Cash generated from (used in) operations		
Surplus (deficit)	9 246 860	16 730 473
Adjustments for:		
Depreciation and amortisation	4 016 422	3 340 292
Loss/ (Gain) on sale of non-current assets and disposal groups	9 200	(78 109)
Housing operating Income	10 228	-
Increase in provision for debt impairment	328 441	-
Prior year errors		799 256
Movements in operating lease assets and accruals	38 012	38 580
Impairment of assets	(41 648)	148 634
Gain on donated assets	(67 930)	(94 466)
Gain on fair valuing assets	(126 458)	-
Contribution to retirement benefit obligation	1 447 436	469 060
Contribution to landfill provision	256 130	232 846
Contribution to long service awards provision	119 000	63 000
<i>Working Capital Movements</i>		
Inventories	(3 452)	(58 948)
Trade and other receivables from exchange transactions	(1 601)	155 638
Trade and other receivables from non-exchange transactions	(2 072 448)	(221 461)
Consumer debtors	(1 744 563)	828 004
VAT receivable	(79 495)	823 147
Trade and other payables from exchange transactions	(1 330 846)	(204 856)
Unspent conditional grants and receipts	6 021 676	(9 920 422)
	<u>16 024 964</u>	<u>13 050 668</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
34. Capital Commitments		
Authorised capital expenditure:		
Already contracted for but not provided for		
Property, plant and equipment	<u>16 056 872</u>	<u>19 380 139</u>
<p>The municipality currently has five housing projects in progress, namely Siyathuthuka Phase 1 and Phase 2, Zwelethu, Patheni, Retail Market and Sidewalks and Stormwater Drainage.</p> <p>This committed expenditure relates to property, plant and equipment and will be financed by grants and subsidies received from National and Provincial Government.</p>		
Operating leases - as lessee (expense)		
Refer to Note 9 for details		
Operating leases - as lessor (income)		
<p>The municipality leased vacant land to a property developer whom has developed a shopping complex. The lease agreement has a term of 70 years. There are no contingent rents receivable. Due to the financial difficulties experienced by the lessee, the lease rental was renegotiated by the lessee and the municipality. The municipality has granted the lessee a relief period of 12 to 24 months to pay an agreed lower rental, linked to turnover. Thereafter, the terms and conditions of the original agreement will apply. Due to the changes of the original agreement and economic activities in Richmond town, rentals will be recognised when the lessee is invoiced and will not be smoothed over the period of the lease.</p>		
35. Contingencies		
35.1 Contingent assets		
In respect of the prior year fruitless and wasteful expenditure referred to in note 40.2 the amount of R19 305 was recovered from the employee concerned in July 2012 .	<u>19 305</u>	<u>242</u>
	<u>19 305</u>	<u>242</u>
35.2 Contingent liabilities		
<p>Council provided letters of suretyship to financial institutions to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act.</p> <p>These amounts have been secured against the staff member's pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members personal files.</p>		
Name of staff member		
BV Rajoo	10 000	10 000
BG Kunene	12 000	12 000
	<u>22 000</u>	<u>22 000</u>
36. Related Parties		
<p>There are no related parties for Richmond for the current year and prior year.</p> <p>Details of remuneration of key management and councillors is disclosed in Note 27 and Note 28. No benefits were paid to spouses and dependants of key management or councillors.</p>		

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
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Restated

37. Risk Management

Financial Risk Management Objectives

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.

37.1 Maximum credit risk exposure

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Cash and Cash Equivalents	37 721 545	36 386 170
Trade and other receivables	3 502 909	1 398 290
Other: Financial assets	20 768	17 551
Maximum Credit Exposure	<u>41 245 222</u>	<u>37 802 011</u>

37.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Unspent Grants are cashed back. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after

Trade and other payables	4 121 070	5 617 613
Other: Financial liabilities and lease obligations	362 449	247 790
Maximum Liquidity Exposure	<u>4 483 519</u>	<u>5 865 403</u>

37.3 Interest rate risk

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

At year end, financial instruments exposed to interest rate risk were as follows:

Bank Balances and Cash	37 721 545	36 386 170
Maximum Interest Exposure	<u>37 721 545</u>	<u>36 386 170</u>

38. Going concern

We draw attention to the fact at 30 June 2012, the municipality had an accumulated surplus of R104 339 737 and that the municipality's total assets exceed its liabilities by R104 339 737.

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

39. Events after reporting date

No significant events were identified after the reporting date that requires disclosure in the financial statements for the year ended 30 June 2012.

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R Restated
40. Unauthorised, Irregular, Fruitless and Wasteful expenditure		
40.1 Unauthorised expenditure		
Finance costs	14 696	-
	<u>14 696</u>	<u>-</u>

The unauthorised expenditure relates to expenditure incurred that exceeded the budget. No criminal or disciplinary steps were taken.

40.2 Fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure	19 305	242
Approved / condoned by Council	-	-
To be recovered - contingent asset	(19 305)	(242)
To be condoned by Council	<u>-</u>	<u>-</u>

Incident - 2010/11

Relates to expenditure which was incurred as a result of the late payment for the municipal vehicle licence.

Action

Council has recovered this amount from the employees in July 2011.

Incident - 2011/12

Relates to expenditure which was incurred as a result of the late payment for the municipal vehicle licence, traffic fines and interest on overdue account.

Action

Council has recovered this amount from the employees in July 2012. No disciplinary action was taken against the employees.

40.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure for the current year	-	-
Approved / condoned by Council	-	-
To be condoned by Council	<u>-</u>	<u>-</u>

41. Reconciliation of budget surplus with the surplus in the statement of financial performance

	2012
Net surplus per the statement of financial performance	9 246 860
Adjusted for:	
Loss on the sale of assets	9 200
Impairments recognised/ reversed	(41 648)
Gain on donated assets	(67 930)
Fair value adjustments	(126 458)
Decrease in provisions	467 935
Variance between revenue budgeted for and revenue received	11 142 457
Variance between expenditure budgeted for and expenditure incurred	(5 364 651)
Net surplus per approved budget	15 265 765

Refer to Note 43 for the comparison of actual operating expenditure versus budgeted expenditure.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R Restated
42. Additional disclosure in terms of Municipal Finance Management Act (Act no. 56 of 2003)		
42.1 Audit fees		
Opening balance	-	-
Current year subscription / fee	532 817	405 754
Amount paid - current year	<u>(532 817)</u>	<u>(405 754)</u>
Balance unpaid (included in trade payables)	<u>-</u>	<u>-</u>
42.2 PAYE and UIF		
Opening balance	-	-
Current year subscription / fee	2 707 485	2 461 967
Amount paid - current year	<u>(2 707 485)</u>	<u>(2 461 967)</u>
Balance unpaid (included in trade payables)	<u>-</u>	<u>-</u>
42.3 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year subscription / fee	4 083 414	3 705 716
Amount paid - current year	<u>(4 083 414)</u>	<u>(3 705 716)</u>
Balance unpaid (included in trade payables)	<u>-</u>	<u>-</u>
42.4 VAT		
VAT received	<u>3 123 550</u>	<u>1 056 694</u>
VAT output payables and VAT input receivables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.		
42.4 Supply chain management regulation		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by the Council. The expenses incurred as listed hereunder have been condoned.		
Total amount considered	985 450	631 050
Total amount condoned	<u>(985 450)</u>	<u>(631 050)</u>
Deviations awaiting authorisation	<u>-</u>	<u>-</u>

43. Actual operating expenditure versus budgeted operating expenditure

Description	2011/12 Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanation of significant Variances greater than 10% versus Final Budget
	R	R	R	R	R	R	%	%	
Financial Performance									
Revenue									
Property rates	6 000 000	-	6 000 000	6 115 439		115 439	102%	102%	Raising of interim valuations
Service charges	524 880	(235 000)	289 880	283 028		(6 852)	98%	54%	
Property rates - penalties imposed & collection charges	300 000	20 000	320 000	793 032		473 032	248%	264%	Due to non payment of rates
Interest earned - outstanding debtors	51 140	20 000	71 140	98 028		26 888	138%	192%	Due to non payments of accounts
Interest earned - external investments	1 200 000	100 000	1 300 000	1 610 290		310 290	124%	134%	Year end accruals outstanding
Fines	406 000	(402 000)	4 000	2 659		(1 341)	66%	1%	
Government grants and subsidies	50 022 194	3 912 362	53 934 556	41 563 752		(12 370 804)	77%	83%	
Licences and permits	2 008 770	(1 500 000)	508 770	489 679		(19 091)	96%	24%	Dependant on demand
Income for agency services	355 590	114 860	470 450	427 511		(42 939)	91%	120%	
Rental of facilities and equipment	840 100	210 500	1 050 600	1 349 177		298 577	128%	161%	Due to delays in transfer of "golf course" & property & shops not occupied
Other revenue	5 240 196	(4 790 926)	449 270	523 614		74 344	117%	10%	Donations library services not budgeted for - item as per GRAP
Total Revenue (excluding capital transfers & contributions)	66 948 870	(2 550 204)	64 398 666	53 256 209		(11 142 457)	83%	80%	
Expenditure									
Employee related costs	20 163 840	(727 430)	19 436 410	20 027 040	-	590 630	103%	99%	
Remuneration of councillors	3 306 670	100 504	3 407 174	3 389 998	-	(17 176)	99%	100%	
General expenditure & landfill rehabilitation	15 229 050	497 116	15 726 166	11 768 014	-	(3 958 152)	75%	77%	
Repairs and maintenance	2 550 710	(262 739)	2 287 971	2 113 536	-	(174 435)	92%	83%	
Depreciation and amortisation	4 694 670	-	4 694 670	4 016 422	-	(678 248)	86%	86%	
Debt Impairment	-	-	-	473 068	-	473 068	0%	0%	
Finance charges	-	12 000	12 000	26 696	14 696	14 696	222%	0%	GRAP implementation
Collection costs	150 000	(61 000)	89 000	16 939	-	(72 061)	19%	11%	Commission based
Contracted services	2 964 760	440 870	3 405 630	2 339 742	-	(1 065 888)	69%	79%	
Grants and subsidies paid	85 980	(12 100)	73 880	64 730	-	(9 150)	88%	75%	
Total Expenditure	49 145 680	(12 779)	49 132 901	44 236 185	14 696	(4 237 381)	90%	90%	
Surplus/(Deficit)	17 803 190	(2 537 425)	15 265 765	9 020 024	-	(6 245 741)	59%	51%	
Loss on disposal of property, plant and equipment (Impairment loss)/ reversal on impairment loss				(9 200)	-	(9 200)	100%	100%	
Gain on donated assets				41 648	-	41 648	100%	100%	
Gain on fair valuing of assets				67 930	-	67 930	100%	100%	
				126 458	-	126 458	100%	100%	
Surplus/ (Deficit)	17 803 190	(2 537 425)	15 265 765	9 246 860	-	(6 018 905)	61%	52%	

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

44. Actual capital expenditure versus budgeted capital expenditure

	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance
Executive and council	388 418		388 418	403 000	(14 582)	-4%
LED	158 268		158 268	160 820	(2 552)	-2%
Corporate services	477 129		477 129	609 800	(132 671)	-22%
Financial services	265 391		265 391	59 200	206 191	348%
Sport & recreation	152 715	1 905 622	2 058 337	4 391 165	(2 332 828)	-53%
Town planning	194 967		194 967	222 135	(27 168)	-12%
Community & social services	231 197	499 924	731 121	1 155 981	(424 860)	-37%
Public safety	226 724		226 724	231 562	(4 838)	-2%
Technical	189 699	112 349	302 048	304 800	(2 752)	-1%
Roads	1 762 222	8 705 403	10 467 625	16 641 011	(6 173 386)	-37%
Computer and furniture	67 930		67 930	-	67 930	100%
	4 114 659	11 223 299	15 337 958	24 179 474	(8 841 516)	

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2011 R Restated
45. Change in accounting policies and prior year adjustments		
The following adjustments were made to amounts previously reported in the annual financial statements as a result of the correction of prior year errors.		
45.1 Other receivables from non-exchange transactions	6	
Balance as previously stated - 30 June 2011		3 264 838
Correction of prior year error		
Correction of sundry debtors		113
Correction of sundry debtors		(150)
Restated balance as at 30 June 2011		<u><u>3 264 801</u></u>
45.2 VAT receivable	7	
Balance as previously stated - 30 June 2011		1 057 280
Correction of prior year error		
Correction of sundry debtors		(586)
Restated balance as at 30 June 2011		<u><u>1 056 694</u></u>
45.3 Consumer debtors	8	
Balance as previously stated - 30 June 2011		3 541 022
Correction of prior year error		
Correction of rates debtors		5 178
Increase in provision for doubtful debts		(1 646 091)
Restated balance as at 30 June 2011		<u><u>1 900 109</u></u>
45.4 Property, plant and equipment	10	
Balance as previously stated - 30 June 2011		95 280 856
Correction of prior year error		
Reversal of asset incorrectly fair valued		(125 010)
Capitalising assets donated to library		94 466
Correction of value capitalised for switchboard		8 388
Leased asset capitalised		61 636
Re-classification of land as investment property		(4 114 853)
Rounding difference		3
Restated balance as at 30 June 2011		<u><u>91 205 486</u></u>

**RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2011 R Restated
45. Change in accounting policies and prior year adjustments (continued)		
45.5 Accumulated depreciation	10	
Balance as previously stated - 30 June 2011		14 643 095
Correction of prior year error		
Depreciation on donated assets		8 129
Depreciation on leased assets for May and April 2011		3 937
Depreciation for June 2011 previously not raised		261 335
Depreciation of landfill site for 2010/11		465 691
Rounding difference		(1)
Restated balance as at 30 June 2011		<u><u>15 382 186</u></u>
45.6 Investment property	11	
Balance as previously stated - 30 June 2011		-
Correction of prior year error		
Re-classification of land as investment property		4 114 853
Restated balance as at 30 June 2011		<u><u>4 114 853</u></u>
45.7 Accumulated amortisation	12	
Balance as previously stated - 30 June 2011		53 060
Correction of prior year error		
Amortisation for June 2011 previously not raised		624
Restated balance as at 30 June 2011		<u><u>53 684</u></u>
45.8 Other financial assets	3	
Balance as previously stated - 30 June 2011		77 359
Correction of prior year error		
Correction of opening balance for Loans and receivables		(4 886)
Restated balance as at 30 June 2011		<u><u>72 473</u></u>
45.9 Finance lease obligation	16	
Balance as previously stated - 30 June 2011		79 168
Correction of prior year error		
Correction of liability capitalised incorrect amount		8 388
Capital redemption on switchboard for June 2011		(2 143)
Correction of interest incorrectly calculated for switchboard for May 2011		(107)
Correction on capitalisation of asset		61 636
Allocation of capital redemption on asset leased from Nashua		(4 527)
Restated balance as at 30 June 2011		<u><u>142 415</u></u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2011 R Restated
45. Change in accounting policies and prior year adjustments (continued)		
45.10 Trade and other payables from exchange transactions	17	
Balance as previously stated - 30 June 2011		7 024 939
Correction of prior year error		
Contract services not paid in previous years		35 500
Reversal of retention incorrectly raised		(13 211)
Installment for lease of switchboard for June 2011		2 799
Restated balance as at 30 June 2011		<u><u>7 050 027</u></u>
45.11 Other financial liabilities	14	
Balance as previously stated - 30 June 2011		77 093
Correction of prior year error		
Correction of opening balance		(4 886)
Restated balance as at 30 June 2011		<u><u>72 207</u></u>
45.12 Provision for rehabilitation of landfill site	20	
Balance as previously stated - 30 June 2011		2 817 429
Correction of prior year error		
Reversal of contribution for 2009/10		(232 845)
Correction of the contribution for 2010/11		(23 284)
Restated balance as at 30 June 2011		<u><u>2 561 300</u></u>
45.13 Provision for long service awards	20	
Balance as previously stated - 30 June 2011		-
Correction of prior year error		
Recognition of liability at 30 June 2010		590 000
Expenses 2010/11		63 000
Restated balance as at 30 June 2011		<u><u>653 000</u></u>
45.14 Accumulated surplus		
Restated balance as at 1 July 2010		77 422 530
Correction of prior year error		
Contract services for 2009/10 previously not paid		(34 410)
Reversal of asset incorrectly fair valued		(125 010)
Reversal of contribution to landfill site provision for 2009/10		232 845
Long service award provision - recognition of liability at 30 June 2010		(590 000)
Surplus for the year - restated (Note 45.15)		16 730 473
Restated balance as at 30 June 2011		<u><u>93 636 428</u></u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2011 R Restated
45. Change in accounting policies and prior year adjustments (continued)		
45.15 Surplus for the year		
Surplus for the year as as previously stated		19 040 873
Correction of prior year errors		
Contract services for 2010/11 previously not paid		(1 090)
Correction of rates debtors		5 178
Additional contribution to provision for doubtful debts for 2010/11		(1 646 091)
Correction of sundry debtors		113
Correction of sundry debtors		(150)
Interest expense on switchboard for June 2011		(656)
Correction of interest expense on switchboard for May 2011		107
Allocation of capital redemption on leased asset to finance lease obligation		4 527
Additional contribution to landfill site provision for 2010/11		23 284
Reversal of retention raised through general expenses		13 211
VAT not claimed on contracted services		(586)
Gain on assets donated		94 466
Depreciation on donated assets		(8 129)
Depreciation on leased assets for May and April 2011		(3 937)
Depreciation for June 2011 previously not raised		(261 335)
Amortisation for June 2011 previously not raised		(624)
Depreciation of landfill site for 2010/11		(465 691)
Long service award provision - expenses for 2010/11		(63 000)
Rounding difference - assets		3
Surplus for the year as restated		<u><u>16 730 473</u></u>

RICHMOND LOCAL MUNICIPALITY
APPENDIX A - SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2012

	Escalation %	Redeemable	Loan/Serial Number	Balance at 30/06/2011 (Restated)	Additions for the year	Redeemed or written off during the year	Balance at 30/06/2012
External Loans							
Development Bank of South Africa							
DBSA @ 8.80%		30/06/2014	25765	72 207		19 072	53 135
Finance lease liability							
Gracan - IP communications platform	0%	31/05/2014		85 306	214 297	27 006	58 300
Konica Minolta - Photocopier	10%	31/07/2014	P041000992X/WZ1000885		96 344	23 463	72 881
Konica Minolta - Photocopier	10%	31/07/2014	F041005192/3WY1123986/4WYZ000345		36 011	8 770	27 241
Konica Minolta - Photocopier	10%	31/07/2014	F041005105/3WY1123994/4WYZ000344		41 798	10 179	31 619
Konica Minolta - Photocopier	10%	31/07/2014	F041004914/3WY1103564/4WY1000739		40 144	9 776	30 368
Nashua - Photocopier	0%	31/03/2014		57 109		19 158	37 951
TOTAL				214 622	214 297	117 424	311 495

RICHMOND LOCAL MUNICIPALITY
APPENDIX B - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Cost					Accumulated Depreciation					Impairment/ (Reversal) of impairment loss R	Closing Balance R	Carrying Value R	
	Opening Balance R	Additions R	Projects released R	Disposals R	Transfers	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Transfers				
Land														
Land	8 146 584	-	-	-	-	8 146 584	-	-	-	-	-	-	-	8 146 584
Buildings														
Buildings - Dwelling	217 295	-	-	-	-	217 295	(53 656)	(7 727)	-	-	(52 500)	(113 883)	-	103 412
Buildings - Non residential dwellings	21 303 957	207 124	3 137 102	-	-	24 648 183	(2 418 037)	(788 726)	-	-	(135 021)	(3 341 784)	-	21 306 399
Assets under construction	6 305 148	5 352 282	(3 137 102)	-	-	8 520 328	-	-	-	-	-	-	-	8 520 328
	27 826 400	5 559 406	-	-	-	33 385 806	(2 471 693)	(796 453)	-	-	(187 521)	(3 455 667)	-	29 930 139
Infrastructure														
Cemeteries	4 608	-	-	-	-	4 608	(1 241)	(154)	-	-	(2 060)	(3 455)	-	1 153
Electricity	734 114	4 880	-	-	-	738 994	(591 336)	(49 150)	-	-	-	(640 486)	-	98 508
Reservoirs - water	80 032	-	-	-	-	80 032	(16 855)	(1 604)	-	-	-	(18 459)	-	61 573
Roads	32 710 719	31 684	2 637 697	-	-	35 380 100	(7 969 321)	(1 390 991)	-	-	201 395	(9 158 917)	-	26 221 183
Solid waste disposal	3 139 738	-	-	-	-	3 139 738	(664 181)	(529 914)	-	-	6 728	(1 187 367)	-	1 952 371
Assets under construction	8 517 188	6 629 757	(2 637 697)	-	-	12 509 248	-	-	-	-	-	-	-	12 509 248
	45 186 399	6 666 321	-	-	-	51 852 720	(9 242 934)	(1 971 813)	-	-	206 063	(11 008 684)	-	40 844 036
Heritage Assets	128 080	-	-	-	-	128 080	-	-	-	-	-	-	-	128 080
Other Assets														
Furniture and Office equipment	1 657 374	224 570	-	-	-	1 881 944	(837 495)	(199 361)	-	-	(8 191)	(1 045 047)	-	836 897
Computer Equipment	1 151 796	314 146	-	-	-	1 465 942	(623 322)	(175 398)	-	-	(3 880)	(802 600)	-	663 342
Machinery and Equipment	3 233 975	642 696	-	-	-	3 876 671	(1 344 597)	(252 345)	-	-	35 082	(1 561 860)	-	2 314 811
Motor vehicles	3 725 223	1 842 980	-	(385 079)	(235 000)	4 948 124	(854 110)	(495 129)	50 878	140 825	28	(1 157 508)	-	3 790 616
	9 768 368	3 024 392	-	(385 079)	(235 000)	12 172 681	(3 659 524)	(1 122 233)	50 878	140 825	23 039	(4 567 015)	-	7 605 666
Finance Lease Assets														
Office equipment	149 655	214 297	-	-	-	363 952	(8 035)	(115 504)	-	-	-	(123 539)	-	240 413
Total Property, Plant & Equipment	91 205 486	15 464 416	-	(385 079)	(235 000)	106 049 823	(15 382 186)	(4 006 003)	50 878	140 825	41 581	(19 154 905)	-	86 894 918
Intangible Assets														
Computers - Software & programming	87 482	-	-	-	-	87 482	(53 684)	(10 419)	-	-	-	(64 103)	-	23 379
Assets Held for sale	1 060 274	-	-	-	235 000	1 295 274	(41 402)	-	-	(140 825)	67	(182 160)	-	1 113 114
	1 147 756	-	-	-	235 000	1 382 756	(95 086)	(10 419)	-	(140 825)	67	(246 263)	-	1 136 493
Total	92 353 242	15 464 416	-	(385 079)	-	107 432 579	(15 477 272)	(4 016 422)	50 878	-	41 648	(19 401 168)	-	88 031 411

RICHMOND LOCAL MUNICIPALITY
APPENDIX C - SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation				Accumulated Depreciation				Carrying value R	
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Impairment loss/Reversal of impairment loss R		Closing Balance R
Council & Executive	524 723	550 980		1 075 703	(229 877)	(164 656)		(330)	(394 863)	680 840
Financial Services	14 665 415	375 934		15 041 349	(502 026)	(188 470)		(5 059)	(695 555)	14 345 794
Technical Services	59 718 395	11 215 130	(385 079)	70 548 446	(11 335 408)	(2 728 911)	50 878	106 025	(13 907 416)	56 641 030
Community & Social Services	20 351 549	3 072 215		23 423 764	(2 767 910)	(789 073)		(58 989)	(3 615 972)	19 807 792
Public Safety	1 208 013	250 157		1 458 170	(642 051)	(145 312)		1	(787 362)	670 808
Total	96 468 095	15 464 416	(385 079)	111 547 432	(15 477 272)	(4 016 422)	50 878	41 648	(19 401 168)	92 146 264
									Property, plant and equipment	86 894 918
									Investment property	4 114 853
									Intangible assets	23 379
									Assets held for sale	1 113 114
										92 146 264

RICHMOND LOCAL MUNICIPALITY
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Revenue R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Revenue R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
849 000	3 582 285	(2 733 285)	Council's General Expences	986 000	3 818 774	(2 832 774)
-	1 337 764	(1 337 764)	Municipal Manager	-	1 657 129	(1 657 129)
31 392 874	8 019 579	23 373 295	Financial Services	35 368 119	7 826 573	27 541 546
338 376	3 766 828	(3 428 452)	Corporate Services	307 797	4 356 212	(4 048 415)
25 000	1 451 146	(1 426 146)	Community Services	515 000	2 835 121	(2 320 121)
1 322 467	1 309 256	13 211	Housing	1 223 383	1 223 383	-
56 570	121 061	(64 491)	Cemetery	46 577	113 917	(67 340)
104 755	812 945	(708 190)	Library	207 411	986 707	(779 296)
129 282	1 260 071	(1 130 789)	Community Halls & Facilities	153 440	1 922 526	(1 769 086)
478 346	606 125	(127 779)	Buildings	573 701	1 144 176	(570 475)
148 822	480 678	(331 856)	Planning & Development	-	674 377	(674 377)
18 559 558	3 100 540	15 459 018	Technical Services	11 083 654	3 135 667	7 947 987
334 378	340 518	(6 140)	Local Economic Development	50 899	557 824	(506 925)
122 656	1 622 501	(1 499 845)	Police	39 739	1 915 601	(1 875 862)
-	837 350	(837 350)	Security	-	1 000 998	(1 000 998)
1 549 473	514 392	1 035 081	Learners Licences	413 664	642 899	(229 235)
-	6 213 726	(6 213 726)	Roads	-	5 232 254	(5 232 254)
375 170	220 459	154 711	Vehicle Licensing and Testing	427 511	289 166	138 345
310 375	1 239 521	(929 146)	Sport & Recreation	836 186	1 461 157	(624 971)
2 084 613	2 968 406	(883 793)	Waste Management	573 629	1 804 729	(1 231 100)
				685 535	1 506 701	(821 166)
58 181 715	39 805 151	18 376 564	TOTAL	53 492 245	44 105 891	9 386 354

RICHMOND LOCAL MUNICIPALITY
APPENDIX E: DISCLOSURE OF GRANTS IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent portion 2010/2011 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Department of Cooperative Governance and Traditional Affairs	513 096	-					-			6 022		243 563	269 533				
Indigent Support	6 022	-					-			6 022		6 022	-	NO	N/A	YES	N/A
Development Information Systems - DIS	153 502	-					-					153 502	-	NO	N/A	YES	N/A
Project Consolidated	48 380	-					-					48 380	-	NO	N/A	YES	N/A
RSDI - DC 22	36 125	-					-	10 103	21 799	4 223		36 125	-	NO	N/A	YES	N/A
Municipal Infrastructure Development	67 651	-					-					-	67 651	NO	N/A	YES	N/A
Public Participation	103 875	-					-			100 752	3 123	103 875	-	NO	N/A	YES	N/A
Municipal Assistance Programme - MAP Grant	93 921	-					-	44 634	9 084	19 566	20 637	93 921	-	NO	N/A	YES	N/A
COGTA Ward Committee	3 620	-					-			3 620		3 620	-	NO	N/A	YES	N/A
Operating Grants	59 831	-					4 253 261					228 092	4 085 000				
Free Basic Electricity	59 831	-					-	59 831				59 831	-	NO	N/A	YES	N/A
Library Services Grant - Cyber Cadet	-	-		85 000			85 000					-	85 000	NO	N/A	YES	N/A
HIV/AIDS Grant - Dc 22	-	-		15 000			15 000			520	14 480	15 000	-	NO	N/A	YES	N/A
Library Services Grant - Staffing Cost	-	-		129 533			129 533		129 533			129 533	-	NO	N/A	YES	N/A
Scholar Patrol	-	-				23 728	23 728				23 728	23 728	-	NO	N/A	YES	N/A
DME: Electrification Grant	-	-	1 000 000	1 000 000	2 000 000		4 000 000					-	4 000 000	NO	N/A	YES	N/A
National Treasury	460 618	-					2 290 000					2 479 307	271 311				
Financial Management Grant - FMG	398 727	-	1 500 000				1 500 000	324 685	378 395	308 873	705 641	1 717 594	181 133	NO	N/A	YES	N/A
MSIG	61 891	-	790 000				790 000		148 482	161 791	451 440	761 713	90 178	NO	N/A	YES	N/A
Capital Grants	12 518 515	-					13 968 793					11 600 238	14 987 070				
Municipal Infrastructure Grant (MIG)	2 412 042	-	6 458 000		7 042 000		13 500 000	189 919	826 421	1 497 835	4 626 784	7 140 959	8 771 063	NO	N/A	YES	N/A
Small Town Regeneration	10 106 473	-	146 540	45 464	157 761	119 029	468 793	403 051	1 763 480	299 882	1 992 866	4 459 279	6 115 987	NO	N/A	YES	N/A
Department of Human Settlement	2 191 456	-					1 284 205					1 223 383	2 252 278				
DOHS - Siyathuhuka Phase 1	869 969	-					-					-	869 969	NO	N/A	YES	N/A
DOHS - Zweletu Housing	290 961	-	3 554	40 959	3 711	3 878	52 102				37 522	37 522	305 541	NO	N/A	YES	N/A
DOHS - Siyathuhuka Phase 2	825 659	-	9 107	9 108	9 208	11 179	38 602					-	864 261	NO	N/A	YES	N/A
DOHS - Patheni Housing	144 469	-	1 871	1 867	1 888	2 014	7 640					-	152 109	NO	N/A	YES	N/A
DOHS - Argosy Farm	60 398	-	-	-	-	-	-					-	60 398	NO	N/A	YES	N/A
DOHS - ST Bernard Mission	-	-				37 250	37 250				37 250	37 250	-	NO	N/A	YES	N/A
DOHS - Inhlazuka Housing	-	-	186 000	425 731	336 579	200 300	1 148 611	186 000	425 731	336 579	200 300	1 148 611	-	NO	N/A	YES	N/A
	15 743 516	-	10 095 072	1 752 662	9 551 147	397 378	21 796 259	1 218 223	3 702 925	2 739 663	8 113 771	15 774 583	21 765 192				

Unspent grants at 30 June 2011 - Note 18

15 743 516
15 743 516

Unspent grants at 30 June 2012 - Note 18

21 765 192
21 765 192