Renosterberg Local Municipality - 2012
Annual Financial Statements
for the year ended 30 June 2012

Renosterberg Local Municipality - 2012

Annual Financial Statements for the year ended 30 June 2012

General Information

Legal form of entity	Local Municipality
Executive Committee	
Mayor	A.Z. Jack/ A. Kwinana
Councillors	A. Kwinana M. Hoffman H. Booysen H. Hermanus J.D. Havenga M.E. Bitterbos J. Olifant K. Olifant J. Niklaas
Grading of local authority	Grade 1 - Category B
Accounting officer(Municipal Manager)	Mr M. Mtubu/ T.F. Mashilo
Chief Finance Officer (CFO)	Ms N.P. Mvandaba/ B. Muller
Registered office	School Street Petrusville 8770
Business address	School Street Petrusville 8770
Postal address	Private Bag X112 Petrusville 8770
Auditors	Auditor General
Bankers	Standard Bank Vissagie Street, Petrusville, 8770

Renosterberg Local Municipality - 2012

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

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 52, in terms of Section 126(1) of the Municipal Finance Management Act 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 Cooperative Governance and Traditional affair's determination in accordance with this Act.

T.F. Mashilo
Municipal manager

Renosterberg Local Municipality - 2012
Statement of Financial Position at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current Assets		**7 545 258**	**6 544 367**
Trade Receivables from Exchange Transactions	**2**	(1 817 617)	3 404 854
Trade Receivables from Non-Exchange Transactions	**3**	2 172 333	1 750 371
Cash and Cash Equivalents	**4**	7 121 849	1 320 447
Inventory	**5**	68 695	68 695
Non-Current Assets		**282 512 498**	**293 776 699**
Property, Plant and Equipment	**6**	257 854 453	268 891 608
Intangible Assets	**7**	227 045	454 091
Investment Property	**8**	24 431 000	24 431 000
Total Assets		**290 057 757**	**300 321 065**
LIABILITIES			
Current Liabilities		**13 641 432**	**10 674 849**
Provisions	**11**		
Creditors	**9**	5 195 937	5 642 055
Unspent Conditional Grants and Receipts	**10**	8 445 495	5 032 794
Bank Overdraft	**4**	-	-
Current Portion of Long-term Liabilities		-	-
Non-Current Liabilities		**23 454 247**	**23 319 247**
Long-term Liabilities		-	-
Non-current Provisions	**11**	23 454 247	23 319 247
Total Liabilities		**37 095 679**	**33 994 096**
Total Assets and Liabilities		**252 962 078**	**266 326 969**
NET ASSETS		**252 962 078**	**266 326 968**
Reserves		-	-
Accumulated Surplus	**12**	252 962 078	266 326 968
Total Net Assets		**252 962 078**	**266 326 968**

Renosterberg Local Municipality - 2012
Statement of Financial Performance for the year ended 30 June 2012

	Note	Actual 2012 R	Actual 2011 R	*Budget 2012 R*
REVENUE				
Revenue from Non-exchange Transactions				
Property Rates	**13**	2 212 476	2 099 187	*4 448 091*
Fines		38 098	20 428	*15 000*
Government Grants and Subsidies Received	**17**	28 038 598	25 340 246	*24 066 000*
Revenue from Exchange Transactions				
Service Charges	**15**	8 974 920	8 097 685	*8 797 764*
Rental of Facilities and Equipment	**16**	560 902	740 340	*(203 370)*
Interest Earned	**14**	258 100	189 613	
Transfers			-	
Other Income	**18**	137 824	16 397 505	*1 534 000*
Total Revenue		**40 220 918**	**52 885 004**	***38 657 485***
EXPENDITURE				
Employee Related Costs	**19**	11 575 646	13 425 199	*14 118 464*
Remuneration of Councillors	**20**	1 877 990	1 718 131	*1 240 030*
Depreciation and Amortisation	**21**	23 796 779	23 771 575	
Impairment Losses	**22**	8 083 339	10 054 736	*542 276*
Repairs and Maintenance		805 347	523 160	*1 217 000*
Bulk purchases		3 770 058	5 484 047	*4 201 841*
Grants and subsidies paid			-	*8 696 000*
Finance Costs	**23**	-	72	
General Expenses	**24**	3 676 648	9 295 067	*8 639 715*
Total Expenditure		**53 585 808**	**64 271 987**	***38 655 326***
SURPLUS FOR THE YEAR		**(13 364 890)**	**(11 386 983)**	***2 159***

Renosterberg Local Municipality - 2012

Statement of changes in Net Assets for the year ended 30 June 2012

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2011			
Balance at 30 June 2010	114 447 910	114 447 910	114 447 910
Change in Accounting Policy	164 410 346	164 410 346	164 410 346
Correction of Error	(1 144 305)	(1 144 305)	(1 144 305)
Restated Balance	**277 713 951**	**277 713 951**	**277 713 951**
Surplus for the year	(11 386 983)	(11 386 983)	(11 386 983)
	-	-	-
Balance at 2011	**266 326 968**	**266 326 968**	**266 326 968**

Renosterberg Local Municipality - 2012

Statement of changes in Net Assets for the year ended 30 June 2012

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2012			
Balance at 1 July 2011	**266 326 968**	**266 326 968**	**266 326 968**
Surplus for the year	(13 364 890)	(13 364 890)	(13 364 890)
Balance at 2012	**252 962 078**	**252 962 078**	**252 962 078**
	(0.00)	(0.00)	

Renosterberg Local Municipality - 2012
Cash Flow Statement for the year ended 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		36 393 127	46 850 359
Cash paid to Suppliers and Employees		(18 317 244)	(36 015 977)
Cash generated from Operations	**31**	**18 075 883**	**10 834 382**
Interest received	**14**	258 100	189 613
Interest paid	**23**	-	(72)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**18 333 983**	**11 023 923**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**6**	(12 532 579)	(8 522 313)
Purchase of Intangible Assets	**7**	-	
Proceeds on sale of assets		-	140 980
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(12 532 579)**	**(8 381 333)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid		-	(215 285)
Decrease / (Increase) in Short-term Loans		-	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**-**	**(215 285)**
	4	**5 801 402**	**2 427 307**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		-2.49	1.47
Cash and Cash Equivalents at the beginning of the year		1 320 447	(1 106 860)
Cash and Cash Equivalents at the end of the year		7 121 849	1 320 447

1 BASIS OF PREPARATION

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

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

The standards are summarised as follows:

Standard	Description
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of budget information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
GRAP 103	Heritage Assets
IPSAS 20	Related party disclosures

The following standards were approved by the Accounting Standards Board but are not yet effective:

Standard	Description
GRAP 25	Employee benefits
GRAP 104	Financial instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

These standards have been early adopted by the municipality. We have assessed the effect of these standards and have only developed policies where the standard will be applicable to our entity.

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

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

1.1. PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded to the nearest Rand which is the Municipality's functional currency.

1.2. GOING CONCERN ASSUMPTION

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

1.3. CHANGE IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively as is required by GRAP 3. Refer to note 2 fro the details of changes in accounting policies. When the presentation and 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. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as it is practicable, and the prior comparatives are restated accordingly. Where there has been a

change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practicable, and the prior year comparative are restated accordingly.

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

Please see the standards not yet effective listed above. The municipality has early adopted these standards and the effects are not considered to have a material affect on the presentation or disclosure requirements of the municipality.

1.5. PROPERTY, PLANT AND EQUIPMENT

1.5.1 Initial Recognition

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

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

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

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

1.5.2 Subsequent Measurement – Cost Model

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

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

1.5.3 Depreciation and Impairment

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

Infrastructure Assets		Other Assets	
Roads and Paving	30 Years	Buildings	30 Years
Water	15-40 Years	Special Vehicles	10 Years
Pedestrian Mall	30 Years		
Electricity	20-30 Years		
Sewerage	15-40 Years		

Community Assets		Other Vehicles	5 Years
Buildings	30 Years	Office Equipment	3-7 Years
Recreational Facility	20-30 Years	Furniture and Fittings	7-10 Years
Security	5 Years	Bins and Containers	5 Years
Community Halls	20-30 Years		
Libraries	20-30 Years	Specialised plant and Equipment	10-15 Years
Parks and Gardens	15-20 Years	Land Fill Sites	15 Years
Finance Lease Assets		Computer Equipment	3 Years
Office Equipment	4 Years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the residual value, the depreciable value is then depreciated over the remaining useful life for that asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed annually.

1.5.4 De-recognition

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

1.6. INTANGIBLE ASSETS

1.6.1 Initial Recognition

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

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

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

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

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

1.6.2 Subsequent Measurement – Cost Model

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

1.6.3 Amortisation and Impairment

Computer Software 5 Years

The amortisation period and amortisation method for intangible assets with a finite useful life are reviewed 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 the 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 intangible asset is greater than the estimated recoverable amount (or recoverable service amount) is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.7. INVESTMENT PROPERTY

1.7.1 Initial Recognition

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

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

1.7.2 Subsequent Measurement – Cost Model

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

1.7.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of assets begins when it is available for use. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment property	**Years**
Buildings	30

1.8. NON-CURRENT ASSETS HELD FOR SALE

1.8.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when a 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 is expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 Subsequent measurement

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

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

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

1.9. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can probably be categorized as either financial assets or financial liabilities.

1.9.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.9.2 Subsequent Measurement

Financial Assets are categorised according to their nature as loans and receivables. Financial Liabilities are categorised as financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation and is in accordance with GRAP 104.

1.9.2.1 Investments

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

1.9.2.2 Trade and Other Receivables

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

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

1.9.2.3 Financial Liabilities: Trade Payables from non-exchange transactions

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

1.9.2.4 Cash and Cash Equivalents

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

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

1.10. UNAUTHORISED EXPENDITURE

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

1.11. 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 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.13. PROVISIONS

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

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

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

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

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

1.14. LEASES

1.14.1 *Municipality as Lessee*

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

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

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

1.14.2 *Municipality as Lessor*

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

1.15. REVENUE

1.15.1 Revenue recognition

1.15.1.1 *Revenue from Exchange Transactions*

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

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

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

1.15.1.2 *Revenue from Non-Exchange Transactions*

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

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

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

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

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

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

1.15.1.3 ***Grants, Transfers and Donations (Non-Exchange Revenue)***

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

1.16. BORROWING COSTS

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

1.17. EMPLOYEE BENEFITS

1.17.1 ***Short-term employee benefits***

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when a specific event occurs.

The cost of short-term employee benefits such as leave pay, are recognised in the period are an employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present and legal or constructive obligation to make such payment and a reliable estimate can be made.

1.17.2 *Defined contribution plans*

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 the employees the benefits relating to the 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.

1.18. Retirement Benefits

The municipality provides post-retirement benefits to its employees and councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution fund it administers. Contributions are recognised as an expense in the Statement of Financial Performance.

Contributions to the South African Municipal Workers Union (SAMWU) are made as follows:

- The staff members contributes 7,5% of basic salary
- Councillors contributes 18% of basic salary

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

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

1.19. IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

To the asset 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 or 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 asset carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued asset is treated as a revaluation increase.

	2012 R	2011 R

1 GENERAL INFORMATION

Renosterberg Local Municipality (the municipality) is a local government institution in Renosterberg, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2012.

2 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2012			
Service Debtors:	16 339 467	18 157 084	(1 817 617)
Electricity	5 971 931	6 636 253.53	(664 323)
Water	5 860 255	6 512 155	(651 900)
Sewerage	2 545 067	2 828 183	(283 116)
Refuse	1 591 347	1 768 370	(177 023)
Other	370 868	412 123	(41 256)
Total Consumer Debtors	**16 339 467**	**18 157 084**	**(1 817 617)**

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2011			
Service Debtors:	14 783 336	11 378 482	3 404 854
Electricity	4 943 413	3 804 861	1 138 552
Water	5 856 420	4 507 587	1 348 833
Sewerage	2 304 275	1 773 561	530 714
Refuse	1 398 572	1 076 457	322 115
Other	280 656	216 016	64 640
Total Consumer Debtors	**14 783 336**	**11 378 482**	**3 404 854**

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

	2012 R	2011 R
2.1 Ageing of Consumer Debtors		
Electricity: Ageing		
Current:		
0 - 30 days	128 768	406 308
Past Due:		
31 - 60 Days	369 363	406 308
61 - 90 Days	261 913	406 308
91 onwards	5 211 887	3 724 489
Total	**5 971 931**	**4 943 413**
Water: Ageing		
Current:		
0 - 30 days	126 360	295 358
Past Due:		
31 - 60 Days	362 456	295 358
61 - 90 Days	257 015	295 358
91 onwards	5 114 424	2 707 446
Total	**5 860 255**	**3 593 520**
Sewerage: Ageing		
Current:		
0 - 30 days	54 877	147 368
Past Due:		
31 - 60 Days	157 412	147 368
61 - 90 Days	111 620	147 368
91 onwards	2 221 158	1 350 870
Total	**2 545 067**	**1 792 974**
Refuse: Ageing		
Current:		
0 - 30 days	34 313	114 951
Past Due:		
31 - 60 Days	98 425	114 951
61 - 90 Days	69 792	114 951
91 onwards	1 388 817	1 053 718
Total	**1 591 347**	**1 398 571**
Other: Ageing		
Current:		
0 - 30 days	7 997	8 425
Past Due:		
31 - 60 Days	22 938	8 425
61 - 90 Days	16 265	8 425
91 onwards	323 667	77 231
Total	**370 868**	**102 506**

	2012 R	2011 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	3 804 861	3 269 923
Impairment Losses recognised	2 831 393	534 938
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	**6 636 254**	**3 804 861**

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

2.4 Ageing of impaired Consumer Debtors	2012 R	2011 R
0 - 30 Days	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	6 636 254	3 804 861
Long-term Loan Debtors	-	-
Total	**6 636 254**	**3 804 861**

3 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates debtors	2 925 480	2 528 544
Vat Receivable	**1 617 965**	**1 168 004**
Sundry Debtors	879 801	-
Suspense accounts		-
	5 423 246	3 696 548
Less: Provision for Impairment	(3 250 913)	(1 946 177)
Total Other Debtors	**2 172 333**	**1 750 371**

Vat is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

3.1 Ageing of trade receivables from non-exchange transactions

3.1.1 Assessment Rates: Ageing	**2012**	**2011**
0 - 30 Days	63 080	207 826
31 - 60 Days	180 940	207 826
61 - 90 Days	128 304	207 826
91 onwards	2 553 156	1 905 067
Total	**2 925 480**	**2 528 544**

In determining the recoverability of a Rates Assessment Debtor, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

		2012	**2011**
		R	**R**
4	**CASH AND CASH EQUIVALENTS**		
	Cash and Cash Equivalents	7 121 849	1 320 447
	Bank Overdraft	-	-
	Total Cash and Cash Equivalents	**7 121 849**	**1 320 447**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

4.1 Current Investment Deposits

Call Deposits	6 680 219	848 111
Notice Deposits	-	-
Short-term Portion of Investments	-	-
Total Current Investment Deposits	**6 680 219**	**848 111**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,660 % per annum.

The Municipality has the following bank accounts:	2012	0	2011
	R		R
4.2 Bank Accounts			
Primary Bank Account			
Cash in Bank	441 629		472 336
Bank Overdraft	-		-
Total Bank Accounts	**441 629**		**472 336**

The Municipality has the following bank accounts:

Standard Bank - Account Number 04 181 149 6:		
Cash book balance at beginning of year	472 336	(2 129 344)
Cash book balance at end of year	441 629	472 336
Bank statement balance at beginning of year	472 336	288 300
Bank statement balance at end of year	441 629	472 336

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

5 INVENTORY

Water	8 695	8 695
Stock on hand	60 000	60 000
	68 695	68 695

6 PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community Halls	Furniture and Fittings and Computer Equipment	Motor Vehicles	Total
	R	R	R	R		R
Carrying Values at 01 July 2011	**28 498 519**	**226 985 810**	**8 973 983**	**1 149 302**	**3 283 994**	**268 891 608**
Cost/ valuation	28 498 519	481 683 222	8 973 983	1 933 452	6 171 950	527 261 125
- *Completed Assets*	*28 498 519*	*471 223 133*	*8 973 983*	*1 933 452*	*6 171 950*	*516 801 036*
- *Under Construction*	-	*10 460 089*	-	-	-	*10 460 089*
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(254 697 412)	-	(784 150)	(2 887 956)	(258 369 518)
- *Cost*	-	*(254 697 412)*	-	*(784 150)*	*(2 887 956)*	*(258 369 518)*
Acquisitions	-		-	-	-	-
Capital under Construction - Additions	-	12 532 579	-	-	-	12 532 579
- *Cost*	-	*12 532 579*	-	-	-	*12 532 579*
Depreciation:	-	(22 975 454)	-	(244 031)	(350 248)	(23 569 733)
- *Based on Cost*	-	*(22 975 454)*	-	*(244 031)*	*(350 248)*	*(23 569 733)*
Carrying values at 30 June 2012	**28 498 519**	**216 542 935**	**8 973 983**	**905 271**	**2 933 746**	**257 854 453**
Cost	28 498 519	494 215 801	8 973 983	1 933 452	6 171 950	539 793 704
- *Completed Assets*	*28 498 519*	*471 223 133*	*8 973 983*	*1 933 452*	*6 171 950*	*516 801 036*
- *Under Construction*	-	*22 992 668*	-	-	-	*22 992 668*
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(277 672 866)	-	(1 028 181)	(3 238 204)	(281 939 251)
- *Cost*	-	*(277 672 866)*	-	*(1 028 181)*	*(3 238 204)*	*(281 939 251)*

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Furniture and Fittings and Computer Equipment	Motor Vehicles	Total
	R	R	R	R		R
Carrying value at 1 July 2010	**28 498 519**	**242 195 240**	**8 287 000**	**1 298 824**	**3 634 242**	**283 913 824**
Cost/ valuation	28 498 519	473 917 197	8 287 000	1 864 147	6 171 950	518 738 813
- *Completed Assets*	*28 498 519*	*471 223 133*	*8 287 000*	*1 864 147*	*6 171 950*	*516 044 748*
- *Under Construction*	-	*2 694 064*	-	-	-	*2 694 064*
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(231 721 957)	-	(565 323)	(2 537 708)	(234 824 988)
- *Cost*	-	*(231 721 957)*	-	*(565 323)*	*(2 537 708)*	*(234 824 988)*
Acquisitions	-		686 983	69 305	-	756 288
Capital under Construction - Additions	-	7 766 025	-	-	-	7 766 025
- *Cost*	-	*7 766 025*	-	-	-	*7 766 025*
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	(22 975 454)	-	(218 827)	(350 248)	(23 544 529)
- *Based on Cost*	-	*(22 975 454)*	-	*(218 827)*	*(350 248)*	*(23 544 529)*
Carrying value as at 30 June 2011	**28 498 519**	**226 985 810**	**8 973 983**	**1 149 302**	**3 283 994**	**268 891 608**
Cost	28 498 519	481 683 222	8 973 983	1 933 452	6 171 950	527 261 125
- *Completed Assets*	*28 498 519*	*471 223 133*	*8 973 983*	*1 933 452*	*6 171 950*	*516 801 036*
- *Under Construction*	-	*10 460 089*	-	-	-	*10 460 089*
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(254 697 412)	-	(784 150)	(2 887 956)	(258 369 518)
- *Cost*	-	*(254 697 412)*	-	*(784 150)*	*(2 887 956)*	*(258 369 518)*

	2012 R	2011 R
7 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**227 045**	**454 091**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying Value at 01 July 2011	**454 091**	**454 091**
Cost	908 183	908 183
Accumulated Amortisation	(454 092)	(454 092)
Acquisitions during the Year:	-	-
Purchased		-
Amortisation during the Year:	(227 046)	(227 046)
Purchased	(227 046)	(227 046)
Carrying values at 30 June 2012	**227 045**	**227 045**
Cost	908 183	908 183
Accumulated Amortisation	(681 138)	(681 138)

	Computer Software	Total
Carrying Values at 1 July 2010	**681 137**	**681 137**
Cost	908 183	908 183
Accumulated Amortisation	(227 046)	(227 046)
Acquisitions during the Year:	-	-
Purchased		
Amortisation during the Year:	(227 046)	(227 046)
Purchased	(227 046)	(227 046)
Carrying Values at 30 June 2011	**454 091**	**454 091**
Cost	908 183	908 183
Accumulated Amortisation	(454 092)	(454 092)

The entity have not valued intangible assets subsequent to initial recognition as it has utilised the allowances as per Directive 4 of the Accounitng Standards Board.

	2012 R	2011 R
8 INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	**24 431 000**	**24 431 000**
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	**24 431 000**	**24 431 000**
Cost	24 431 000	24 431 000
Carrying values at 30 June	**24 431 000**	**24 431 000**
Cost	24 431 000	24 431 000
Estimated Fair Value of Investment Property at 30 June	**24 431 000**	**24 431 000**

The municipality is has opted to still utilise the provisions of Directive 4 of the Accounting Standards Board in the current year and has therefore not valued its investment property in the current year. The municipality will be fully compliant with the accounting standard in the 2012 financial year.

Revenue and Expenditure disclosed in the Statement of Financial Performance include Rental Revenue earned from Investment Property	560 902	740 340

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

9 CREDITORS		
Trade Creditors	5 018 011	3 808 520
Sundry Deposits	113 815	113 815
Other Creditors	-	1 655 609
Accrued leave	64 111	64 111
Total Creditors	**5 195 937**	**5 642 055**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

	2012 R	2011 R
10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from Government	**8 445 495**	**5 032 794**
MIG	8 445 495	5 032 794
Total Conditional Grants and Receipts	**8 445 495**	**5 032 794**

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

11 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	21 825 247	21 825 247
Post retirement medical aid benefits	792 000	777 000
Provision for Long-service award	837 000	717 000
Total Non-current Provisions	**23 454 247**	**23 319 247**

11.1 Rehabilitation of Land-fill Sites

The municipality has five waste sites, only three of which are still in use.

The municipality has not acquired Waste Management Licenses for any of these sites.

11.2 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	777 000	643 000
Contributions paid	(60 000)	(62 000)
Increase due to Discounting	67 000	59 000
Expenditure incurred	8 000	5 000
Reduction due to Re-measurement (actuarial losses)	-	132 000
Balance at end of Year	792 000	777 000
Total Post-retirement Health Care Benefits Liability	**792 000**	**777 000**

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to the "Correction of Error" note below for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Zaqen Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2012 R	2011 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	6	6
Continuation Members (Retirees, widowers and orphans)	4	4
Total Members	**10**	**10**
The liability in respect of past service has been estimated as follows:		
In-service Members	54 000	53 000
Continuation Members	738 000	724 000
Total Liability	**792 000**	**777 000**

The municipality makes monthly contributions for health care arrangements to the
- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2012 is estimated to be R60 000.

The principal assumptions used for the purposes of the actuarial valuations were as		
Discount Rate	8.59%	8.59%
Consumer price inflation	5.38%	5.38%
Salary inflation	6.88%	6.88%
Net Effective Discount Rate	1.60%	1.60%
Expected Retirement Age - Females	65	65
Expected Retirement Age - Males	65	65
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	792 000	777 000
	792 000	777 000
Total Benefit Liability	**792 000**	**777 000**

	2012 R	2011 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	8 000	5 000
Interest cost	67 000	59 000
Actuarial losses / (gains)	-	132 000
Total Post-retirement Benefit included in Employee Related Costs	**75 000**	**196 000**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	15 000	11 000
Effect on the defined benefit obligation	1 009 000	860 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	8 000	6 000
Effect on the defined benefit obligation	819 000	708 000

12 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	2 273 643	2 273 643
Capitalisation reserve	9 610 756	9 610 756
Government grant reserve	51 245 460	51 245 460
Accumulated Surplus / (Deficit) due to the results of Operations	189 832 219	63 983 644
Total Accumulated Surplus	**252 962 078**	**127 113 503**

13 PROPERTY RATES

	Actual Levies	
Rates	2 212 476	2 099 187

Property rates are reassessed on a cyclical basis via reassessment of property values of property that is subject to municipal rates.

	2012 R	2011 R
14 INTEREST EARNED		
External Investments:		
Bank Account	-	-
Investments	258 100	189 613
	258 100	**189 613**
Total Interest Earned	**258 100.06**	**189 613.00**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Avaliable-for-Sale Financial Assets	258 100	189 613
	258 100	189 613
	258 100	**189 613**

15 SERVICE CHARGES		
Sale of electricity	4 789 323	3 836 324
Sale of water	2 273 315	2 578 331
Sewerage and sanitation charges	1 159 730	1 029 841
Refuse Removal	751 937	652 618
Other service charges	615	570
Total Service Charges	**8 974 920**	**8 097 684**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved

16 RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Investment Property	560 902	740 340
Total Rental of Facilities and Equipment	**560 902**	**740 340**
	560 902	**740 340**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets

	2012 R	# #	2011 R
17 GOVERNMENT GRANTS AND SUBSIDIES			
Provincial Equitable Share	12 200 000		11 249 012
Provincial Health Subsidies	-		-
Other Subsidies	-		-
Operational Grants	12 200 000		11 249 012
Conditional Grants	15 838 598		14 091 234
National: FMG	1 450 000		1 200 000
National: MIG	4 357 299		6 113 585
National: MSIG	790 000		750 000
Expanded public works	1 884 235		2 240 249
Library development fund	843 000		300 000
Housing Fund	325 000		1 901 317
DWAF	6 011 064		575 583
Other Spheres of Government: Various Grants	178 000		1 010 500
Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)	-		-
Total Government Grants and Subsidies	**28 038 598**		**25 340 246**
Attributable to:			
Continuing Operations	28 038 598		25 340 246
Discontinued Operations	-		-
	28 038 598		**25 340 246**

The comparative figures for Government Grants and Subsidies have been restated to correctly reflect the amount utilised during the 2010 financial year.. Refer to Note 30.2

Operational Grants:

17.1 National: Equitable Share	12 200 000	11 249 012

17.2 National: FMG Grant

Balance unspent at beginning of year	-	
Current year receipts	1 450 000	1 200 000
Interest allocated	-	-
Conditions met - transferred to Revenue	(1 450 000)	(1 200 000)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities	-	-

17.3 National: MIG Funds

Balance unspent at beginning of year	4 632 794	3 953 379
Current year receipts	8 170 000	6 793 000
Interest allocated	-	-
Conditions met - transferred to Revenue	(4 357 299)	(6 113 585)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities	**8 445 495**	**4 632 794**

	2012 R	2011 R
17.4 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Interest allocated		
Conditions met - transferred to Revenue	(790 000)	(750 000)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities	**-**	**-**

18 OTHER INCOME

Sundry revenue	61 901	231 118
Vehicle registrations	70 470	57 907
Sale of sand gravel and stone	5 453	759
Suspense write-off	-	15 966 741
Proceeds on sale of assets	-	140 980
Total Other Income	**137 824**	**16 397 505**
	137 824	**16 397 505**

19 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	9 030 162	9 874 243
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	1 399 611	1 687 248
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	42 205	323 429
Housing Benefits and Allowances	17 640	9 258
Overtime Payments	128 652	380 791
Performance Bonuses	702 377	714 230
Defined Benefit Plan Expense:	255 000	436 000
Current Service Cost	125 000	105 000
Interest Cost	130 000	110 000
Net Actuarial (gains)/losses recognised	-	221 000
Total Employee Related Costs	**11 575 646**	**13 425 199**

Remuneration of the Municipal Manager		
Annual Remuneration	185 516	552 594
Performance Bonus	-	46 049
Car Allowance	15 894	95 364
Other	43 748	164 621
Total	**245 158**	**858 628**
Remuneration of the Director: Finance		
Annual Remuneration	1 887	371 547
Performance Bonus	-	38 341
Car Allowance	-	30 962
Other	52 885	184 796
Total	**54 772**	**625 646**
Remuneration of the Director: Corporate Services		
Annual Remuneration	132 815	324 048
Performance Bonus	20 207	27 004
Car Allowance	7 259	43 553
Other	23 120	103 738
Total	**183 401**	**498 343**

	2012 R	2011 R
Remuneration of the Director: Technical		
Annual Remuneration	103 783	373 926
Performance Bonus	36 346	31 161
Car Allowance	13 008	78 048
Other	19 160	80 977
Total	**172 297**	**564 112**

The salaries of the new municipal manager, TF Mashilo and the new chief financial officer, B Muller are funded by the Northern Cape Provincial Treasury.

20 REMUNERATION OF COUNCILLORS

Mayor	356 446	356 446
Mayoral Committee Members		
Councillors	1 521 544	1 361 685
Company Contributions to UIF, Medical and Pension Funds		
Total Councillors' Remuneration	**1 877 990**	**1 718 131**

In-kind Benefits

Councillors may utilise official Council transportation when engaged in official duties.

21 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	23 569 733	23 544 529
Amortisation: Intangible Assets	227 046	227 046
Total Depreciation and Amortisation	**23 796 779**	**23 771 575**

22 IMPAIRMENT LOSSES

Impairment Losses on Financial Assets

Impairment Losses Recognised:	8 083 339	10 054 742
Consumer Debtors	6 778 602	8 762 550
Other Debtors	1 304 737	1 292 192
	8 083 339	**10 054 742**
Total Impairment Losses	**8 083 339**	**10 054 742**

Impairment reversals are reflected under other income, net of actual bad debt written-off during the year.

23 FINANCE COSTS

Bank Overdrafts	-	72
Other		-
Total Interest Expense	-	72
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	**-**	**72**

	2012 R	2011 R
24 GENERAL EXPENSES		
Advertising	30 071	302 298
Audit Fees	0	1 250 316
Bank Charges	66 562	64 859
Chemicals	330 080	466 303
Consulting and professional fees	2 512	196 921
Expenditure incurred from Finance Management Grant	168 880	1 526 831
Fuel and Oil	433 286	515 349
Insurance	406 429	338 731
Other General Expenses	1 273 184	3 276 680
Postage and Courier	43 869	74 013
Printing and Stationery	112 731	185 886
Protective clothing	768	89 730
Telephone and fax	390 856	779 946
Transport Costs	417 421	227 204
Total General Expenses	**3 676 648**	**9 295 067**

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

25 DISCONTINUED OPERATIONS

No operations have been discontinued.

26 CHANGE IN ACCOUNTING POLICY

26.1 Revaluation of property, plant and equipment

The municipality had utilised the allowances as per Directive 4 of the Accounting Standards Board in the prior year in respect of property, plant and equipment. These allowances are no longer available to the municipality and they have therefore adjusted their disclosures for property, plant and equipment retrospectively as follows:

The effect of the changes are as follows:

	2012	2011
Balance at 30 June 2012		
Property, plant and equipment - cost		395 269 798
Property, plant and equipment - accumulated depreciation		(254 176 936)
Depreciation		23 544 529
Accumulated surplus		(141 092 862)
	-	**23 544 529**

26.2 Revaluation of intangible assets

The municipality had utilised the allowances as per Directive 4 of the Accounting Standards Board in the prior year in respect of intangible assets. These allowances are no longer available to the municipality and they have therefore adjusted their disclosures for intangible assets retrospectively as follows:

The effect of the changes are as follows:

	2012	2011
Balance at 30 June 2012		
intangible assets - accumulated depreciation	-	(227 046)
Depreciation expense		(227 046)
Accumulated profit		454 092
	-	

26.3 Valuation of Landfill Site Rehabilitation provision

The municipality had utilised the allowances as per Directive 4 of the Accounting Standards Board in the prior year in respect of provisions associated with the valuation of assets. These allowances are no longer available to the municipality and they have therefore adjusted their disclosures for the Rehabilitation of Landfill Site retrospectively as follows:

The effect of the changes are as follows:

	2012	2011
Balance at 30 June 2012		
Landfill Site Rehabilitation Provision recognised	-	(21 825 247)
Property, plant and equipment - cost		21 825 247
Accumulated profit	-	
	-	

	2012 R	2011 R
27 CORRECTION OF ERROR		
Corrections were made to the comparative figures as previously disclosed and can are as		
Opening land and buildings	-	(20 095 000)
Opening Investment property	-	20 095 000
Transfer of the resort and camp sites to investment property		
Recognition of inventory	-	68 695
Opening accumulated surplus	-	(68 695)
Inventory was not recognised in the prior year		
Long-service provision	-	(717 000)
Post retirement medical aid benefits provision	-	(777 000)
Service fees	-	105 000
Interest	-	110 000
Actuarial losses	-	221 000
Employee costs	-	(155 000)
Employee benefit provisions not previously recognised		
(Increase) / Decrease in Accumulated Surplus Account	**-**	**(1 144 305)**

	2012 R	2011 R
28 CASH GENERATED BY OPERATIONS		
Surplus for the Year	(13 364 890)	(11 386 983)
Adjustment for:		
Depreciation	23 796 779	23 771 575
Contribution to Impairment Provision	8 083 339	10 054 742
Other Movement in PPE		(290 483)
Profit on sale of assets	-	(140 980)
Investment Income	(258 100)	(189 613)
Finance Costs	-	72
Operating surplus before working capital changes	**18 257 128**	**21 818 330**
(Increase)/Decrease in Inventories	-	-
(Increase)/Decrease in Consumer Debtors	(1 556 131)	9 813 291
(Increase)/Decrease in Provisions	135 000	281 000
(Increase)/Decrease in Other Debtors	(1 276 737)	1 499 950
Increase/(Decrease) in Creditors	(446 118)	(22 304 140)
Increase/(Decrease) in Conditional Grants and Receipts	3 412 701	(612 058)
Consumer deposits	(449 961)	338 009
Cash generated by / (utilised in) Operations	**18 075 883**	**10 834 382**

29 NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the previous financial years, the municipality acquired equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

30.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	2 437 277	-
Unauthorised Expenditure current year	14 930 482	2 437 277
Unauthorised Expenditure awaiting authorisation	**17 367 759**	**2 437 277**

The unauthorised expenditure occurred owing to overspending on the following votes: Executive and Council, Infrastructure , Corporate and admin, Finance and Strategic. The additional unauthorised occurred as a result of spending of conditional grants for expenditure other than the conditions of the grant. The municipality struggled with cash shortfalls throughout the year owing to a backlog in creditors payable.

30.2 Fruitless and Wasteful Expenditure

To management's knowledge the only instances of fruitless expenditure are as presented	**182 063**	**757**

30.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular

Reconciliation of Irregular Expenditure:		
Opening balance	15 485 146	-
Irregular Expenditure current year	29 632 644	15 485 146
Irregular Expenditure awaiting condonement	**45 117 790**	**15 485 146**

The above expenditure related to non-compliance with supply chain regulations and policies.

	2012 R	2011 R
31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
31.1 Audit Fees		
Current year Audit Fee	0	1 250 316
Balance Unpaid (included in Creditors)	**0**	**1 250 316**

The balance unpaid represents the audit fee for the prior year audit, as well as planning for the current year audit conducted in May and June of this year.

31.2 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 11.

31.3 PAYE, UIF, Pension and Medical payments		
Opening Balance	-	-
Current year Payroll Deductions	1 399 611	1 842 248
Amount Paid - current year	(1 399 611)	(1 842 248)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

The balance represents PAYE and UIF deducted from the June 2006 payroll. These

31.4 SALGA levies		
Opening Balance	147 664	47 664
Levies	500 000	100 000
Amount Paid - current year		
Amount Paid - previous years	(100 000)	
Balance Unpaid (included in Creditors)	**547 664**	**147 664**

31.5 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2012	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councillor J Niklaas	1 182	455	727
Councillor JD Havenga	5 018	4 570	448
Councillor D Bitterbosch	404	404	
Councillor J Olifant	3 841	3 841	-
Councillor K Olifant	354	354	-
Councillor H Booysen	1 734	711	1 023
Total Councillor Arrear Consumer Accounts	**12 533**	**10 335**	**2 198**

30 June 2011	Total	Outstanding up to 90 days	Outstanding more than 90 days
Clr IZ Kwinana	11 817	1 150	10 667
Councillor J Niklaas	5 151	441	4 710
Councillor JD Havenga	4 189	1 200	2 989
Councillor D Bitterbosch	371	371	
Councillor J Olifant	10 954	2 055	8 899
Councillor K Olifant	2 034	743	1 291
Councillor H Booysen	2 031	663	1 368
Total Councillor Arrear Consumer Accounts	**36 547**	**6 623**	**29 924**

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

30 June 2012	Highest amount outstanding	Ageing
#REF!	#REF!	> 90 Days
Councillor J Niklaas	727	> 90 Days
Councillor JD Havenga	448	> 90 Days
Councillor J Olifant	-	> 90 Days
Councillor K Olifant	-	> 90 Days
Councillor H Booysen	1 023	> 90 Days

31.6 Non-Compliance with the Municipal Finance Management Act

The municipality did not pay all suppliers within 30 days of receipt of invoice owing to cash flow constraints.
The annual financial statements were not submitted within 3 months of the financial year end.

	2012 R	2011 R

32 FINANCIAL INSTRUMENTS

32.1 Classification

FINANCIAL ASSETS:
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

Financial Assets	Classification		
Consumer Debtors			
Assessment Rates	Loans and receivables	2 925 480	2 528 544
Service charges	Loans and receivables	5 971 931	4 943 413
Other Debtors	Loans and receivables	879 801	-
Bank,Cash and Cash Equivalents			
Call Deposits	Held to maturity	6 680 219	848 111
Bank Balances	Available for sale	-	-
Cash Floats and Advances	Available for sale	-	-
Other Cash Equivalents	Available for sale	-	-
		16 457 430	8 320 068

		2012 R	2011 R
SUMMARY OF FINANCIAL ASSETS			
Loans and Receivables			
Consumer Debtors	Assessment Rates	2 925 480	2 528 544
Consumer Debtors	Service charges	5 971 931	4 943 413
Consumer Debtors	Other Debtors	879 801	-
		9 777 211	7 471 957
Available for Sale:			
Bank Balances and Cash	Bank Balances	6 680 219	848 111
		6 680 219	848 111
Total Financial Assets		**16 457 430**	**8 320 068**

FINANCIAL LIABILITIES:
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

Financial Liabilities	Classification		
Creditors			
Trade Creditors	Financial liabilities at amortised cost	5 018 011	3 808 520
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	-	-
Current Portion of Long-term Liabilities			
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Creditors	Trade Creditors	5 018 011	3 808 520
		5 018 011	3 808 520
Total Financial Liabilities		**5 018 011**	**3 808 520**

32.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The Fair Value of other Financial Assets and Financial Liabilities is determined in accordance with generally accepted valuation tecniques based on discounted cash flow analysis using interest rates currently charged or paid by other parties and the remaining term to repayment of the interest;
- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

	30 June 2012		30 June 2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Loans and Receivables	9 777 211	9 777 211	7 471 957	7 471 957
Consumer and Other Debtors	9 777 211	9 777 211	7 471 957	7 471 957
Available for Sale	6 680 219	6 680 219	848 111	848 111
Bank Balances and Cash	6 680 219	6 680 219	848 111	848 111
Total Financial Assets	16 457 430	16 457 430	8 320 068	8 320 068

	30 June 2012		30 June 2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	5 018 011	5 018 011	3 808 520	3 808 520
Unsecured Bank Facilities:	-	-	-	-
- Bank Overdraft	-	-	-	-
Trade and Other Payables:	5 018 011	5 018 011	3 808 520	3 808 520
- Creditors	5 018 011	5 018 011	3 808 520	3 808 520
Total Financial Liabilities	5 018 011	5 018 011	3 808 520	3 808 520
Total Financial Instruments	11 439 419	11 439 419	4 511 548	4 511 548
Unrecognised Gain / (Loss)		-		-

32.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

	2012 R	2011 R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Net Debt	-	-
Equity	252 962 078	266 326 968
Net debt to equity ratio	**0.00%**	**0.00%**

Debt is defined as Long- and Short-term Liabilities, including bank overdraft.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

32.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

32.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

32.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 59.2 below). No formal policy exists to hedge volatilities in the interest rate market.
The municipality's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 59 below) and interest rates (see Note 59 below) and other price risks. The municipality enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency and other price risks, including:

- interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

32.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

32.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing.

Consumer debtors comprise of ratepayers and services, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection

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

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Finance Lease Liabilities:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
- Surplus for the year ended 30 June 2009 would have decreased / increased by R43 000 (2008: decreased / increased by R93 000).
- Other equity reserves would have decreased / increased by R19 000 (2008: decreased / increased by R12 000) mainly as a result of

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt

SENSITIVITY ANALYSIS - INTEREST RATE
Effect of a change in interest rate on interest bearing financial assets and liabilities

		MUNICIPALITY	
		2012	**2011**
		R	**R**
Financial Assets	**Classification**		
External investments:			
Call Deposits	Available for Sale	6 680 219	848 111
		6 680 219	**848 111**
Interest received			
Interest Earned - External Investments			
Interest rate			
Effect of a change in interest rate on interest earned from external investments:			
Effect of change in interest r	%	8%	8%
Effect of change in interest r	Rand value	534 418	67 849
Effect of change in interest r	%	10%	10%
Effect of change in interest r	Rand value	668 022	84 811

		2012 R	2011 R
Outstanding debtors:			
Consumer and Other Debtor	Loans and receivables	(109 955)	1 720 920
Sundry Debtors	Loans and receivables		
		(109 955)	**1 720 920**
Interest received			
Interest Earned - Outstanding Debtors			
Interest rate			
Effect of a change in interest rate on interest earned from outstanding debtors			
Effect of change in interest r	%	8%	8%
Effect of change in interest r	Rand value	-8 796	137 674
Effect of change in interest r	%	10%	10%
Effect of change in interest r	Rand value	-10 996	172 092
Financial Liabilities	**Classification**		
Long-term Liabilities			
Annuity Loans	Not valued at FVTPL		
Operating Lease Liability	Not valued at FVTPL		
Annuity Loans - current porti	Not valued at FVTPL		
Interest paid			
Long-term Liabilities			
Interest rate %			
Effect of a change in interest rate on interest paid on long-term liabilities			
Effect of change in interest r	%	8%	8%
Effect of change in interest r	Rand value		
Effect of change in interest r	%	10%	10%
Effect of change in interest r	Rand value		
Bank Overdrafts and Other			
Trade creditors	Not valued at FVTPL	5 195 937	5 642 055
Other creditors	Not valued at FVTPL		
Bank Overdraft	Not valued at FVTPL		
		5 195 937	5 642 055
Interest paid			
Bank Overdrafts and Other			
Interest rate %			
Effect of a change in interest rate on interest paid on bank overdrafts and other			
Effect of change in interest r	%	8%	8%
Effect of change in interest r	Rand value	415 675	451 364
Effect of change in interest r	%	10%	10%
Effect of change in interest r	Rand value	519 594	564 206

32 FINANCIAL INSTRUMENTS (Continued)

32.7 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

32.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

32.9 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

33 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Renosterberg Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds.

These funds are governed by the Pension Funds Act and include defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

34 RELATED PARTY TRANSACTIONS

34.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

34.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended				
Councillors	41 340	-	-	2 198
Total Services	**41 340**	**-**	**-**	**2 198**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

34.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

34.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 22 and 23 respectively, to the Annual Financial Statements.

34.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

	2012 R	2011 R
35 CONTINGENT LIABILITIES		
36.1 Guarantees:	**-**	**-**
No contingent liabilities were identified as at 30 June 2011.	-	-
36.2 Court Proceedings:	**42 000**	**42 000**
There is an ongoing case between the Rates Payers Assosiation and the Municipality with a potential liability as reflected.	42 000	42 000
36.3 Contingent Liabilities incurred arising from interests in Joint ventures:	**-**	**-**
No contingent liabilities were identified as at 30 June 2011.		
36.4 Municipality's share of Associates' Contingent Liabilities:	**-**	**-**
No contingent liabilities were identified as at 30 June 2011.		

36.5 Bank overdraft

The entity does not have an authorised overdraft. The actual overdraft is therefore payable on demand.

36 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

37 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

38 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in note 43.

39 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2011/2012.

40 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

41 Budget Summary

Description	2011/2012						2010/2011			
R thousands	Original Budget	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	6	7	8	9	11	12	13	14	15
Financial Performance										
Property rates	4 448	4 448	2 212		2 236	50%				
Service charges	8 798	8 798	8 975		(177)	102%				
Investment revenue	–	–			–	0%				
Transfers recognised - operational	24 066	24 066	28 039		(3 973)	117%				
Other own revenue	1 346	1 346	995		351	74%				
Total Revenue (excluding capital transfers and contributions)	**38 657**	**38 657**	**40 221**		**(1 563)**	104%				
Employee costs	14 118	14 118	11 576		2 543	82%				
Remuneration of councillors	1 240	1 240	1 878		(638)	0%				
Debt impairment	542	542	8 083		(7 541)	1491%				
Depreciation & asset impairment	–	–	23 797		(23 797)	0%				
Finance charges	–	–	–		–	0%				
Materials and bulk purchases	4 202	4 202	3 770		432	0%				
Transfers and grants		–			–	0%				
Other expenditure	18 553	18 553	4 482	–	14 071	24%	–			
Total Expenditure	**38 655**	**38 655**	**53 586**		**(14 930)**	139%				
Surplus/(Deficit)	**2**	**2**	**(13 365)**		**13 367**	-619031%				
Transfers recognised - capital		–								
Contributions recognised - capital & contributed assets		–								
Surplus/(Deficit) after capital transfers & contributions										
Share of surplus/ (deficit) of associate		–								
Surplus/(Deficit) for the year										
Cash flows										
Net cash from (used) operating	2	2	18 334		(18 332)	849189%				
Net cash from (used) investing		–	(12 533)		12 533	0%				
Net cash from (used) financing		–	–		–	0%				
Cash/cash equivalents at the year end	2		5 801							

APPENDIX C

RENOSTERBERG LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2011

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	226 985 810	-	12 532 579	-	-	239 518 389	-	-	-	-	-	239 518 389
Community and Social Services	8 973 983	-	-	-	-	8 973 983	-	-	-	-	-	8 973 983
Corporate and admin	1 933 452	-	-	-	-	1 933 452	-	-	-	-	-	1 933 452
Finance	-	-	-	-	-	-	-	-	-	-	-	-
Strategic	-	-	-	-	-	-	-	-	-	-	-	-
Total	**237 893 245**	**-**	**12 532 579**	**-**	**-**	**250 425 824**	**-**	**-**	**-**	**-**	**-**	**250 425 824**