HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2010

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to ?, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003 , and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 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 the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

....
J. JACOBS
Municipal Manager

31-08-2010
....
Date

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

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....

J. JACOBS

Municipal Manager

....

Date

HESSEQUA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

Net Assets and Liabilities	Note	2011	2010
		R	R
ASSETS			
Current Assets		**101 527 988**	**95 679 553**
Inventory	2	818 150	895 797
Non-current Assets held for sale	3	150 500	0
Trade receivables from exchange transactions	4	16 448 019	13 136 602
Trade receivables from non-exchange transactions	5	9 155 108	15 435 950
VAT Receivable	6	2 599 594	3 542 332
Bank, Cash and Cash Equivalents	7	2 102 592	5 780
Call Investment deposits	8	70 020 893	62 439 932
Operating Lease Assets	9	231 489	221 640
Current Portion of Long-term Receivables	13	1 643	1 519
Non-Current Assets		**549 711 532**	**513 636 022**
Property, Plant and Equipment	10	505 869 726	470 136 241
Intangible assets	11	365 556	378 889
Investment Property	12	43 450 280	43 093 280
Long-term Receivables	13	25 970	27 612
Total Assets		**651 239 520**	**609 315 575**
LIABILITIES			
Current Liabilities		**60 607 498**	**50 177 667**
Consumer Deposits	14	3 253 353	3 119 521
Provisions	15	7 792 798	6 311 170
Creditors	16	34 367 187	23 414 412
Unspent Conditional Grants and Receipts	17	6 925 194	9 920 940
Operating Lease Liabilities	18	21 221	58 672
Bank Overdraft	7	0	1 548 604
Current Portion of Long-term Liabilities	19	8 247 746	5 804 349
Non-Current Liabilities		**92 138 934**	**68 320 630**
Long-term Liabilities	19	56 356 369	42 117 439
Retirement Benefit Liabilities	20	31 386 837	22 280 910
Non-current Provisions	21	2 851 237	2 400 866
Trust Fund	50	1 544 492	1 521 416
Total Liabilities		**152 746 433**	**118 498 298**

Total Assets and Liabilities		**498 493 088**	**490 817 277**
NET ASSETS		**498 493 088**	**490 817 276**
Statutory Funds	22	49 838	43 028
Reserves	23	0	0
Accumulated Surplus	24	498 443 250	490 774 249
Total Net Assets		**498 493 088**	**490 817 276**

HESSEQUA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Budget 2010 R	Budget 2011 R	Revenue	Note	Actual 2011 R	Actual 2010 R (Restated)
39 956 800	43 463 157	Property Rates	25	42 630 797	40 125 241
97 844 443	117 378 559	Service Charges	26	118 221 495	100 437 113
3 071 318	3 105 340	Rental of facilities and equipment		3 584 769	3 167 787
6 600 000	5 725 000	Interest earned - external investments		3 967 327	5 897 442
1 020 000	517 000	Interest earned - outstanding receivables		1 063 350	1 040 394
2 345 900	2 536 200	Fines		2 632 877	2 569 979
164 500	260 500	Licences and permits		293 514	204 609
1 153 100	1 176 500	Income for agency services		1 221 382	1 199 004
135 867 832	69 788 495	Government grants and subsidies (Restated)	27 + 28	56 322 961	130 676 510
4 406 921	2 684 928	Other income	29	5 612 146	3 905 799
21 900 000	20 200 000	Gains on disposal of property, plant and equipment		3 223 023	625 284
0	0	Gain on revaluation of Investment Property		357 000	0
0	0	Recognition of heritage assets		8 326 375	0
314 330 814	**266 835 679**	**Total Revenue**		**247 457 017**	**289 849 162**
		Expenditure			
66 781 182	80 007 952	Employee related costs	30	86 088 837	68 190 468
4 374 598	4 541 808	Remuneration of Councillors	31	4 093 200	4 082 242
2 330 888	2 439 638	Bad debts	32	3 392 909	2 105 761
735 382	811 880	Collection costs		696 647	382 492
14 292 804	15 270 123	Depreciation		15 598 285	14 130 874
13 609 030	14 181 715	Repairs and maintenance		12 475 804	11 371 779
4 051 482	5 114 073	Interest paid	33	5 601 000	4 259 843
37 459 082	46 460 957	Bulk purchases	34	44 874 237	35 858 618
0	0	Loss on disposal of property, plant and equipment		0	752 496
853 935	3 215 000	Contracted services		3 172 254	799 192
123 949 768	76 687 186	General expenses	35	63 788 033	112 326 403

268 438 151	248 730 332	**Total Expenditure**	239 781 206	254 260 167
45 892 663	18 105 347	**Surplus/(Deficit) For The Year**	7 675 811	35 588 994

Refer to Appendix E (1) for explanation of variances

HESSEQUA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2011

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2010					
Balance at 1 July 2009		**1 944 470**	**187 932 963**	**271 339 176**	**461 216 609**
Correction of errors	**49.2 49.3**	**0**	**-16 541 500**	**-43 586**	**-16 585 086**
Change in accounting policies	**49.2/48.1**		**-171 391 463**	**181 988 232**	**10 596 769**
Restated balance at 1 July 2009		**1 944 470**	**0**	**453 283 822**	**455 228 292**
Surplus for the year				35 588 994	35 588 994
Transfer to Housing Reserve		-74 843		74 843	0
Balance at 30 June 2010		**1 869 627**	**0**	**488 947 659**	**490 817 286**
Corrections prior years	**49.4**	-1 826 590	0	1 826 590	0
Restated balance 30/6/2010		**43 037**	**0**	**490 774 249**	**490 817 286**
Surplus for the year				7 675 811	7 675 811
Revaluation of land and buildings			0		0
Transfer from Housing Reserve		6 810		-6 810	0
Balance at 30 June 2011		**49 847**	**0**	**498 443 250**	**498 493 097**

HESSEQUA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

Cash Flow from Operating Activities	Note	2011 R	2010 R
Cash receipts from ratepayers, government and other		233 489 366	267 719 131
Cash payments to suppliers and exployees		-208 122 878	-255 324 941
Cash generated from/(utilised in) operations	**37**	**25 366 488**	**12 394 189**
Interest received		5 030 678	6 937 836
Interest paid	**33**	-5 601 000	-4 259 843
Net Cash from Operating Activities		**24 796 166**	**15 072 183**
Cash flows from Investing Activities			
Purchase of property, plant and equipment	**10**	-43 144 420	-61 576 589
Sale of property, plant and equipment		3 224 881	712 283
Purchase of intangible assets		0	0
(Increase)/decrease in non-current receivables		1 519	180 731
Decrease/(increase) in operating lease assets		-9 850	17 658
Net Cash flows from Investing Activities		**-39 927 871**	**-60 665 916**
Cash flows from Financing Activities			
New loans raised/(repaid)		16 682 326	10 350 751
Increase in consumer deposits		133 832	65 729
Increase in Trust Funds		23 076	74 836
Retirement Benefit Liabilities		9 105 927	1 305 780
Non-current Provisions		450 371	298 857
Decrease in operating lease liabilities		-37 451	-17 909
Net Cash from Financing Activities		**26 358 081**	**12 078 045**
Net Increase / (decrease) in Cash and Cash Equivalents		**11 226 376**	**-33 515 689**
Cash and cash equivalents at the beginning of the year		**60 897 109**	**94 412 798**
Cash and cash equivalents at the end of the year	**36**	**72 123 485**	**60 897 109**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

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

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2010 and 30 June 2011 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement* .

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement* , and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

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

1. 2. 4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment* , GRAP 12: *Inventory* and GRAP 102: *Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.*

1. 2. 6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 and 21 of the Annual Financial Statements.

1. BASIS OF PRESENTATION (continued)

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14 and 20 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1. 3 PRESENTATION CURRENCY

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

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

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

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Financial Instruments (GRAP 104 Financial Instruments - October 2009)

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

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.
The following provisions are set for the creation and utilisation of the Housing Development Fund:
• The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Entity.
• The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
• Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
• Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance. During the year under review, the Municipality changed it's accounting policy with regards to Land and Buildings and accordingly, the reserve has been written back to the accumulated surplus. Refer to note 48.2

2. 3 Trust Funds

The following trust funds exist in the municipality:

2. 3 1 *Development Fund for the Maintenance and Operation of Nature Areas in Still Bay*

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 3 2 *Elsje Koorts Tuberculosis Fund*

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that “the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale…”

These funds are invested in a ring fenced investment account.
(See separate Financial Statements disclosed in the Annual Financial Statements)

3. PROPERTY, PLANT AND EQUIPMENT

3. 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 for more than one year.

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

3. 1 Initial Recognition (Continued)

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

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

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Previously, land and buildings were carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		***Buildings***	*5 - 50*
Roads and Paving	10 - 100		
Electricity	8 - 57	***Other***	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147		
Security	0		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3. 7 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 9 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 10 Derecognition of property, plant and equipment

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds and is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 11 Impairment of assets

3. 11. 1 Impairment of Cash generating assets

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

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 11. 1 Impairment of Cash generating assets (Continued)

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

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

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

An impairment of assets carried at a revalued amount, reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

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

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

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

3. 11. 2 Impairment of Non-Cash generating assets

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

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

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

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

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

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

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

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

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

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. 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 recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is 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.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be 30 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Where items of intangible assets 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. INTANGIBLE ASSETS (continued)

4. 3 Derecognition

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

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

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

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

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

Based on management's judgement, the following criteria has been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

5. 4 Transitional Provisions

The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised in the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

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

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash.

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

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

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

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:
- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:
- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Finance Lease Receivables	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

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

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:
- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:
(i) Fair value through profit or loss; or
(ii) Other financial liabilities (Financial liabilities measured at amortised cost)
(iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.
The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompassess long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

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

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

6. 5 Derecognition of Financial Assets

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

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

FINANCIAL INSTRUMENTS (continued)

6. 6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cashflow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality’s receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality’s reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48.8 to the annual financial statements.

8. INVENTORIES

8. 1 Initial Recognition

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

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the **FIFO** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Transitional provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2011 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

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

9. NON-CURRENT ASSETS HELD-FOR-SALE (CONTINUED)

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

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

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities’ activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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.

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

10. REVENUE RECOGNITION

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and if payment is made five days before year end it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
▪ Interest earned on trust funds is allocated directly to the fund.
▪ Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 Tariff Charges

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

10. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 Sale of Goods (including Houses)

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 Rentals

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

10. REVENUE RECOGNITION (continued)

10. 2 Revenue from Exchange Transactions (continued)

10. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10. 2. 9 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

10. 3 Revenue from Non-exchange Transactions

10. 3. 1 Rates and Taxes

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 proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

10. 3. 3 Public contributions

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

10. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:
▪ it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
▪ the amount of the revenue can be measured reliably, and
▪ to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

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

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;
- when the plan will be implemented; and;

(b)

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13. 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 the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 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 employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every two years by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. EMPLOYEE BENEFITS (continued)

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 42 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triannually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed every two years.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. 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.

The municipality ceases to capitalise borrowing costs when substantially all the activities necassarry to prepare the qualifilyiing assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 46 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

25. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:
▪ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
▪ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
▪ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
▪ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
▪ Other commitments for contracts can be non-cancellable or only cancellable if significant cost contracts should relate to something other than the business of the municipality

28. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

	2011 R	2010 R

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. 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 medium 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 is fully compliant with GRAP as at 30 June 2011.

2. INVENTORY

	2011 R	2010 R
2.1 Stores, water and paving		
Stilbaai Store - at cost	495 855	513 990
Store Heidelberg - Electrical - at cost	35 979	91 690
Public Works - Heidelberg - at cost	5 117	10 040
Waterworks - Heidelberg - at cost	37 569	25 674
Water Inventory - at cost	218 378	224 066
	792 898	865 459
2.2 Other		
Stilbaai Books	374	606
Refuse Bins	740	887
Refuse Bags - Jongensfontein	378	41
Albertinia Books	0	2 600
Hessequa Book: Riversdal Tourism	6 245	6 381
Albertinia Tourism	0	0
Albertinia Municipal Office	1 358	1 358
Slangrivier - Office	679	679
Stilbaai - Office	1 086	1 222
Gouritsmond Tourism	10 726	10 862
Stilbaai Tourism	272	407
Witsand - Office	950	950
Heidelberg - Office	1 358	1 358
Mayoral Office	1 086	2 987
Total	**818 150**	**895 797**

Water Inventory

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 535 500 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, it's fair value has been estimated at the cost of the department less cost of chemicals, divided by the kiloliters sold.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value was required.

The cost of Inventories recognised as an expense during the period was R534,501 (2010: R574,960).

3. NON-CURRENT ASSETS HELD-FOR-SALE

	2011 R	2010 R
Property held-for-sale at cost	150 500	0
Total assets classified as held-for-sale	150 500	0

The municipality intends to dispose of parcels of land it no longer utilises within the next 12 months. No impairment loss was recognised on reclassification of the property as held-for-sale.

4. Trade receivables from exchange transactions

	30 June 2010			30 June 2011		
	Gross Balance	Provision for Bad Debts	Net Balance	Gross Balance	Provision for Bad Debts	Net Balance
Service Debtors:						
Electricity	6 657 823	1 440 043	5 217 780	9 092 284	1 955 042	7 137 241
Water	2 697 087	583 362	2 113 725	3 934 309	845 964	3 088 345
Sewerage	2 930 901	633 934	2 296 967	3 519 150	756 695	2 762 455
Waste Management	1 798 589	389 023	1 409 566	2 078 469	446 917	1 631 552
Housing Rental/Selling Schemes	11 091	2 735	8 356	1 704	366	1 338
Other	2 735 188	644 980	2 090 208	2 327 567	500 478	1 827 088
	16 830 679	**3 694 077**	**13 136 602**	**20 953 482**	**4 505 463**	**16 448 019**

Ageing of consumer debtors

	2011 R	2010 R
Electricity, Water, Waste Management & Sewerage		
Current (0 - 30days)	9 395 771	6 081 566
Past due		
31 - 60 days	1 829 659	1 543 554
60 days +	772 303	775 915
90 days +	6 626 478	5 683 366
Total	**18 624 212**	**14 084 401**
Other		
Current (0 - 30days)	294 067	319 197
Past due		
31 - 60 days	182 272	180 858
60 days +	98 115	131 222
90 days +	1 753 113	2 103 911
Total	**2 327 567**	**2 735 188**
Housing rentals		
Current (0 - 30days)	0	2 285
Past due		
31 - 60 days	0	1 401
60 days +	0	1 135
90 days +	1 704	6 270
Total	**1 704**	**11 091**

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged on the outstanding balance at prime plus 1%. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

Summary of Debtors by Customer Classification

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below. A separate summary of assessment rates could not be provided as separate amounts are not available.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
Current:				
0 - 30 days	7 795 171	1 610 889	273 410	10 368
Past Due:				
31 - 60 Days	1 573 992	298 061	135 008	4 870
61 - 90 Days	744 616	106 905	15 430	3 467
+ 90 Days	7 580 029	632 796	119 702	48 768
Sub-total	**17 693 808**	**2 648 651**	**543 550**	**67 473**
Less: Provision for Impairment	-3 779 520	-707 909	0	-18 034
Total Debtors by Customer Classification	**13 914 288**	**1 940 742**	**543 550**	**49 439**

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2010				
Current:				
0 - 30 days	8 494 676	1 096 273	260 142	105 182
Past Due:				
31 - 60 Days	3 290 249	307 576	256 315	28 619
61 - 90 Days	1 164 233	88 878	26 476	11 863
+ 90 Days	8 764 428	774 823	649 112	114 445
Sub-total	**21 713 586**	**2 267 550**	**1 192 045**	**260 109**
Less: Provision for Impairment	-5 618 888	-585 185	**0**	**-67 126**
Total Debtors by Customer Classification	**16 094 698**	**1 682 365**	**1 192 045**	**192 983**

Reconciliation of the provision for impairment

	2011 R	2010 R
Balance at beginning of year	6 271 199	5 699 201
Impairment Losses recognised	3 392 909	2 105 761
Amounts written off as uncollectable	-2 482 154	-1 533 764
Balance at end of year	7 181 954	6 271 199

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, and places strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Provision for impairment of Consumer Debtors have been made by an assessment of each individual debtors account. Assumptions regarding recoverability were made based on investigations of all consumer balances outstanding.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management has no concern over the credit quality of these assets

At 30 June 2011 consumer debtors of R9,960,544 (2010: R 3,093,403) were past due but not impaired. The age analysis of these consumer debtors is as follows:

	2011 R	2010 R
31 - 60 Days	1 780 710	1 725 813
61 - 90 Days	771 456	908 272
91 Days +	7 408 378	782 389
Total	9 960 544	3 416 474

No discounting calculation have been considered on the outstanding arrangements due to the fact that the provision for bad debts on these accounts are considered to be adequate to ensure that these balances are disclosed at fair value.

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011 R	2010 R
Assessment rates debtors	9 900 738	9 202 180
Insurance claims	25 426	63 412
Government subsidies	1 227 055	6 044 287
Prepaid Expenses	15 915	291 426
Employees PAYE & Salary control	19 970	42 756
Other	642 495	2 369 011
	11 831 599	18 013 072
Less: Provision for Impairment	-2 676 491	-2 577 122
Total Trade Receivables from non-exchange transactions	**9 155 108**	**15 435 950**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)

The average credit period for **Other Debtors,** excluding Assessment rate debtors, is 30 days. No interest is charged on other debtors. Interest is charged at prime plus 1% on all overdue assessment rates.

The claims instituted against the Municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the Municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

Ageing of trade receivables from non-exchange transaction

	2011 R	2010 R
Rates Ageing		
Current (0 - 30days)	3 246 682	4 339 284
Past due		
31 - 60 days	770 540	2 368 715
60 days +	410 044	494 581
90 days +	5 473 472	1 999 600
Total	**9 900 738**	**9 202 180**

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
Current:				
0 - 30 days	3 080 662	149 089	14 855	2 076
Past Due:				
31 - 60 Days	701 777	40 305	26 837	1 622
61 - 90 Days	376 453	23 282	8 700	1 609
+ 90 Days	4 858 941	144 504	454 097	15 928
Sub-total	**9 017 833**	**357 180**	**504 489**	**21 235**
Less: Provision for Impairment	-2 560 795	-109 203	0	-6 492
Total Debtors by Customer Classification	**6 457 038**	**247 977**	**504 489**	**14 743**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
6. VAT		
VAT payable	-2 218 841	-1 849 190
VAT receivable	4 818 435	5 391 522
Net VAT payable/(receivable)	**2 599 594**	**3 542 332**

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The Vat amount on outstanding debtors amounts to R2,218,841 (2010: R1,849,190) at year end.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

7. BANK AND CASH		
Bank, Cash and Cash Equivalents	6 080	5 780
Bank balance	2 096 512	0
Bank overdraft	0	-1 548 604
Total Bank, Cash and Cash Equivalents	**2 102 592**	**-1 542 824**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
7. BANK AND CASH - (continued)		
Primary Bank Account		
First National Bank - Riversdale Branch Code 200313		
Account Number 53571024174		
Cheque Account		
Cash book balance at beginning of year	**-1 557 361**	**-11 131 940**
Cash book balance at end of year	**1 886 831**	**-1 557 361**
Bank statement balance at beginning of year	**16 877 372**	**99 559**
Bank statement balance at end of year	**5 543 538**	**16 877 372**
Current Account		
First National Bank - Riversdale Branch Code 200313		
Account Number 62225917543		
Cheque Account		
Cash book balance at beginning of year	**8 857**	**45**
Cash book balance at end of year	**209 681**	**8 857**
Bank statement balance at beginning of year	**8 857**	**45**
Bank statement balance at end of year	**209 531**	**8 857**

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.

8. INVESTMENTS

	2011 R	2010 R
Financial Instruments		
- Short term investments	70 020 893	62 439 932
Total	**70 020 893**	**62 439 932**
Summary of Investments		
Standard Bank	20 156 846	25 801 768
Investec	30 093 041	10 001 808
Nedbank	15 064 240	8 582 816
FNB	4 706 766	18 053 540
	70 020 893	**62 439 932**
Allocations of investments		
- Repayment of Long-term Liabilities as set out in Note 19	8 247 746	5 804 349
- Attributable to Unspent Conditional Grants as set out in Note 17	6 925 194	11 306 835
- Attributable to Housing Reserve as set out in Note 22	49 838	43 037
- Attributable to Trust Funds - see note 48	1 544 492	1 521 416
- Available for Operational Account	53 253 622	43 764 294
	70 020 893	**62 439 932**

Short term investment Deposits are investments with a maturity period of less than 3 months and earn interest varying from 5.6% to 6.63% per annum.

The management of the Municipality is of the opinion that the carrying value of Short-term investment Deposits recorded at amortised cost in the Annual Financial Statements approximate their fair value.

The fair value of Short-term Investment Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

9. OPERATING LEASE ASSETS

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

	2011 R	Restated 2010 R
Balance at beginning of year	221 640	239 298
Operating Lease expenses recorded	-455 967	-1 041 905
Operating Lease payments effected	465 816	1 024 247
Total Operating Lease Assets as restated	231 489	221 640

9. OPERATING LEASE ASSETS - (continued)

Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 49.4 on "Correction of Error" for details of the restatement.

9.1 Leasing arrangements

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

9.2 Amounts receivable under Operating Leases

At the Reporting Date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

	2011 R	2010 R
Up to 1 year	806 501	966 497
2 to 5 years	1 477 033	1 000 113
More than 5 years	111 590	259 874
Total Operating Lease Arrangements	**2 395 125**	**2 226 485**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current year income of R9 849 (2010: R11 482 Decrease).

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying values at 1 July 2010 - As restated	**260 442 689**	**179 240 637**	**11 011 328**	**5 500**	**19 436 087**	**470 136 241**
Cost	**263 972 225**	**213 733 432**	**14 764 396**	**5 500**	**30 084 253**	**522 559 806**
- Completed Assets	263 972 225	206 114 389	14 387 724	5 500	30 084 253	514 564 091
- Under Construction	0	7 619 043	376 672	0	0	7 995 715
Accumulated Depreciation:	**3 529 536**	**34 492 795**	**3 753 068**	**0**	**10 648 166**	**52 423 565**
- Cost	3 529 536	34 492 795	3 753 068	0	10 648 166	52 423 565
- Revaluation	0	0	0	0	0	0
Transfer to non-current assets held for sale	-150 500	0	0	0	0	-150 500
Disposals	0	0	0	0	-103 336	-103 336
Depreciation on disposals					101 479	101 479
Acquisitions	2 928 728	15 577 925	0	0	4 730 517	23 237 170
Capital under Construction - Additions	0	19 704 771	202 479	0	0	19 907 250
Fair Value recognition	0	0	0	8 326 375	0	8 326 375
Depreciation:	**3 819 023**	**7 181 948**	**809 710**	**0**	**3 774 272**	**15 584 953**
- Based on cost	3 819 023	7 181 948	809 710	0	3 774 272	15 584 953
- Based on revaluation	0	0	0	0	0	0
CARRYING VALUES AT 30 JUNE 2011	**259 401 894**	**207 341 385**	**10 404 097**	**8 331 875**	**20 390 475**	**505 869 726**
Cost	**266 750 453**	**249 016 128**	**14 966 875**	**8 331 875**	**34 711 434**	**573 776 765**
- Completed Assets	266 750 453	229 311 357	14 764 396	8 331 875	34 711 434	553 869 515
- Under Construction		19 704 771	202 479			19 907 250
Transfer	0	0	0	0	0	0
Accumulated Depreciation:	**7 348 559**	**41 674 743**	**4 562 778**	**0**	**14 320 959**	**67 907 039**
- Cost	7 348 559	41 674 743	4 562 778	0	14 320 959	67 907 039
- Revaluation	0	0	0	0	0	0

10. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying values at 1 July 2009 AS restated	**202 525 754**	**132 619 418**	**11 442 439**	**5 500**	**18 390 541**	**364 983 652**
Cost	**202 535 508**	**160 299 583**	**14 387 724**	**5 500**	**26 267 903**	**403 496 218**
- Completed Assets	201 470 827	160 299 583	14 387 724	5 500	26 267 903	402 431 537
Correction of error	1 064 681	0	0	0	0	1 064 681
Accumulated Depreciation:	**9 754**	**27 680 165**	**2 945 285**	**0**	**7 877 362**	**38 512 566**
- Cost	9 754	27 680 165	2 945 285	0	7 877 362	38 512 566
- Revaluation	0	0	0	0	0	0
Transfer of cost	58 533 038	0	0	0	0	58 533 038
Disposals / Written off	-87 000	0	0	0	-959 039	-1 046 039
Depreciation on disposals	0	0	0	0	206 543	206 543
Acquisitions	2 990 679	45 814 806	0	0	4 775 389	53 580 874
Capital under Construction - Additions	0	7 619 043	376 672	0	0	7 995 715
Depreciation:	**3 519 782**	**6 812 630**	**807 783**	**0**	**2 977 347**	**14 117 542**
- Based on cost as restated	3 519 782	6 812 630	807 783	0	2 977 347	14 117 542
- Based on revaluation	0	0	0	0	0	0
CARRYING VALUES AT 30 JUNE 2010	**260 442 689**	**179 240 637**	**11 011 328**	**5 500**	**19 436 087**	**470 136 241**
Cost	**263 972 225**	**213 733 432**	**14 764 396**	**5 500**	**30 084 253**	**522 559 806**
- Completed Assets	263 972 225	206 114 389	14 387 724	5 500	30 084 253	514 564 091
- Under Construction	0	7 619 043	376 672	0	0	7 995 715
Accumulated Impairment Losses	0	0	0	0	0	0
Accumulated Depreciation:	**3 529 536**	**34 492 795**	**3 753 068**	**0**	**10 648 166**	**52 423 565**
- Cost	3 529 536	34 492 795	3 753 068	0	10 648 166	52 423 565
- Revaluation	0	0	0	0	0	0

The comparative amounts have been restated due to the change in accounting policy through the implementation of GRAP retrospectively. Land and buildings have been unbundled which resulted in the reclassification and restatement of the comparative amounts. Refer to change in Accounting policy note 48.1.

The Municipality has taken advantage of ASB Directive 4 par 75 and 78, which states that certain classes of property, plant and equipment may not be recognised and measured in accordance with the Standard of GRAP on Property, Plant and Equipment in individual entities' financial statements. During the 2011 financial year those items of Property, Plant and Equipment which have not previously been unbundled, were componetised which resulted in the reclassification and restatement of comparative amounts.

10.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

	2011 R	2010 R
Infrastructure	1 977 454	623 200
Other	0	2 595 312
Carrying Value of PPE fully depreciated and still in use	1 977 454	3 218 512

Property, Plant and Equipment per Cash Flow Statement:

	2011 R	2010 R
- Total Additions as per Appendix "B"	43 144 420	61 576 589
	43 144 420	**61 576 589**

10.2 Impairment of Property, Plant and Equipment

The Municipality carried out a review of the recoverable amount of all its Assets.

Deemed Cost

Other Assets

Items of Property, Plant and Equipment which have previously been recognised at nominal or Zero values, were fair valued through the Depreciated Replacement Cost Method. The extent of these assets recognised at fair value are as follows:

	2011 R	2010 R
Emergency Equipment	154 414	
Motor Vehicles	3 467 354	
Office Equipment	5 806 932	
Plant and Equipment	3 541 692	
	12 970 392	

Heritage Assets

	2011 R	2010 R
Heritage assets have been valued by an expert artifact and arts valuer by taking into account the intrinsic value as well as the cultural significance of the specified items	**8 331 875**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
11 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	365 556	378 889
The movement in Intangible Assets is reconciled as follows:		
Carrying value at 1 July 2010	378 889	392 222
Cost	400 000	400 000
Accumulated Amortisation	-21 111	-7 778
Acquisitions during the Year:	0	0
Amortisation during the Year:	-13 333	-13 333
Carrying value at 30 June 2011	365 556	378 889
Cost	400 000	400 000
Accumulated Amortisation	-34 444	-21 111

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38, are the following:

- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

12. INVESTMENT PROPERTY

	2011 R	2010 R
At fair value	**43 450 280**	**43 093 280**

The movement in Investment Property is reconciled as follows:

	2011 R	2010 R
Carrying values at 1 July 2010	43 450 280	43 093 280
Fair value	43 093 280	101 626 319
Transfer to Land and Buildings (Caravan Parks)	0	-58 533 039
Fair value adjustment	357 000	0
Accumulated impairment loss	0	0
Net Gains from Fair Value Adjustments	0	0
Carrying values at 30 June 2011	**43 450 280**	**43 093 280**
Fair value	43 450 280	43 093 280
Accumulated impairment loss	0	0

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

	2011 R	2010 R
Rental Revenue earned from Investment Property	465 816	3 167 787

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment property in accordance with GRAP 16 for the financial years up to 30 June 2010.

The municipality has identified and measured all Investment property in terms of GRAP 16 for the financial year ended 30 June 2011. The balances of the Investment property have been accordingly restated retrospectively. Refer to note 49.2.

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

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

12.1 Investment Property carried at Fair Value:

The municipality's Investment Property is valued annually or when deemed necessary, by an independent, professionally qualified valuer at 30 June.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
13. LONG-TERM RECEIVABLES		
Sport clubs/Pre-primary school	27 613	29 131
Other	0	0
	27 613	29 131
Less: Current portion transferred to current receivables	-1 643	-1 519
Car Loans	0	0
Sport clubs	-1 643	-1 519
Other	0	0
Housing - Stilbaai	0	0
Less: Provision for Impairment - Housing Loans	0	0
Total	**25 970**	**27 612**

13.1 Reconciliation of the Provision for Impairment

Balance at beginning of year	0	0
Amounts written off as uncollectable	0	0
Total	**0**	**0**

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable 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, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Sport clubs and other

The council granted loans at a interest rate of 8% to the following:

Pikkewouter Pre-primary school - Stilbaai

Heidelberg Gholfklub

These loans are repayable by the year 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
14. CONSUMER DEPOSITS		
Electricity and Water	3 253 353	3 119 521
Balance 30 June 2011	**3 253 353**	**3 119 521**

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their account, the Municipality can utilise the deposit as payment for the outstanding amount. No interest is paid on Consumer Deposits held. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and its consumers.

15. PROVISIONS		
Performance Bonus	770 900	641 028
Pension Fund Arrears Contribution	5 305 302	4 321 305
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20.1 below)	1 364 892	1 092 794
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 20.2 below)	9 188	35 000
Current portion of Provision for long-service Awards (See note 21 below)	342 516	221 043
Total Provisions	**7 792 798**	**6 311 170**

15. PROVISIONS - (continued)

Performance bonuses accrue to employees half yearly, subject to certain conditions. The provision is an estimate of the amount due to staff at the reporting date.

SALA Pension Fund

Notwithstanding the fact that the SALA Pension Fund litigation against the municipality has not been tested in a court of law, a provision has been made in the Financial Statements. The amount is for increased employer contributions to the SALA Pension Fund.

Cape Joint Pension Fund

The Fund's actuary has calculated that there is a shortfall in the investment returns in respect of the defined benefits component of the Fund. The Municipality is liable for a pro rata payment of R1 253 481.11.

The movement in current provisions are reconciled as follows:-

	Cape Joint Pension Fund	SALA Pension Fund Contributions	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus	Job Evaluation
Balance at 1 July 2010	1 253 481	3 067 824	1 092 794	221 043	35 000	641 028	0
Transfer from non-current	0	0	1 364 892	342 516	-25 812	0	0
Contribution to provisions		983 997	0	0	0	770 900	0
Expenditure incurred	0	0	-1 092 794	-221 043	0	-641 028	0
Balance at 30 June 2011	**1 253 481**	**4 051 820**	**1 364 892**	**342 516**	**9 188**	**770 899**	**0**
Balance at I July 2009	**0**	2 309 215	1 013 326	311 631	35 000	501 087	0
Transfer from non-current	**0**	0	79 468	-90 588	0	0	0
Contribution to provisions	1 253 481	758 609	0	0	0	641 027	0
Expenditure incurred	**0**	**0**	0	0	0	-501 086	0
Balance at 30 June 2010	**1 253 481**	**3 067 824**	**1 092 794**	**221 043**	**35 000**	**641 028**	**0**

16. CREDITORS

	2011 R	2010 R
Trade Creditors	21 167 793	10 673 269
Payments received in advance	983 005	258 456
Retentions	2 414 746	3 996 546
Staff Leave	3 449 072	2 970 842
Other Creditors	6 352 571	5 515 299
Total	**34 367 187**	**23 414 412**

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 management of the Municipality is of the opinion that the carrying value of Creditors approximate their fair value. The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the

Municipality and other parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
		Restated
17.1 Conditional Grants from other spheres of Government - Appendix F	**3 794 399**	**9 619 003**
National Government Grants	3 111 187	7 779 424
Provincial Government Grants	253 135	379 685
District Municipality Grants	430 078	1 459 893
17.2 Other Conditional Receipts - (see note 27)	**3 130 795**	**301 937**
Tourism	101 819	101 819
Skills Development	222 815	113 805
Eskom Solar Panels	0	0
Africana Centre	26 313	26 313
Cape Nature: Plant Project	0	0
Garcia Forestry	2 719 848	0
Vodacom Sport Contribution	0	0
Public Participation Strategy	60 000	60 000
Gourits Nature Impact Study	0	0
Total conditional grants and receipts	**6 925 194**	**9 920 940**

18. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

	2011 R	2010 R
Balance at beginning of year	58 672	76 581
Operating Lease expenses recorded	-367 235	-337 352
Operating Lease payments effected	329 784	319 444
Total Operating Lease Liabilities	21 221	58 672

18.1 Leasing Arrangements

The Municipality as Lessee:
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

18.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

	2011 R	2010 R
Buildings:	897 173	576 365
Up to 1 year	396 898	206 228
2 to 5 years	500 275	370 137
More than 5 years	0	0
Equipment:	0	118 746
Up to 1 year	0	118 746
2 to 5 years	0	0
More than 5 years	0	0
Total Operating Lease Arrangements	897 173	695 111

The following payments have been recognised as an expense in the Statement of Financial Performance:

	2011 R	2010 R
Minimum lease payments		
Contingent rentals	443 496	319 444
Total Operating Lease Expenses	443 496	319 444

	2011 R	2010 R
19. LONG-TERM LIABILITIES		
Annuity Loans	64 604 115	47 921 789
Less: Current portion transferred to current liabilities	8 247 746	5 804 349
Total long-term liabilities (Neither past due nor impaired)	**56 356 369**	**42 117 439**

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 9.33% tot 11.56% per annum. Annuity loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.
Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 8 for more detail.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

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.

20. RETIREMENT BENEFIT LIABILITIES

	2011 R	2010 R
Post-retirement Health Care Benefits Liability	31 268 144	22 236 353
Ex-gratia Pension Benefit Liability	118 692	44 556
Total	31 386 837	22 280 910

20.1 Post-retirement Health Care Benefits Liability

	2011 R	2010 R
Balance at beginning of Year	23 329 147	21 894 532
Contributions to Provision	2 745 121	2 553 359
Expenditure incurred	-1 092 794	-1 118 744
Actuarial loss	7 651 562	0
Balance at end of Year	32 633 036	23 329 147
Transfer to Current Provisions	-1 364 892	-1 092 794
Total Post-retirement Health Care Benefits Liability	31 268 144	22 236 353

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 are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2011	2010
In-service Members (Employees)	143	126
Continued Members (Retirees, widowers and orphans)	56	49
Total members	199	175

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

	2011	2010
In-service Members	12 427 119	7 611 675
Continued Members	20 205 917	15 717 472
Total liability	32 633 036	23 329 147

	2011 R	2010 R

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost and interest cost for the year ending 30 June 2011 is estimated to be R618,949 and R2,126,172 respectively, whereas the cost for the ensuing year is estimated to be R1,133,640 and R2,757,000 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2011	2010
Discount Rate	8.63%	9.27%
Health Care Cost Inflation Rate	7.28%	7.84%
Net Effective Discount Rate	1.25%	1.33%

20. RETIREMENT BENEFIT LIABILITIES (continued)

	2011 R	2010 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	23 329 148	21 894 532
Current service costs	618 949	566 416
Interest cost	2 126 172	1 986 943
Benefits paid	-1 092 794	-1 118 744
Actuarial losses / (gains)	7 651 562	0
Present Value of Fund Obligation at the end of the Year	32 633 037	23 329 148
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	32 633 037	23 329 148
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	32 633 037	23 329 148
Unrecognised Past-service Cost	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Total Benefit Liability	32 633 037	23 329 148
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	618 949	566 416
Interest cost	2 126 172	1 986 943
Actuarial losses / (gains)	7 651 562	0
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	10 396 683	2 553 359

Sensitivity analysis

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

	2011 R	2010 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	3 238 357	2 969 300
Effect on the defined benefit obligation	37 677 000	24 972 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 349 222	2 215 000
Effect on the defined benefit obligation	28 505 000	19 387 000

Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
20.2 Ex-Gratia Pensioners Defined Benefit Liability		**Restated**
Balance at beginning of Year as restated	79 556	128 917
Contributions to Provision	12 574	11 540
Expenditure incurred	0	-60 901
Increase due to Re-measurement	35 750	0
Balance at end of Year	127 880	79 556
Transfer to Current Provisions	-9 188	-35 000
Total Ex-Gratia Pensioners Benefits Liability	118 692	44 556

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2011, 87 pensioners were eligible for payments in terms of this plan.

20. RETIREMENT BENEFIT LIABILITIES (continued)

The Municipality provides a once-off pension benefit to all employees who entered service prior to 31 December 1994 on normal retirement (65 for males and 60 for females). Only members who were still in-service after 1 July 1998 are entitled to the benefit. The benefit is calculated according to the average annual salary earned as at 31 December 1994 multiplied by number of years of service up to 31 December 1994, multiplied by 10%.

The interest-cost for the next year is estimated to be R10,693. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

	2011 R	2010 R
i) Rate of interest		
Discount Rate	8.67%	8.95%
ii) Mortality rates		
The SA85-90 Ultimate mortality table was used by the actuaries		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year as restated	79 556	128 917
Interest cost	12 574	11 540
Benefits paid	0	-60 901
Actuarial losses / (gains)	35 750	0
Present Value of Fund Obligation at the end of the Year	127 880	79 556
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	127 880	79 556
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	127 880	79 556
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	127 880	79 556
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	12 574	11 540
Actuarial losses / (gains)	35 750	0
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	48 324	11 540
The effect of a two-year decrease and increase in the assumed average retirement age is as follows:		
Increase:		
Effect on the interest cost	11 396	9 500
Effect on the defined benefit obligation	112 059	110 800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
Decrease:		
Effect on the interest cost	13 695	13 400
Effect on the defined benefit obligation	145 891	148 320

21. NON-CURRENT PROVISIONS

Provision for Long Service Awards	2 851 237	2 400 866

The movement in Non-current Provisions are reconciled as follows:

Balance at beginning of year	2 621 909	2 413 640
Contributions to provision	629 408	568 062
Increase due to discounting	0	0
Expenditure incurred	-221 043	-359 793
Reduction due to re-measurement	163 479	0
	3 193 753	2 621 909
Transfer to current provisions	-342 516	-221 043
Balance at end of year	2 851 237	2 400 866

21. NON-CURRENT PROVISIONS - (continued)

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. 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.

At year end, 489 employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2011 is estimated to be R393,951 and R235,457 respectively, whereas the cost for the ensuing year is estimated to be R434,202 and R236,934 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2011 R	2010 R
Discount Rate	7.83%	9.28%
General salary inflation	6.28%	6.94%
Net Effective Discount Rate	1.46%	2.19%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2 621 909	2 413 640
Current service costs	393 951	360 505
Interest cost	235 457	207 557
Benefits paid	-221 043	-359 793
Actuarial losses / (gains)	163 479	0
Present Value of Fund Obligation at the end of the Year	3 193 753	2 621 909
Actuarial losses / (gains) unrecognised	0	0
Total Recognised Benefit Liability	3 193 753	2 621 909
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 193 753	2 621 909
Actuarial gains / (losses) not recognised	0	0
Total Benefit Liability	3 193 753	2 621 909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	393 951	360 505
Interest cost	235 457	207 557
Actuarial losses / (gains)	163 479	0
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	792 887	568 062
The effect of a 1% movement in the assumed general salary inflation rate is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	672 982	549 187
Effect on the defined benefit obligation	3 420 000	2 555 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	590 532	479 239
Effect on the defined benefit obligation	2 990 000	2 240 000

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

22. STATUTORY FUNDS

	2011 R	2010 R
Housing Reserve		Restated
Balance 1 July	43 028	1 944 462
Rental Income	88 488	39 277
	131 515	1 983 739
Less: Written off/Correction of Provision for Impairment	0	-1 826 591
Less: Expenses	-81 677	-114 120
Total at 30 June as restated	**49 838**	**43 028**
The Housing reserve is represented by the following:		
Housing selling scheme loans		
Housing rental debtors (included in other/rentals) note 4	0	0
Investment (included in investments note 8)	49 838	43 028
Total Housing Reserve Assets	**49 838**	**43 028**

The **Housing Development Fund** has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

23. RESERVES

	2011 R	2010 R
		Restated
Revaluation Reserve		
Balance as at 1 July 2009	0	187 932 963
Adjustments to land and buildings	0	-16 541 500
Change in accounting policy	0	-171 391 463
Restated balance as at 1 July 2010	0	0
Movement during the year	0	0
Balance as at 30 June 2011	**0**	**0**

The revaluation reserve was reversed to accumulated surplus due to a change in the accounting policy. Refer to note 48.2.

24. ACCUMULATED SURPLUS

	2011 R	2010 R
The Accumulated Surplus consists of the following Internal Funds and Reserves:		**Restated**
Capital Replacement Reserve (CRR)	37 049 801	37 049 801
- Total insurance Reserves	4 643 039	4 643 038
-Total disaster Relief Reserves	1 191 929	1 191 929
Accumulated Surplus due to the results of Operations	455 558 481	447 889 481
Total Accumulated Surplus	**498 443 249**	**490 774 249**

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
25. PROPERTY RATES		
Actual		
Residential, Commercial & State	46 034 017	43 261 311
Less: Income Forgone	-3 403 220	-3 136 070
Total Assessment Rates	**42 630 797**	**40 125 241**
Valuations		
	R000's	**R000's**
Residential, Commercial & State	10 045 827	9 807 171
Agriculture	3 540 995	3 760 004
Municipal	287 505	292 078
Churches	0	100 530
Total Property Valuations	**13 874 327**	**13 959 783**

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts.

An uniform general rate of 0.0003690 c/R (2009/2010: 0.0003690 c/R is applied to property valuations to determine assessment rates.

The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2009.

The rates tariffs for the 2010/2011 financial year was as follows:

	Towns
Residential	.003967 c/R
Vacant Land	.005421 c/R
Agriculture	.000969 c/R
State	.008118 c/R

A rebate of R50 000 on the value of the property (2009/2010: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 20% was granted to private owned developments.

26. SERVICE CHARGES		
Sale of electricity	72 278 723	60 603 925
Sale of water	16 577 435	13 833 976
Connection Fees Services	1 086 372	1 037 512
Admission fees Swimming Pools	53 385	52 432
Camping Fees	4 798 063	3 937 206
Refuse removal fees	9 780 990	8 708 649
Sewerage and sanitation charges	13 646 527	12 263 413

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
Total Service Charges	**118 221 495**	**100 437 113**

27. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)

		2011 R	2010 R
Operating			
National:			
Equitable Share	**27.1**	21 258 479	16 488 968
Financial Management Grant	**27.2**	1 256 871	754 374
MIG Projects	**27.12**	1 370 108	2 168 672
Municipal Systems Improvement Grant	**27.22**	445 602	430 993
DME	**27.14**	7 758 838	5 969 089
Provincial:			
Water Service Delivery Plan	**27.4**	0	256 160
Housing Projects	**27.6**	17 000 000	70 299 331
Library: Extending Staffing Levels	**27.7**	475 000	389 000
Hessequa Soccer Cup	**27.23**	50 000	0
Melrose Place Toilets	**27.5**	0	15 526
Primary Health Care Services	**27.3**	511	15 504
Slangrivier Land Reform	**27.8**	0	137 064
Performance Management Grant	**27.10**	0	224 958
Housing Consumer Education	**27.19**	15 739	0
Master Planning Grant	**27.2**	0	200 000
Proclaimed Roads	**27.15**	300 000	207 697
Community Development Workers	**27.90**	50 000	48 000
District Municipality			
Clean-Up Project	**27.32**	144 000	0
Alternative Electricity	**27.17**	0	26 467
Stilbaai Sewerage (Restated)	**27.20**	0	25 411
Africa Day	**27.33**	40 000	0
Tourism Grant	**27.24**	0	40 000
Heidelberg Sewerage (Restated)	**27.18**	0	27 263
Other Municipality			
George - Housing Consumer Education	**27.11**	0	18 608

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011 R	2010 R
Capital Projects			
National:			
MIG Allocations	**27.12**	6 741 818	18 024 352
MIG Allocations - Flood Disaster 2006	**27.13**	0	10 769 309
Provincial:			
WC Department of Transport	**27.16**	0	1 599 000
MHFT Pedestrian Sidewalk	**27.27**	0	90 404
Primary Health Care Services	**27.3**	110 300	0
Slangrivier Taxi Rank	**27.26**	0	5 013
Melrose Place Toilets	**27.5**	0	6 689
Sport Facilities Slangrivier	**27.27**	0	2 599
Slangrivier Library	**27.28**	0	9 309
District Municipality			
Albertinia Sewerage Phase 8	**27.29**	0	111 734
Globe Conference	**27.30**	0	16 563
Stilbaai Sewerage	**27.20**	0	136 709
Thoroughfares	**27.21**	989 815	10 161
Total Government Grants & Subsidy - Operational		**50 165 148**	**97 743 085**
Total Government Grants & Subsidy - Capital		**7 841 933**	**30 781 842**
Operating Grants per Statement of Performance		48 481 028	
Capital Grants per Statement of Performance		7 841 933	
Operating Grant conditions met, included in Other Revenue (VAT)		2 044 522	
Operating Grant conditions met, included in Other Revenue		512	
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		**58 367 995**	

27.1 GOVERNMENT GRANTS AND SUBSIDIES - (continued)

	2011 R	2010 R
27.1 Equitable Share		
Current Year Receipts	21 258 479	16 488 968
Conditions met - transferred to revenue	-21 258 479	-16 488 968
Conditions still to be met - transferred to liabilities (refer note 17.1)	**0**	**0**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as for LED and upliftment projects. All registered indigents receive the following:

Level of Income:	**Subsidy**
- R0.00 - R3 000	- free basic services plus 100% rebate on rates
	- 6kl free water
	- 50kwh free electricity
- R3 001 - R3 500	- 50% free basic services plus 50% rebate on rates
	- 6kl free water
	- 50kwh free electricity

	2011 R	2010 R
27.2 Financial Management Grant		
Balance unspent at beginning of year	594 424	598 798
Current Year Receipts	1 000 000	750 000
Conditions met - transferred to revenue: Operating Expenses	-1 256 871	-754 374
Conditions still to be met - transferred to liabilities (refer note17.1)	**337 553**	**594 424**

The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg. Salary costs of the Financial Management interns).

	2011 R	2010 R
27.3 Health Care Centre HB		
Balance unspent at beginning of year	110 811	126 315
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	-110 300	0
Conditions met - transferred to revenue: Operating Expenses	-511	-15 504
Conditions still to be met - transferred to liabilities (refer note 17.2)	**0**	**110 811**

With the exception of the oral hygienist, the rest of the clinic staff were transferred to the Provincial Department of Health with effect from 1 January 2007. Until the 31 December 2007 the Municipalities involvement was only the salary of the hygienist and the payment of sundry operating expenses. With effect from 1 January 2008 the municipality's activities at the clinic ceased.

	2011 R	2010 R
27.4 Water Service Delivery Plan		
Balance unspent at beginning of year	0	6 161
Current Year Receipts	0	250 000
Conditions met - transferred to revenue: Operating Expenses	0	-256 161
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.5 Melrose Place Toilets		
Balance unspent at beginning of year	0	22 215
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-6 689
Conditions met - transferred to revenue: Operating Expenses	0	-15 526
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.6 Housing Projects		
Balance unspent at beginning of year	0	0
Current Year Receipts	17 000 000	70 299 331
Conditions met - transferred to revenue: Operating Expenses	-17 000 000	-70 299 331
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
These grants are for the construction of houses. The conditions of the grant have been met.		
27.7 Library Extending Staffing Levels		
Balance unspent at beginning of year	0	0
Current Year Receipts	475 000	389 000
Conditions met - transferred to revenue: Operating Expenses	-475 000	-389 000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.8 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
27.8 Slangrivier Land Reform		
Balance unspent at beginning of year	8 725	1 379
Current Year Receipts	0	144 410
Conditions met - transferred to revenue: Operating Expenses	0	-137 064
Conditions still to be met - transferred to liabilities (refer note17.1)	**8 725**	**8 725**
27.9 Community Development Workers		
Balance unspent at beginning of year	0	0
Current Year Receipts	50 000	48 000
Conditions met - transferred to revenue: Operating Expenses	-50 000	-48 000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.10 Performance Management Grant		
Balance unspent at beginning of year	125 042	120 000
Current Year Receipts	0	230 000
Conditions met - transferred to revenue: Operating Expenses	0	-224 958
Conditions still to be met - transferred to liabilities (refer note17.1)	**125 042**	**125 042**
27.11 Housing Consumer Education - George Municipality		
Balance unspent at beginning of year	23 758	42 366
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-18 608
Conditions still to be met - transferred to liabilities (refer note17.1)	**23 758**	**23 758**
27.12 MIG Infrastructure allocations		
Balance unspent at beginning of year	4 891 091	8 789 428
Current Year Receipts	5 155 000	13 963 000
Transfer from Flood Disaster 2006	0	2 331 687
Conditions met - transferred to Revenue: Capital Expenses	-6 741 818	-18 024 352
Conditions met - transferred to revenue: Operating Expenses	-1 370 108	-2 168 672
Conditions still to be met - transferred to liabilities (refer note17.1)	**1 934 165**	**4 891 091**
27.13 MIG Infrastructure - Flood disaster 2006		
Balance unspent at beginning of year	0	13 100 997
Current Year Receipts	0	0
Transfer to MIG Infrastructure allocations	0	-2 331 687
Conditions met - transferred to Revenue: Capital Expenses	0	-10 769 310
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.14 National DME		
Balance unspent at beginning of year	2 283 639	0
Current Year Receipts	6 000 000	8 252 728
Conditions met - transferred to revenue: Operating Expenses	-7 758 838	-5 969 089
Conditions still to be met - transferred to liabilities (refer note17.1)	**524 801**	**2 283 639**
27.15 Western Cape Department of Transport		
Balance unspent at beginning of year	0	0
Current Year Receipts	300 000	1 806 697
Conditions met - transferred to Revenue: Capital Expenses	0	-1 599 000
Conditions met - transferred to revenue: Operating Expenses	-300 000	-207 697
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.16 Master Planning Grant		
Balance unspent at beginning of year	0	0
Current Year Receipts	0	200 000
Conditions met - transferred to Revenue: Capital Expenses	0	-200 000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

	2011 R	2010 R
27.17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27.17 Alternative Electricity		
Balance unspent at beginning of year	273 533	300 000
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	-26 467
Conditions still to be met - transferred to liabilities (refer note17.1)	**273 533**	**273 533**
27.18 Heidelberg Sewerage		
Balance unspent at beginning of year	0	27 263
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Operating Expenses	0	-27 263
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.19 Housing Consumer Education		
Balance unspent at beginning of year	50 000	50 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	-15 739	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**34 261**	**50 000**
27.20 Stilbaai Sewerage		
Balance unspent at beginning of year	0	162 120
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	-162 120
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.21 Thoroughfares		
Balance unspent at beginning of year	989 815	999 976
Current Year Receipts	0	
Conditions met - transferred to Revenue: Capital Expenses	-989 815	-10 161
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**989 815**
27.22 Municipal Systems Improvement		
Balance unspent at beginning of year	10 273	41 266
Current Year Receipts	750 000	400 000
Conditions met - transferred to revenue: Operating Expenses	-445 602	-430 993
Conditions still to be met - transferred to liabilities (refer note17.1)	**314 671**	**10 273**
27.23 Hessequa Soccer Cup		
Balance unspent at beginning of year	0	0
Current Year Receipts	50 000	0
Conditions met - transferred to revenue: Operating Expenses	-50 000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.24 Tourism Grant		
Balance unspent at beginning of year	0	0
Current Year Receipts	0	40 000
Conditions met - transferred to revenue: Operating Expenses	0	-40 000
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.25 MHFT Pedestrian Sidewalk		
Balance unspent at beginning of year	0	90 404
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses		-90 404
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.26 Slangrivier Taxi Rank		
Balance unspent at beginning of year	0	5 013
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-5 013
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
27.27 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
27.27 Sport Facilities Slangrivier		
Balance unspent at beginning of year	0	2 599
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-2 599
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.28 Slangrivier Library		
Balance unspent at beginning of year	0	9 309
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-9 309
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.29 Albertinia Sewerage Phase 8		
Balance unspent at beginning of year	0	111 734
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-111 734
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.30 Clobe Conference		
Balance unspent at beginning of year	0	16 563
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	-16 563
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.31 Project Preparation Grant		
Balance unspent at beginning of year	63 000	63 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	0	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**63 000**	**63 000**
27.32 Clean-up Project		
Balance unspent at beginning of year	0	0
Current Year Receipts	144 000	0
Conditions met - transferred to revenue: Capital Expenses	-144 000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**0**
27.33 Africa Day		
Balance unspent at beginning of year	40 000	40 000
Current Year Receipts	0	0
Conditions met - transferred to revenue: Capital Expenses	-40 000	0
Conditions still to be met - transferred to liabilities (refer note17.1)	**0**	**40 000**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011 R	2010 R
28. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)			
Operating			**Restated**
Seta	**28.2**	80 761	161 568
Garcia Forestry - Services	**28.1**	280 151	1 895 556
Eskom Solar Panels	**28.3**	0	35 473
Cape Nature Plant Project	**28.4**	0	22 320
Gouritsmond Impact Study	**28.5**	0	36 666
Total Other Grants		**360 912**	**2 151 583**
28.1 Garcia Forestry - Services			
Balance unspent at beginning of year		0	1 895 556
Current Year Receipts		3 000 000	0
Conditions met - transferred to revenue: Operating Expenses		-280 151	-1 895 556
Conditions still to be met - transferred to liabilities (refer note16.2)		**2 719 849**	**0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
28.2 OTHER GRANTS AND SUBSIDIES - (continued)		
28.2 Skills Development		
Balance unspent at beginning of year	0	261 975
Current Year Receipts	189 770	13 398
Conditions met - transferred to revenue: Operating Expenses	-80 761	-161 568
28.3 Eskom Solar Panels		
Balance unspent at beginning of year	0	35 473
Current Year Receipts	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-35 473
Conditions still to be met - transferred to liabilities (refer note16.2)	**0**	**0**
28.4 Cape Nature Plant Project		
Balance unspent at beginning of year	0	22 320
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-22 320
Conditions still to be met - transferred to liabilities (refer note16.2)	**0**	**0**
28.5 Gouritsmond Impact Study		
Balance unspent at beginning of year	0	36 666
Current Year Receipts	0	0
Conditions met - transferred to Revenue: Capital Expenses	0	0
Conditions met - transferred to revenue: Operating Expenses	0	-36 666
Conditions still to be met - transferred to liabilities (refer note16.2)	**0**	**0**
29. OTHER INCOME		
Capital Contribution: Water and electricity	664 567	116 324
Sewerage	161 773	187 146
Building plans	356 576	329 991
Other	2 061 178	3 009 594
VAT on grants	2 044 522	0
Roadworthy Certificates	285 911	250 390
Services Electricians	37 619	12 354
Total	**5 612 146**	**3 905 799**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
30. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	52 247 697	46 477 775
Employee related costs - Contributions for UIF, pensions and medical aids	12 812 015	10 703 643
Employee related costs - SALA Pension Fund	459 316	421 425
Travel, motor car, accommodation, subsistence and other allowances	5 303 004	3 987 316
Housing benefits and allowances	241 644	297 108
Overtime payments	3 787 266	3 170 240
Performance bonus	0	0
Contribution to provision for post- retirement medical aid benefits	2 745 121	3 132 961
Contribution to long-service provision	629 408	0
Contribution to ex-gratia provision	12 574	0
Net Actuarial (gains)/losses recognised	7 850 791	0
Total Employee Related Costs	**86 088 837**	**68 190 468**
Remuneration of the Municipal Manager		
Annual Remuneration	635 786	539 411
Bonus	50 000	50 000
Performance Bonuses	125 522	89 496
Car Allowance	120 000	173 145
Contributions to UIF, Medical and Pension Fund	140 573	134 076
Total	**1 071 881**	**986 128**

	2011 R	2010 R
30. EMPLOYEE RELATED COSTS - (continued)		
Remuneration of the Manager Corporate Services		
Annual Remuneration	0	220 735
Bonus	0	47 833
Car Allowance	0	46 549
Performance Bonus	0	44 852
Contributions to UIF, Medical and Pension Fund	0	37 506
Total	**0**	**397 475**
Remuneration of the Manager Water, Sewerage & Sanitation		
Annual Remuneration	541 092	360 541
Bonus	5 000	0
Long service award	0	28 970
Performance Bonus	81 129	49 022
Car Allowance	60 000	112 026
Acting Allowance	24 145	125 914
Contributions to UIF, Medical and Pension Fund	123 366	104 914
Total	**834 732**	**781 387**
Remuneration of the Manager Community Services		
Annual Remuneration	352 152	316 685
Bonus	30 000	45 492
Performance Bonus	58 170	37 438
Car Allowance	80 000	100 747
Contributions to UIF, Medical and Pension Fund	96 399	83 789
Total	**616 721**	**584 151**
Remuneration of the Manager Streets & Storm water - (8 months)		
Annual Remuneration	480 725	399 329
Bonus	40 000	0
Performance Bonus	81 129	49 022
Car Allowance	48 000	90 000
Other Allowance	4 167	25 000
Contributions to UIF, Medical and Pension Fund	104 285	88 513
Total	**758 306**	**651 864**
Remuneration of the Manager Planning Services		
Annual Remuneration	455 487	372 313
Bonus	25 000	25 000
Performance Bonus	81 129	49 022
Car Allowance	80 000	100 000
Contributions to UIF, Medical and Pension Fund	95 722	80 275

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
Total	**737 338**	**626 610**
Remuneration of the Manager Information Technology		
Annual Remuneration	423 697	335 377
Bonus	40 000	30 000
Performance Bonus	62 731	38 220
Acting Allowance	13 760	46 675
Contributions to UIF, Medical and Pension Fund	102 831	82 200
Total	**643 019**	**532 472**
Remuneration of the Manager Financial Services		
Annual Remuneration	415 520	348 762
Bonus	50 000	50 000
Performance Bonus	81 129	49 022
Car Allowance	84 000	84 000
Contributions to UIF, Medical and Pension Fund	106 920	95 293
Total	**737 569**	**627 077**

	2011 R	2010 R
30. EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Acting Manager Protective Services		
Annual Remuneration	0	217 744
Bonus	0	17 713
Performance bonus	0	39 196
Car Allowance	0	126 378
Acting Allowance	0	9 382
Contributions to UIF, Medical and Pension Fund	0	81 252
Total	**0**	**491 665**
Remuneration of the Manager Legal Services		
Annual Remuneration	485 943	299 409
Bonus	25 000	25 000
Performance bonus	70 090	42 440
Car Allowance	0	95 499
Acting Allowance	20 860	106 923
Contributions to UIF, Medical and Pension Fund	116 770	79 671
Total	**718 663**	**648 942**
31. REMUNERATION OF COUNCILORS		
Executive Mayor	546 729	594 184
Deputy Executive Mayor	481 103	485 079
Speaker	422 894	483 201
Mayoral Committee Members	765 437	809 230
Councilors	1 877 037	1 710 549
Total Councilors' Remuneration	**4 093 200**	**4 082 242**

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councilors. Each is provided with an office and secretarial support at the cost of the Council.

Councilors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

	2011 R	2010 R
32. PROVISION FOR IMPAIRMENT		
Contribution to bad debt provision - ex I & E	3 392 909	2 105 761
Contribution from bad debt provision	-2 482 154	-1 533 764
Bad debts written off	2 482 154	1 533 764
Total	**3 392 909**	**2 105 761**
33. INTEREST PAID		
Long-term liabilities	5 075 844	3 905 105
Other	525 156	354 738
Total Interest Expense	**5 601 000**	**4 259 843**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
34. BULK PURCHASES		
		Restated
Electricity	42 268 359	33 309 330
Water	2 605 878	2 549 288
Total Bulk Purchases	**44 874 237**	**35 858 618**
35. GENERAL EXPENSES		
		Restated
Operating Grants:		
Equitable Share	8 893 265	6 764 115
Skills Development	80 761	161 568
Housing:		
- Albertinia	0	60 644 027
- Gouritsmond	222 000	3 396 900
- Riversdal	15 988 730	10 511 133
Dennedal Garcia Services	280 152	656 792

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
35. GENERAL EXPENSES - (continued)		
Electricity - Demand Side Management (DME)	6 805 998	1 714 705
Other	2 558 252	2 583 956
	34 829 158	**86 433 195**
Audit Fees	1 238 654	999 377
Chemicals	1 401 239	1 127 118
Insurance	492 121	743 376
Material & Supplies	811 989	727 461
Other	12 203 209	8 424 138
Shared Service - Fire Brigade - Eden	0	1 067 526
Clean-up projects	1 349 818	721 840
Environmental education	515 000	1 012 450
Tourism	455 311	1 569 756
Development Costs	503 196	236 700
Inventory	0	0
Levy: Dept. of Water Affairs	249 604	108 274
Operational Leases: Office Machines	134 061	130 837
Land and Buildings	309 435	223 504
Postage & Telephone	2 665 318	2 385 069
Printing & Stationery	649 688	675 651
Software assistance	1 031 120	1 228 545
Travelling & Subsistence	739 371	763 605
Valuation fees	371 719	443 281
Vehicle Costs	3 838 023	3 304 701
Total	**63 788 033**	**112 326 403**

The comparative year has been restated due to the correction of errors. Refer to note 49.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

	2011	2010
Bank and Cash on Hand	6 080	5 780
Call investment deposits	70 020 893	62 439 932
Bank balance	0	0
Bank overdraft	0	-1 548 604
Total	**70 026 973**	**60 897 109**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
37. CASH GENERATED BY OPERATIONS		
		Restated
Surplus for the year	7 675 811	35 588 994
Adjustments for:-		
Investment Property valuation surplus	-357 000	0
Depreciation	15 598 285	14 130 874
Gain on disposal of assets	-3 223 023	-625 284
Loss on disposal of property, plant and equipment	0	752 496
Recognition of heritage assets	-8 326 375	0
Contribution provision for impairment	910 755	571 997
Investment & Debtors Interest	-5 030 678	-6 937 836
Interest paid	5 601 000	4 259 843
Operating surplus before working capital changes:	**12 848 776**	**47 741 084**
(Increase)/Decrease in inventories	77 647	-139 681
(Increase)/Decrease in debtors	-3 311 417	-5 212 918
(Increase)/Decrease in other debtors	5 370 087	-9 925 990
(Increase)/Decrease in provisions	1 481 628	2 140 912
(Increase/Decrease) in conditional grants and receipts	-2 995 746	-17 275 504
(Increase/(Decrease) in creditors	10 952 775	-5 173 621
(Increase)/Decrease in VAT	942 738	239 907
Cash generated by operations	**25 366 488**	**12 394 189**

38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA

	2011 R	2010 R
Opening Balance	0	0
Council Subscriptions	383 756	314 480
Amount paid - current year	-383 756	-314 480
Balance at 30 June 2010	**0**	**0**

38.2 PAYE and UIF

	2011 R	2010 R
Opening Balance	0	0
Current year payroll deductions	8 064 216	5 880 928
Amount paid - current year	-8 064 216	-5 880 928
Balance at 30 June 2010	**0**	**0**

38.3 Pension and Medical Aid deductions

	2011 R	2010 R
Opening Balance	0	0
Current year payroll deductions	16 657 811	16 006 792
Amount paid - current year	-16 657 811	-16 006 792
Balance at 30 June 2010	**0**	**0**

38.4 Audit Fees

	2011 R	2010 R
Opening Balance	0	0
Current year Audit Fees	1 238 654	999 377
Amount paid - current year	-1 238 654	-999 377
Balance at 30 June 2010	**0**	**0**

38.5 VAT

VAT input receivables and VAT output receivables are shown in Note 5. These returns have been submitted by the due date through-out the year.

38.6 Councilor's arrear Consumer Accounts

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

30 June 2011	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councilor February, LC	1 997	0	1 997
Councilor Johannes, R	1 892	0	1 892
Total Councilor Arrear Consumer Accounts	3 889	0	**3 889**

During the prior financial year, no Councilor (present or past) was in arrears with the settlement of their municipal accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	2011 R	2010 R
39 Non-Compliance with Chapter 111 of the Municipal Finance Management Act		
No known matters existed at reporting date.		
The Municipality has developed a supply chain management policy, which was approved by Council.		

40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS

In terms of section 36 of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. During the year, deviations from the Municipality's Supply Chain Management Policy were noted and are summarised and disclosed in threshold totals as follows:

	Number of Cases	**R**
<R2 000	198	111 008
Sole supplier	24	19 301
Emergency	140	70 256
Exceptional Circumstances	32	20 310
Impractical	2	1 140

40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS - (continued)

	2011 R	2010 R
R2 000 - R30 0000	124	1 122 304
Sole supplier	64	581 982
Emergency	41	384 996
Exceptional Circumstances	14	117 327
Impractical	5	37 998
R30 000 - R200 000	16	900 428
Sole supplier	7	365 294
Emergency	5	293 932
Exceptional Circumstances	3	197 702
Impractical	1	43 500
> R200 000	3	2 030 930
Sole supplier	1	321 480
Emergency	1	329 450
Exceptional Circumstances	0	0
Impractical	1	1 380 000
	341	4 164 670

A complete list, including reasons for deviation per transaction, is available. Below are details of 3 deviations.

Department	Service	Provider	Reason for deviation	Amount
Streets, Storm water	Extension of project - Kasduikers	Element Consulting Engineers	The open furrow is a hazard.Pollution, children getting hurt (claim already lodged with Council), Den for vandals etc. Cost saving is important and time saving. Contractor on site	329 150
Streets, Storm water	Extension of project - Kasduikers	Meyer Beton	By extending the project, cost saving will result and the scope of the work extended	321 480
Finance and Admin	MFMA Minimum Regulations Training	University of Stellenbosch	Deviation request to appoint the University of Stellenbosch to do above mentioned training as per regulations and gazette.	1 380 000

41. RELATED PARTY TRANSACTIONS

41.1 Services rendered to Related Parties

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 30 June 2011				
Councilors	21 697	86 226	668	11 899
Municipal Manager and Section 57 Personnel	42 162	101 234	6 061	12 119
Municipal Entities	0	0	0	0
Total	**63 859**	**187 461**	**6 729**	**24 018**
For the year ended 30 June 2010				
Councilors	4 264	58 518	0	-10 564
Municipal Manager and Section 57 Personnel	39 914	87 195	0	2 586
Municipal Entities	0	0	0	0
Total	**44 178**	**145 713**	**0**	**-7 978**

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. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

41.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

41. RELATED PARTY TRANSACTIONS - (continued)

41.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 30 and 31 respectively, to the Annual Financial Statements.

41.4 Purchases from Related Parties

The municipality procured services from the following service providers, which are considered to be Related Parties:

Service Provider	Related Person	Capacity	Municipal Capacity	2011 R	2010 R
Fynbos Guest House	Ms S Jacobs	Owner	Municipal Manager	**3 940**	**17 044**
Autozone	Mr A Stroebel	Manager	Councilor	**6 742**	**0**
				10 682	**17 044**

Ms S Jacobs is the spouse of the Municipal Manager. The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

Councilor A Stroebel was elected as a councilor on 18 May 2011. He is the manager of Autozone. The transactions were conducted in compliance with the Municipality's supply chain management policy. The transactions are considered to be at arm's length.

42. COMMITMENTS FOR EXPENDITURE

Capital Commitments

	2011 R	2010 R
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	13 363 222	1 727 292
Total Capital Commitments	**13 363 222**	**1 727 292**
This expenditure will be financed from:		
- Capital Replacement Reserve	13 363 222	1 727 292
	13 363 222	**1 727 292**

43. AFTER BALANCE SHEET EVENTS

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

44. RETIREMENT BENEFIT INFORMATION

The personnel of the Hessequa Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit fund, whereas the Cape Joint Retirement Fund, Municipal Councilors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution funds. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.

- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

- The same rate of contributions applies to all 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 councilors / 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.

44.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund

The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of R0,0 (30 June 2009: R0) million, with a funding level of 100,0% (30 June 2009: 100%) and a solvency reserve with a closing balance of R4.9 (30 June 2009: R220,6) million. The contribution rate paid by the members 9,00% and the municipalities 18,00% is less than the recommended contribution rate of 32,1%.

Refer to note 15, for details regarding a provision for a shortfall in the investment returns in respect of the defined benefits component of the Fund.

SALA Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2010. The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of 307,6 (1 July 2009: R264,2) million, with a funding level of 96% (1 July 2009: 96%). The contribution rate paid by the members 7,50% to 9,00% and the municipalities 15,00% to 20,78% is sufficient to fund the benefits accruing from the fund in the future.

44.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund

This scheme was established to accommodate the unique characteristics of contract employees and ‘cost to company’ employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The statutory valuation performed as at 30 June 2010 revealed that the investment reserve of the fund amounted to R7,311 (30 June 2009: R1,171) million, with a funding level of 102% (30 June 2009: 100,3%). The contribution rate paid by the members 9,00% and the municipalities 18,00% is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010. The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R8 220 (30 June 2009: R6 842) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members 7,5% and the municipalities 19.5% is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councilors' Pension Fund

The Municipal Councilors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and their councils (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was undertaken at 30 June 2010, and the actuary reported that the fund was as a whole in a sound financial position.

South African Municipal Workers Union National Provident Fund

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005. The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

The following table reflects the information of the defined benefit retirement, pension and provident funds to which councilors and employees belong. The relevant law requires every fund to do an actuarial valuation every three years.

	Actuarial Valuation done every:	Last Accrual Valuation	Total Assets R,000	Total Liabilities R,000	Contributing Members
Municipal Councilors Pension Fund	Year	June 2010			11
Cape Joint Retirement Fund	Year	June 2010	8 200 000	8 144 204	170
Cape Joint Pension Fund	Year	June 2010	2 951 468	2 946 599	31
SAMWU Provident Fund	3 Years	June 2005	1 511 461	1 447 663	52
SALA Pension Fund	3 Year	June 2010	7 110 300	7 417 900	191

An amount of R8,670 million (2010:R8,659 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

45. GUARANTEES

Guarantees were issued in favor of Eskom in the amount of R70 200.

46. IN-KIND DONATIONS AND ASSISTANCE

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

47. BUDGET RECONCILIATION

47.1 Operating Budget	Appr.Budget 2010/07/01	Approved Amendments	Amended Budget
Employee Related Cost	76 735 257	-304 067	76 431 190
Council Remuneration	4 480 808	61 000	4 541 808
Collection Cost	811 880	0	811 880
Contributions to Provisions	6 016 400	0	6 016 400
Depreciation	15 270 123	0	15 270 123
Repairs and Maintenance	14 635 953	-454 238	14 181 715
Interest Paid	4 862 073	252 000	5 114 073
Bulk Purchases	46 577 957	-117 000	46 460 957
Contracted Services	3 056 000	159 000	3 215 000
General Expenses	32 363 903	-72 107	32 291 796
Operating Grants	38 093 260	6 302 130	44 395 390
Internal Transfers	15 509 091	0	15 509 091
TOTAL EXPENDITURE	**258 412 705**	**5 826 718**	**264 239 423**
Property Rates	45 831 273	740 000	46 571 273
Penalties on Rates	500 000	0	500 000
Service Charges	122 205 747	-2 250 000	119 955 747
Rental of facilities and equipment	3 105 340	0	3 105 340
Interest earned - external investments	6 800 000	-1 075 000	5 725 000
Interest earned - outstanding debtors	500 000	17 000	517 000
Fines	2 294 200	242 000	2 536 200
Licenses and permits	160 500	100 000	260 500
Income for agency services	1 176 500	0	1 176 500
Government grants & Subsidies	52 850 340	6 752 359	59 602 699
Grants & Subsidies Capital	12 273 000	-2 087 204	10 185 796
Other income	2 438 565	246 363	2 684 928
Gains on disposal of PPE	20 200 000	0	20 200 000
Less: Income Forgone	-6 535 304	350 000	-6 185 304
Internal Charges	15 509 091	0	15 509 091
TOTAL INCOME	**279 309 252**	**3 035 518**	**282 344 770**
SURPLUS/(DEFICIT)	-20 896 547	2 791 200	-18 105 347
Transfer to CRR	11 978 084	0	11 978 084
Capital Grants used for PPE	12 273 000	-2 087 204	10 185 796
SURPLUS/(DEFICIT) FOR THE YEAR	**3 354 537**	**703 996**	**4 058 533**

	2011 R	2010 R	
47.2 Capital Budget	**Appr.Budget 2010/07/01**	**Approved Amendments**	**Amended Budget**
Infrastructure	40 231 250	-4 783 206	35 448 044
Other Assets	16 658 620	2 281 840	18 940 460
	56 889 870	**-2 501 366**	**54 388 504**
Source of Finance			
External Loans	22 500 000	-476 986	22 023 014
Internal Contributions	22 116 870	62 824	22 179 694
Grants & Subsidies	12 273 000	-2 087 204	10 185 796
	56 889 870	**-2 501 366**	**54 388 504**

48. CHANGE IN ACCOUNTING POLICY

48.1 Property Plant and Equipment

The municipality previously opted to take advantage of the transitional provisions on GRAP 12 Inventory, GRAP 17 Property, plant and equipment , GRAP 16 Investment Property and GRAP 102 Intangible assets as set out in Directive 4. Under Directive 4, the Municipality was not required to measure inventory, property, plant and equipment, investment property or intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP 12 Inventory, GRAP 17 Property, plant and equipment , GRAP 16 Investment Property and GRAP 102 Intangible assets, being 1 July 2008. Furthermore where the initial accounting for inventory, property, plant and equipment, investment property or intangible assets was incomplete by the end of a reporting period in which the Standard became effective or the transfer occurred, whichever was later, the municipality reported for those items of inventory, property, plant and equipment, investment property or intangible assets for which the accounting was incomplete at provisional amounts in its financial statements.

At 30 June 2011, the Municipality is no longer able to apply the abovementioned transitional provisions, and thus in terms of Directive 4, the Municipality should retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of GRAP 12 Inventory, GRAP 17 Property, plant and equipment , GRAP 16 Investment Property and GRAP 102 Intangible assets.

The effect of the change in Accounting Policy is on the current and comparative figures are as follows:

	2010 R
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	**-10 596 770**
Decrease/(increase) in assets written off	**699 196**
Increase/(decrease) in Expenditure	
Depreciation and amortisation	**2 476 633**
Increase/(decrease) in Assets	
Property, Plant and Equipment	**7 420 939**
	0

48.2 Property Plant and Equipment / Revaluation reserve

During the year the Municipality decided to change the accounting policy for land and buildings in property, plant and equipment from the fair value method to deemed cost less accumulated depreciation and accumulated impairment losses. This is due to the fact that the municipality is not in the business of selling land and buildings and the cost to perform annual valuations exceeds the benefits by far. The municipal value is used as the deemed cost and restatements where necessary was done retrospectively.

The effect of the change in accounting policy is as follows:

	2010 R
Increase in accumulated surplus	**-171 391 463**
Decrease in revaluation reserve	**171 391 463**
Net change	**0**

	2011	2010
	R	R

49. CORRECTION OF ERRORS AND RECLASSIFICATIONS

A number of errors in the prior's years transactions were discovered and were corrected in the current year's financial statements. Details of these errors as follows:

49.1 Unspent Conditional Grants and Receipts / Government Grants and Subsidies

A number of unspent conditional grants were disclosed in the prior year for which the conditions were already met during the prior year. These amounts should have been recognised as income during 2010. The unspent conditional grants liability and government grants and subsidies income for the prior year has been corrected.

	2011 R	2010 R
Unspent Conditional Grants and Receipts		
Balance as stated per 2010 published statements		11 306 836
Correction of errors		-1 385 897
Restated balance as at 30 June 2010		9 920 939

49. CORRECTION OF ERRORS AND RECLASSIFICATIONS - (continued)

Government Grants and Subsidies	
Amount as stated per 2010 published statements	129 290 613
Correction of errors	1 385 897
Restated amount as at 30 June 2010	130 676 510

49.2 Property, Plant and Equipment

The municipality made corrections to it's revaluation roll used to determine the values of land and buildings due to the continuous updating of the valuation roll. The opening balances of Land and buildings and revaluation reserve were corrected on 1 July 2009 to reflect the correct values. Reclassifications between land and buildings and investment properties were also made where new information was obtained.

	Revaluation reserve	Investment properties	PPE Land and buildings
		R	R
Balances as published as at 30 June 2008	-187 932 963	119 232 500	201 470 827
Correction of errors	16 541 500	-17 606 181	1 064 681
Restated balances as at 30 June 2008	-171 391 463	101 626 319	202 535 508

49.3 Retirement Benefit Liabilities

A correction was made on the opening balance of the prior year on the Ex-gratia provision to adjust to the Actuarial report's opening balance.

	Retirement Benefit Liabilities	Accumulated Surplus for the Year
	R	R
Balances as published as at 30 June 2010	-85 331	271 339 176
Correction of errors	-43 586	-43 586
Restated balances as at 30 June 2010	-128 917	271 295 590

		2011 R	2010 R

49.4 Appropriations to Accumulated surplus account

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:		
Corrections to operating lease assets	Income for operating leases incorrectly treated in the 2009/10 AFS	-6 176
Corrections to VAT	VAT review reflected unclaimed Vat from previous year/s	1 536 324
Corrections to Provision performance bonuses	Provision for performance bonuses was less than actual expenditure	-137 893
Corrections to debtors	Resolutions of the Valuations Appeals Board Implemented	-1 249 519
Corrections to Housing Development Fund	All loans written off in 2004, transactions incorrectly written of against provision for bad debts	1 826 591
Corrections to Non-Current Provisions	New actuarial valuation highlighted an incorrect calculation	-43 586
Corrections to Property, Plant and Equipment	See note 48.1	8 498 271
Corrections to Outstanding Grants	VAT on grant expenditure not allocated preciously	1 385 896
Corrections to other debtors	Eskom deposit incorrectly allocated. It is a guarantee.	-70 302
Increase in Unapprropriated Surplus Account		11 739 606

49.5 VAT on Trade receivables from exchange transactions

A correction was made on the trade receivables from exchange transactions and the VAT receivable balances for the year ended 30 June 2010 due to the incorrect classification of VAT on outstanding consumer debtors.

	Trade receivables from exchange transactions	VAT receivable
	R	R
Reclassification	1 849 190	-1 849 190

50. TRUST FUNDS		
Nature Development - Stilbaai	1 377 699	1 363 468
Elsje Koorts Tuberculosis Fund	166 793	157 948
Total Trust Funds	**1 544 492**	**1 521 416**

An annexure is attached with the Annual Financial Statements of the Trust Funds

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011 R	2010 R
51. FINANCIAL INSTRUMENTS				
51.1 Classification of Financial Instruments				
FINANCIAL ASSETS				
Financial Assets		**Classification**		
Long-term Receivables				
Sport clubs/Pre-primary School		Loans and receivables	25 970	27 612
Other		Loans and receivables	0	0
Consumer Debtors				
Rates	Note 5	Loans and receivables	9 900 738	9 202 180
Electricity	Note 4	Loans and receivables	9 092 284	6 657 823
Water	Note 4	Loans and receivables	3 934 309	2 697 087
Sewerage	Note 4	Loans and receivables	3 519 150	2 930 901
Waste Management	Note 4	Loans and receivables	2 078 469	1 798 589
Housing Rental/Selling Schemes	Note 4	Loans and receivables	1 704	11 091
Other	Note 4	Loans and receivables	2 327 567	2 735 188
Less: Provision for Impairment	Note 4	Loans and receivables	-7 181 954	-6 271 199
Other Debtors	Note 5			
Insurance claims		Loans and receivables	25 426	63 412
Government subsidies		Loans and receivables	1 227 055	6 044 287
Councilors Telephone Accounts		Loans and receivables	0	0
Other		Loans and receivables	642 495	2 369 011
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School		Loans and receivables	1 643	1 519
Other		Loans and receivables	0	0
Short-term Investment Deposits				
Call Deposits	Note 8	Loans and receivables	70 020 893	62 439 932
Bank Balances and Cash				
Cash Floats and Advances		Loans and receivables	2 102 592	5 780
SUMMARY OF FINANCIAL ASSETS				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011 R	2010 R
51. FINANCIAL INSTRUMENTS - (continued)				
Loans and Receivables:				
Call Deposits	Note 8	Loans and receivables	70 020 893	62 439 932
Long-term Receivables		Sport clubs/Pre-primary School	25 970	27 612
Consumer Debtors	Note 5	Rates	9 900 738	9 202 180
Consumer Debtors		Electricity	9 092 284	6 657 823
Consumer Debtors		Water	3 934 309	2 697 087
Consumer Debtors		Sewerage	3 519 150	2 930 901
Consumer Debtors		Waste Management	2 078 469	1 798 589
Consumer Debtors		Housing Rental/Selling Schemes	1 704	11 091
Consumer Debtors		Other	2 327 567	2 735 188
Consumer Debtors		Less: Provision for Impairment	-7 181 954	-6 271 199
Other Debtors	Note 5	Insurance claims	25 426	63 412
Other Debtors		Government subsidies	1 227 055	6 044 287
Other Debtors		Other	642 495	2 369 011
Current Portion of Long-term Receivables	Note 13	Car Loans	0	0
Current Portion of Long-term Receivables		Sport clubs/Pre-primary School	1 643	1 519
Current Portion of Long-term Receivables		Other	0	0
Current Portion of Long-term Receivables		Housing selling scheme loans - Stilbaai	0	0
Bank Balances and Cash	Note 7	Cash Floats and Advances	2 102 592	5 780
			97 718 339	**90 713 214**
TOTAL FINANCIAL ASSETS			**97 718 339**	**90 713 214**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011 R	2010 R
Financial Liabilities		Classification		
Long-term Liabilities				
Annuity Loans	Note 19	Financial liabilities at amortised cost	56 356 369	42 117 439
Consumer Deposits				
Electricity and Water	Note 14	Financial liabilities at amortised cost	3 253 353	3 119 521
Creditors				
Trade Creditors	Note 16	Financial liabilities at amortised cost	21 167 793	10 673 269
Provisions	Note 15	Financial liabilities at amortised cost	7 792 798	6 311 170
Retentions		Financial liabilities at amortised cost	2 414 746	3 996 546
Staff Leave		Financial liabilities at amortised cost	3 449 072	2 970 842
Other Creditors		Financial liabilities at amortised cost	6 352 571	5 515 299
Unspent Conditional Grants	Note 17	Financial liabilities at amortised cost		
National Government Grants		Financial liabilities at amortised cost	3 111 187	7 779 424
Provincial Government Grants		Financial liabilities at amortised cost	253 135	379 685
District Municipal Grants		Financial liabilities at amortised cost	430 078	1 459 893
Other Conditional Grants		Financial liabilities at amortised cost	3 130 795	301 937
Current Portion of Long-term Liabilities				
Annuity Loans		Financial liabilities at amortised cost	8 247 746	5 804 349

51. FINANCIAL INSTRUMENTS - (continued)

SUMMARY OF FINANCIAL LIABILITIES

			2011 R	2010 R
Long-term Liabilities	Note 19	Annuity Loans	56 356 369	42 117 439
Consumer Deposits	Note 14	Electricity and Water	3 253 353	3 119 521
Creditors	Note 15	Trade Creditors	21 167 793	10 673 269
Creditors		Retentions	2 414 746	3 996 546
Creditors		Staff Leave	3 449 072	2 970 842
Creditors		Other Creditors	6 352 571	5 515 299
Unspent Conditional Grants	Note 17	National Government Grants	3 111 187	7 779 424
Unspent Conditional Grants		Provincial Government Grants	253 135	379 685
Unspent Conditional Grants		District Municipal Grants	430 078	1 459 893
Unspent Conditional Grants		Other Conditional Grants	3 130 795	301 937
Current Portion of Long-term Liabilities	Note 19	Annuity Loans	8 247 746	5 804 349
TOTAL FINANCIAL LIABILITIES			**108 166 843**	**84 118 205**

51.2 Fair Value of Financial Instruments

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statement approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. (All carrying amounts listed below = fair value and no disclosure of fair value is required when the carrying amount of financial instruments is a reasonable approximation of fair value)

	30 June 2011		30 June 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and Receivables	**97 718 339**	**97 718 339**	**90 713 214**	**90 713 214**
Long-term Receivables	25 970	25 970	27 612	27 612
Call Deposits	70 020 893	70 020 893	62 439 932	62 439 932
Consumer Debtors	23 672 266	23 672 266	19 761 660	19 761 660
Other Debtors	1 894 976	1 894 976	8 476 710	8 476 710
Bank Balances and Cash	2 102 592	2 102 592	5 780	5 780
Current Portion of Long-term Receivables	1 643	1 643	1 519	1 519
Total Financial Assets	**97 718 339**	**97 718 339**	**90 713 214**	**90 713 214**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011			2011 R	2010 R
FINANCIAL LIABILITIES				
Loans and receivables:				
Unsecured Bank Facilities:	**64 604 115**	**64 604 115**	**47 921 789**	**47 921 789**
- Annuity Loans	64 604 115	64 604 115	47 921 789	47 921 789
Trade and Other Payables:	**43 562 728**	**43 562 728**	**36 196 416**	**36 196 416**
Consumer Deposits	3 253 353	3 253 353	3 119 521	3 119 521
Creditors	33 384 182	33 384 182	23 155 956	23 155 956
Unspent Conditional Grants	6 925 194	6 925 194	9 920 940	9 920 940
Total Financial Liabilities	**108 166 843**	**108 166 843**	**84 118 205**	**84 118 205**

51. FINANCIAL INSTRUMENTS - (continued)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

51.3 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.
The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.

51.4 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 or each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

51.5 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.

51.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

51.7 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 fixed deposit investments, long-term deposit investments, other debtors, short-term investment deposits and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. 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.

51. FINANCIAL INSTRUMENTS - (continued)

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate	1 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R	R	R
30 June 2011							
Fixed Interest Rate Instruments	9.33% - 11.56%	4 250 378	3 997 368	8 651 055	20 537 062	27 168 251	64 604 114
30 June 2010							
Fixed Interest Rate Instruments	9.33% - 11.56%	2 818 610	2 985 736	6 449 609	17 920 788	17 747 046	47 921 789

The municipality has access to financing facilities, the total unused amount which is R100,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

51.9 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.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and 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.

Consumer debtors comprise of a large number of ratepayers, 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 an allowance for doubtful debt.

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

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

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.

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

	2011 R	2010 R
Fixed Deposit Investments	70 020 893	62 439 932
Long-term Receivables	1 643	1 519
Consumer Debtors	16 448 019	13 136 602
Other Debtors	9 155 108	15 435 950
VAT Receivable	2 599 594	3 542 332
Bank and Cash Balances	2 102 592	5 780
Maximum interest and credit risk exposure	**100 327 849**	**94 562 116**

52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

52.1 Unauthorised expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

52.2 Fruitless and wasteful expenditure

	2011 R	2010 R
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	0	0
Legal costs paid due to non-compliance with SCM policy	76 855	0
Electricity losses above the threshold (Refer note 53)	0	300894
Water losses above the threshold (Refer note 53)	510 384	384 441
Fruitless and Wasteful Expenditure awaiting condonement	587 239	685 335

Abovementioned Fruitless and wastefull expenditure are not recoverable.

52.3 Irregular expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

53. MATERIAL LOSSES

Electricity distribution losses

	2011 R	2010 R
- Units purchased (Kwh)	86 434 806	86 264 512
- Units lost during distribution (Kwh)	8 344 213	11 103 977
- Percentage lost during distribution	**9.65%**	**12.87%**

Losses of up to 12 % is regarded as normal. The loss of electricity is indicative of ageing infrastructure assets. Maintenance and upgrading is performed on a regular basis. The Municipality's loss in distribution during 2010//11 was 9.65% as opposed to the 12.87% loss of the previous year. The decrease in the loss can be attributed to, inter alia, audits that were done to ensure that all consumption is metered.
The Stilbay lines are in the process of being upgraded and maintenance is being done on all lines to try and minimize the losses. The Municipality however has limited resources available and the best possible maintenance works is performed with the available resources. Council is also investigating further possibilities to address the problem.

	2011 R	2010 R
<u>Water Inventory</u>		
The following losses were calculated during the comparison of water purchases against water sales:		
Riversdale		
Kiloliters purchased	1 179 405	1 198 644
Kiloliters sold	644 365	636 527
Kiloliters lost in distribution	535 040	562 117
Percentage loss in distribution	45%	47%
Cost per kiloliter	0.35	0.32
Total cost in Rand	187 264	179 877
Amount greater than 12% transferred to fruitless expenditure	137 729	133 850
Heidelberg and Witsand		
Kiloliters purchased	460 031	543 476
Kiloliters sold	341 782	426 551
Kiloliters lost in distribution	118 249	116 925
Percentage loss in distribution	26%	22%
Cost per kiloliter	4.66	3.96
Total cost in Rand	551 040	463 023
Amount greater than 12% transferred to fruitless expenditure	293 791	204 763
Slangrivier		
Kiloliters purchased	67 728	73 415
Kiloliters sold	31 929	48 354
Kiloliters lost in distribution	35 799	25 061
Percentage loss in distribution	53%	34%
Cost per kiloliter	2.85	2.82
Total cost in Rand	102 027	70 672
Amount greater than 12% transferred to fruitless expenditure	78 864	45 828
Total amount transferred to fruitless expenditure (Refer note 52.2)	**510 384**	**384 441**

	2011	2010
	R	R

53. MATERIAL LOSSES - (continued)

Losses of up to 12% is regarded as normal. This has not been included in the figures above.

The loss of water is indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Although the losses in Riversdale is higher than the previous year, there is a significant improvement in the losses of Witsand/Heidelberg and Slangrivier. This is the result of capital invested in the upgrading of the infrastructure. An investigation was done in Riversdale to see if all meters are read. No significant deviations were found. Council is however currently investigating further possibilities to address this problem. The water infrastructure is very old, and millions of Rands is required to finance the backlog.

Appendix A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2010 R	Received during the period R	Redeemed written off during the period R	Balance at 30/6/2011 R
Annuity Loans							
Development Bank	10.50%	12007420	2021	0	22 023 014	0	22 023 014
Development Bank	11.36%	101222	2013/12	9 011 147	0	-2 232 079	6 779 068
Development Bank	11.40%	101432	2014/12	3 159 670	0	-664 459	2 495 211
Development Bank	9.38%	102004	2015	4 113 657	0	-602897	3 510 760
Development Bank	9.33%	102770	2017	7 884 698	0	-843 576	7 041 122
First National Bank	11.40%	4-000-019-445-833	2020	14 807 788	0	-389 469	14 418 319
Development Bank	11.56%	103465	2019/06	8 944 828	0	-608 208	8 336 620
Total External Loans				**47 921 788**	**22 023 014**	**-5 340 688**	**64 604 114**

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WACC - WEIGHTED AVERAGE COST OF CAPITAL

34.09	3.58	10	400	40	4.00
10.49	1.19	12	300	30	3.60
3.86	0.44	15	200	20	3.00
5.43	0.51	18	100	10	1.80
10.90	1.02				
22.32	2.54		1000	100	12.40
12.90	1.49				
100.00	**10.77**				

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation						
	Opening Balance R	Additions R	Fair Value Adjustment/Transfer R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Transfers R	Additions R	Disposals R	Closing Balance R	Carrying Value R	Budget Additions R
Land and Buildings													
Land and Buildings	263 972 225	2 928 728	-150 500	0		266 750 453	3 529 536		3 819 023	0	7 348 559	259 401 894	4 098 887
	263 972 225	**2 928 728**	**-150 500**	**0**	**0**	**266 750 453**	**3 529 536**		**3 819 023**	**0**	**7 348 559**	**259 401 894**	**4 098 887**
Non-current assets held for sale													
Land	0	0	150 500	0	0	150 500	0		0	0	0	150 500	0
	0	**0**	**150 500**	**0**	**0**	**150 500**	**0**		**0**	**0**	**0**	**150 500**	**0**
Investment Property													
Land and Buildings	43 093 281	0	357 000	0	0	43 450 281	0		0		0	43 450 281	
	43 093 281	**0**	**357 000**	**0**	**0**	**43 450 281**	**0**		**0**	**0**	**0**	**43 450 281**	**0**
Intangible Assets													
Water Rights	400 000	0	0	0	0	400 000	21 111		13 333	0	34 444	365 556	0
	400 000	**0**	**0**	**0**	**0**	**400 000**	**21 111**		**13 333**	**0**	**34 444**	**365 556**	**0**

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation						
	Opening Balance R	Additions R	Fair Value Adjustment/Transfer R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Transfers R	Additions R	Disposals R	Closing Balance R	Carrying Value R	Budget Additions R
Infrastructure													
Sewerage													
Purification	32 119 619	2 796 101	0	45 975	0	34 961 695	2 594 533		1 047 949	0	3 642 482	31 319 213	5 185 000
Outfall Sewerage	5 962 552	98 840	0	0	0	6 061 392	1 559 587		411 969	0	1 971 556	4 089 836	145 000
Reticulation	23 942 881	712 575	0	625 000	0	25 280 456	5 922 768		665 235	0	6 588 003	18 692 453	1 361 945
Water													
Water Meters	2 281 659	630 682	0	0	0	2 912 341	448 925		81 891	0	530 816	2 381 525	665 000
Reticulation Network	16 527 327	884 519	0	1 652 638	0	19 064 484	3 802 302		432 340	0	4 234 642	14 829 842	2 675 270
Pump Stations	5 479 646	107 137	0	0	0	5 586 784	339 259		319 548	0	658 807	4 927 977	113 000
Purification Works	2 243 791	0	0	0	0	2 243 791	668 160		157 324	0	825 484	1 418 307	0
Reservoirs/Tanks	13 921 918	2 715 909	0	0	0	16 637 827	2 691 550		436 713	0	3 128 263	13 509 564	2 716 250
Electricity													
Power Stations	179 178	0	0	0	0	179 178	88 757		6 986	0	95 743	83 435	0
Transformer Kiosks	1 535 624	56 547	0	0	0	1 592 171	109 733		34 953	0	144 686	1 447 485	60 000
Substations	5 061 181	0	0	0	0	5 061 181	644 364		87 151	0	731 515	4 329 666	0
Streetlights	1 446 853	25 875	0	0	0	1 472 728	212 912		39 640	0	252 552	1 220 176	666 180
Electricity Meters	1 386 156	0	0	0	0	1 386 156	372 150		31 615	0	403 765	982 391	0
Mains	16 597 038	0	0	9 106 167	0	25 703 205	2 791 860		395 198	0	3 187 058	22 516 147	9 715 614
					0								
Solid Waste	973 611	0	0	0	0	973 611	311 311		67 875	0	379 186	594 425	0
Roads and Stormwater													
Motorways	55 925 656	1 251 909	0	8 274 991	0	65 452 556	6 990 601		1 927 176	0	8 917 777	56 534 779	14 861 026
Stormwater	24 075 345	6 297 831	0	0	0	30 373 177	4 188 311		896 502	0	5 084 813	25 288 364	6 438 974
Parking Areas	18 027	0	0	0	0	18 027	3 464		1 273	0	4 737	13 290	0
Footpaths	4 055 368	0	0	0	0	4 055 368	752 252		140 611	0	892 863	3 162 505	0
	213 733 431	**15 577 925**	**0**	**19 704 771**	**0**	**249 016 128**	**34 492 799**		**7 181 949**	**0**	**41 674 748**	**207 341 380**	**44 603 259**

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation							
	Opening Balance R	Additions R	Fair Value Adjustment/Transfer R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Transfers R	Additions R	Disposals R	Closing Balance R	Carrying Value R		Budget Additions R
Community Assets														
Cemeteries	620 228	0	0	0	0	620 228	205 512		51 905	0	257 417	362 811		0
Sport Grounds	7 808 272	0	0	0	0	7 808 272	2 127 103		490 359	0	2 617 462	5 190 810		0
Parks	6 089 675	0	0	202 479	0	6 292 154	1 410 702		262 620	0	1 673 322	4 618 832		336 228
Public Conveniences	246 220	0	0	0	0	246 220	9 750		4 826	0	14 576	231 644		0
	14 764 395	**0**	**0**	**202 479**	**0**	**14 966 874**	**3 753 067**		**809 710**	**0**	**4 562 777**	**10 404 097**		**336 228**

Appendix B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNIE 2011

	Cost						Accumulated Depreciation						
	Opening Balance R	Additions R	Fair Value Adjustment/Transfer R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Transfers R	Additions R	Disposals R	Closing Balance R	Carrying Value R	Budget Additions R
Heritage Assets													
Various Items	5 500	8 326 375		0	0	8 331 875	0		0	0	0	8 331 875	0
	5 500	**8 326 375**	**0**	**0**	**0**	**8 331 875**	**0**		**0**	**0**	**0**	**8 331 875**	**0**
Other Assets													
Emergency Equipment													
Emergency	437 467	24 458	-		-	461 925	83 045		40 477	-	123 522	338 403	53 000
Plant&Equipment													
Graders and Frontloaders	2 488 282	774 128	-		-	3 262 410	741 339		305 080	-	1 046 419	2 215 991	774 169
Tractors	1 683 629	530 231	-		-	2 213 860	629 806		146 309	-	776 115	1 437 745	400 000
Boats	56 035	-	-		-	56 035	12 191		5 347	-	17 538	38 497	-
Lawnmowers	809 201	145 815	-		-	955 016	326 364		134 553	-	460 917	494 099	134 000
Compressors	104 413	8 000	-		-	112 413	38 939		13 263	-	52 202	60 211	18 078
Other Plant and Equipment	2 943 433	792 883	-		(3 898)	3 732 418	1 388 065		411 611	(3 123)	1 796 553	1 935 865	772 948
MotorVehicles													
Sedans	552 023	-	-		-	552 023	185 688		72 284	-	257 972	294 051	-
Motor Cycles	78 769	-	-		-	78 769	48 706		6 749	-	55 455	23 314	-
Trailers	1 798 994	101 105	-		(25 175)	1 874 924	453 184		188 917	(25 175)	616 926	1 257 998	114 000
Trucks/LDV's	10 743 611	1 335 255	-		-	12 078 866	3 539 258		1 302 920	-	4 842 178	7 236 688	1 379 200
Office Equipment													
Computer Equipment	1 565 274	372 146	-		(36 914)	1 900 506	617 623		274 215	(35 831)	856 007	1 044 499	315 461
Other Equipment	534 380	58 989	-		-	593 369	201 397		63 740	-	265 137	328 232	7 000
Office Machines	2 057 703	219 785	-		(37 350)	2 240 138	778 721		289 765	(37 350)	1 031 136	1 209 002	525 347
Furniture and Fittings	4 223 982	341 582	-		-	4 565 564	1 603 616		513 090	-	2 116 706	2 448 858	748 277
Security Equipment													
Security	7 057	26 140	-		-	33 197	224		5 952	-	6 176	27 021	108 650
	30 084 253	**4 730 517**	**-**	**-**	**(103 336)**	**34 711 434**	**10 648 167**	**-**	**3 774 272**	**(101 479)**	**14 320 959**	**20 390 475**	**5 350 130**
TOTAL	**566 053 086**	**31 563 545**	**357 000**	**19 907 250**	**-103 336**	**617 777 544**	**52 444 680**		**15 598 287**	**-101 479**	**67 941 488**	**549 836 056**	**54 388 504**

Appendix C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2011

	Cost						Accumulated Depreciation				
	Opening Balance R	Additions R	Under Construction R	Fair Value Adjustment	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Executive & Council	345 539	8 354 649	-		-	8 700 188	89 828	51 921	-	141 749	8 558 439
Finance & Admin	289 780 776	2 370 889	-	357 000	(103 336)	292 405 329	3 483 488	2 640 926	(101 479)	6 022 935	286 382 394
Health	1 218 248	-	-		-	1 218 248	113 397	113 397	-	226 794	991 454
Community & Social Services	15 931 412	534 906	-		-	16 466 318	2 311 390	1 427 963	-	3 739 353	12 726 965
Public Safety	1 884 483	633 383	-		-	2 517 866	636 789	294 981	-	931 770	1 586 096
Sport & Recreation	23 481 376	1 212 100	202 479		-	24 895 955	4 589 369	1 608 469	-	6 197 838	18 698 117
Planning and Development	281 293	13 987	-		-	295 280	95 585	41 478	-	137 063	158 217
Nature Conservation	-	-	-		-	-	-	-	-	-	-
Tourism	1 285 422	238 674	-		-	1 524 096	568 062	158 939	-	727 001	797 095
Road Transport	83 562 594	7 561 391	8 274 991		-	99 398 976	11 501 446	2 670 161	-	14 171 607	85 227 369
Waste Water Management/Sewerage	63 138 678	3 857 548	670 975		-	67 667 201	10 339 719	2 418 785	-	12 758 504	54 908 697
Waste Management/Solid Waste	1 026 344	-	-		-	1 026 344	332 894	80 746	-	413 640	612 704
Water	54 367 062	6 194 845	1 652 638		-	62 214 545	12 778 405	3 014 041	-	15 792 446	46 422 099
Electricity	29 749 859	591 174	9 106 167		-	39 447 200	5 604 307	1 076 480	-	6 680 787	32 766 413
TOTAL	**566 053 086**	**31 563 545**	**19 907 250**	**357 000**	**(103 336)**	**617 777 545**	**52 444 680**	**15 598 287**	**(101 479)**	**67 941 488**	**549 836 057**

Appendix D

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

2010				2011		
Actual Income R	Actual Expenditure R	Surplus/(Deficit) R		Actual Income R	Actual Expenditure R	Surplus/(Deficit) R
17 720 016	22 876 936	-5 156 919	Executive & Council	21 934 382	33 773 242	-11 838 860
60 278 249	30 412 869	29 865 380	Finance & Admin	69 342 756	27 997 140	41 345 616
1 430 440	3 310 481	-1 880 041	Planning & Development	4 545 950	5 316 376	-770 426
		0	Health			0
1 251 895	5 243 464	-3 991 569	Community & Social Services	986 647	5 903 744	-4 917 098
70 357 216	70 390 755	-33 539	Housing	17 237 116	17 206 505	30 610
4 675 388	6 231 264	-1 555 876	Public Safety	5 056 066	8 616 115	-3 560 049
133 055	1 498 231	-1 365 176	Environmental Conservation	144 425	1 048 864	-904 438
5 868 769	12 199 556	-6 330 787	Sport & Recreation	6 919 395	14 045 812	-7 126 417
13 188 789	20 348 544	-7 159 755	Road Transport	5 014 566	25 421 733	-20 407 167
27 796 780	12 652 332	15 144 448	Waste Water Management/Sewerage	15 000 663	12 954 838	2 045 825
8 830 577	8 478 675	351 902	Waste Management/Solid Waste	10 095 254	10 166 447	-71 194
20 271 541	17 099 421	3 172 121	Water	19 754 716	17 708 356	2 046 361
72 284 054	56 609 995	15 674 059	Electricity	85 644 259	72 624 838	13 019 421
40 000	2 180 359	-2 140 359	Hessequa Tourism		1 216 375	-1 216 375
304 126 769	**269 532 880**	**34 593 889**	**Sub total**	**261 676 194**	**254 000 383**	**7 675 810**
-14 277 607	**-14 277 607**	**0**	Less inter-departmental charges	**-14 219 177**	**-14 219 177**	**0**
289 849 162	**255 255 273**	**34 593 889**	**Total**	**247 457 017**	**239 781 206**	**7 675 810**

APPENDIX E (1)

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

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Revenue					
Property Rates	42 630 797	43 463 157	-832 360	-1.92	
Service charges	118 221 495	117 378 559	842 936	0.72	
Rental of facilities and equipment	3 584 769	3 105 340	479 429	15.44	More income generated than expected
Interest earned - external investments	3 967 327	5 725 000	-1 757 673	-30.70	Lower interest rates as a result of the recession
Interest earned - outstanding debtors	1 063 350	517 000	546 350	105.68	More income generated than expected
Fines	2 632 877	2 536 200	96 677	3.81	
Licences and permits	293 514	260 500	33 014	12.67	More income generated than expected
Income for agency services	1 221 382	1 176 500	44 882	3.81	
Goverment grants and subsidies	56 322 961	69 788 495	-13 465 534	-19.29	DME Grant budgeted for, already included in previous year
Other Income	5 612 146	2 684 928	2 927 218	109.02	More income received, because of vat recovery on government grants, not budgeted for
Surplus on sale of assets	3 223 023	20 200 000	-16 976 977	-84.04	Tender for sale of land much lower than reserve price
Gain on revaluation of investment property	357 000	0	357 000		Fair Value adjustment not budgeted for
Recognition of heritage assets	8 326 375	0	8 326 375		Avaluation has been done on all heritage assets
Total Income	**247 457 017**	**266 835 679**	**-19 378 662**	**-7.26**	

APPENDIX E (1)

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

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Expenditure					
Employee related costs	86 088 837	80 007 952	6 080 885	7.60	Actuarial losses more than budgeted for
Rumuneration of councillors	4 093 200	4 541 808	-448 608	-9.88	Budget remuneration more than actual
Working Capital Reserve	3 392 909	2 439 638	953 271	39.07	Revision of contribution more than anticipated
Collection Costs	696 647	811 880	-115 233	-14.19	Expected litigation re SALA Pension Fund not realised
Depreciation	15 598 285	15 270 123	328 162	2.15	
Repairs and Maintenance	12 475 804	14 181 715	-1 705 911	-12.03	Due to capacity restraints, money was not spent
Interest - External borrowings	5 601 000	5 114 073	486 927	9.52	Interest SALA Pension Fund, not budgeted for
Bulk Purchases	44 874 237	46 460 957	-1 586 720	-3.42	
Contracted Services	3 172 254	3 215 000	-42 746	-1.33	Saving on budget for contractors
General Expenses	63 788 033	76 687 186	-12 899 153	-16.82	1) Saving on postage & telephone, vehicle cost en other expense items
Total Expenditure	**239 781 206**	**248 730 332**	**-8 949 126**	**-3.60**	
Nett surplus for the year	**7 675 811**	**18 105 347**	**-10 429 536**	**-57.60**	

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

		2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	nation of Significant Variances ater than 5% versus Budget
Land						
	Land	2 928 728	4 098 887	-1 170 159	-28.55	Underspent on upgrade of camps
		2 928 728	**4 098 887**	**-1 170 159**	**-28.55**	
Infrastructure						
	Sewerage	4 278 491	6 691 945	-2 413 454	-36.07	EIA for Slangrivier sewerage not received
	Water	5 990 885	6 169 520	-178 635	-2.90	
	Electricity	9 188 589	10 441 794	-1 253 205	-12.00	Tenders for low cost housing electricity way under budget
	Roads and Stormwater	15 824 731	21 300 000	-5 475 269	-25.71	Biteman shortage country wide
		35 282 696	**44 603 259**	**-9 320 563**	**-20.90**	
Community Assets						
	Parks	202 479	336 228	-133 749	-39.78	Underspent on two projects
		202 479	**336 228**	**-133 749**	**-39.78**	
Other Assets						
	Plant & Equipment	2 251 057	2 099 195	151 862	7.23	Favourable tenders procured for requirements
	Motor Vehicles	1 436 360	1 493 200	-56 840	-3.81	
	Other	1 043 100	1 757 735	-714 635	-40.66	Purchased ex inventory budget
		4 730 517	**5 350 130**	**-619 613**	**-20.50**	
Total		**43 144 420**	**54 388 504**	**-11 244 084**	**-20.67**	

APPENDIX F

Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Name of Grant	Funder	Quarterly Receipts						Quarterly Expenditure					Closing Balance 30/06/2011 R	Capital R	Operating R
		Opening Balance 1/07/2010 R	September R	December R	March R	June R	Total R	September R	December R	March R	June R	Total R			
National Government		**7 779 425**	**16 496 488**	**14 957 991**	**8 009 000**	**0**	**47 242 904**	**11 872 884**	**7 739 840**	**9 380 303**	**15 138 690**	**44 131 717**	**3 111 187**	**6 741 818**	**32 089 898**
Equitable Share	DPLG	0	8 857 488	7 085 991	5 315 000		21 258 479	5 314 620	5 314 620	5 314 620	5 314 619	21 258 479	0		21 258 479
MIG Projects	DPLG	4 891 091	589 000	2 872 000	1 694 000		10 046 091	226 266	1 481 897	1 079 482	5 324 282	8 111 927	1 934 164	6 741 818	1 370 108
Financial Management Grant	DPLG	594 422	1 000 000				1 594 422	244 768	286 494	381 029	344 580	1 256 871	337 551		1 256 871
National Electricity Program			5 300 000				5 300 000	5 300 000				5 300 000	0	Previous year debtors	
Municipal Systems Improvement Grant	DPLG	10 273	750 000				760 273	68 280	25 000	53 720	298 602	445 602	314 671		445 602
DME	DMEA	2 283 639		5 000 000	1 000 000		8 283 639	718 950	631 829	2 551 452	3 856 607	7 758 838	524 801		7 758 838
Provincial Government		**379 686**	**158 400**	**5 058 300**	**11 869 030**	**789 270**	**18 254 686**	**183 830**	**5 095 559**	**11 794 730**	**927 432**	**18 001 551**	**253 135**	**110 300**	**17 891 251**
Slangrivier Land Reform	WC: Land Affairs	8 726	0				8 726					0	8 726		
Hessequa Soccer Cup	WC: Transport	0	0		50 000		50 000	50 000				50 000	0		50 000
Library Ext. Staff Levells	WC: Housing	0	158 400	158 300	158 300		475 000	118 750	118 750	118 750	118 750	475 000	0		475 000
RDP Housing	WC: Housing	0		4 850 000	11 360 730	789 270	17 000 000		4 850 000	11 360 730	789 270	17 000 000	0		17 000 000
Community Development Workers	WC: Housing	0	0	50 000			50 000	12 500	12 500	12 500	12 500	50 000	0		50 000
Primary Health Care Services	WC: Health	110 812	0				110 812		108 000	2 300	512	110 812	0	110 300	512
Proclaimed Roads	WC: Transport	0	0		300 000		300 000			300 000		300 000	0		300 000
Spatial Development Framework	WC: Environment	22 105	0				22 105					0	22 105		
Performance Management System	PAWC	125 042	0				125 042					0	125 042		
Housing Consumer Education	WC: Housing	50 000	0				50 000	2 580	6 309	450	6 400	15 739	34 261		15 739
Project Preparation Grant	WC: Local Govt.	63 000	0	0	0	0	63 000					0	63 000		0
District Municipality		**1 459 893**	**0**	**0**	**0**	**144 000**	**1 603 893**	**0**	**40 783**	**660 809**	**472 224**	**1 173 816**	**430 078**	**989 815**	**184 000**
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 787	0	0	0	0	78 787					0	78 787		
Hessequa Thouroughfares	Eden Distr. Mun.	989 815	0	0	0	0	989 815		40 783	660 809	288 224	989 816	0	989 815	
Alternative Electricity	Eden Distr. Mun.	273 533	0	0	0	0	273 533					0	273 533		
Housing Consumer Educations	Eden Distr. Mun.	23 758	0	0	0	0	23 758					0	23 758		
Clean-up Project	Eden Distr. Mun.	0		0	0	144 000	144 000				144 000	144 000	0		144 000
Africa Day	Eden Distr. Mun.	40 000	0	0	0		40 000				40 000	40 000	0		40 000
LED Learnership	Eden Distr. Mun.	54 000	0	0	0	0	54 000					0	54 000		
Other		**301 937**	**0**	**3 061**	**186 709**	**3 000 000**	**3 491 707**	**33 357**	**13 149**	**23 855**	**290 552**	**360 913**	**3 130 794**	**0**	**360 913**
Skills Development	Seta	113 805		3 061	186 709		303 575	33 357	13 149	23 855	10 400	80 761	222 814		80 761
Garcia Forestry		0				3 000 000	3 000 000				280 152	280 152	2 719 848		280 152
Tourism		101 819					101 819					0	101 819		
Africana Centrum		26 313					26 313					0	26 313		
Public Participation Strategy		60 000					60 000					0	60 000		
TOTAL - CONDITIONAL GRANTS		**9 920 940**	**16 654 888**	**20 019 352**	**20 064 739**	**3 933 270**	**70 593 189**	**12 090 071**	**12 889 331**	**21 859 697**	**16 828 898**	**63 667 997**	**6 925 193**	**7 841 933**	**50 526 062**

HESSEQUA MUNICIPALITY

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

Net Assets and Liabilities	2011 R	2010 R
Net assets	**1 544 492**	**1 521 416**
Capital Fund	1 080 340	1 080 340
Accumulated Surplus/(Deficit)	464 152	441 076
Total Net Assets and Liabilities	**1 544 492**	**1 521 416**
Assets		
Current assets	**1 544 492**	**1 521 416**
Investments	1 544 492	1 521 416
Total Assets	**1 544 492**	**1 521 416**

TRUST FUNDS - STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Revenue	Note	2011 R	2010 R
Interest earned - external investments		81 905	92 856
Other Income		0	
Total Revenue		**81 905**	**92 856**
Expenditure			
General expenses		58 829	18 020
Total Expenditure		**58 829**	**18 020**
Surplus/(Deficit) For The Year		**23 076**	**74 836**

HESSEQUA LOCAL MUNICIPALITY
TRUSTFUNDS

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL

STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

The following trust funds exist in the municipality:

(a) Development Fund for the Maintenance and Operation of Nature Areas in Stilbaai

This fund was established in terms of section 76.2 of Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

(b) Elsje Koorts Tuberculosis Fund

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale….."

These funds are invested in ringfenced investment account. See note 8