

CEDERBERG

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

CEDERBERG LOCAL MUNICIPALITY

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CEDERBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The CEDERBERG Municipality includes the following areas:

Clainwilliam
Lambertsbay
Citrusdal
Graafwater
Leipoltville
Elands Bay

ACTING MUNICIPAL MANAGER

Mr.L Volschenk

CHIEF FINANCIAL OFFICER

Mr. F.M. Löttter (B.Com)

REGISTERED OFFICE

Vootrekker Rd Clainwilliam

AUDITORS

Office of the Auditor General (Western Cape)

PRINCIPLE BANKERS

ABSA BANK LIMITED

RELEVANT LEGISLATION

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

CEDERBERG LOCAL MUNICIPALITY


MEMBERS OF THE CEDERBERG LOCAL MUNICIPALITY

COUNCILLORS

| | | |
|--------------|---------------|----------------|
| Proportional | B. Zass | (Deputy Mayor) |
| Proportional | J.White | (Mayor) |
| Ward 1 | J.Muller | (Speaker) |
| Ward 3 | L.Scheepers | |
| Ward 2 | J.Fransman | |
| Proportional | J.Mouton | |
| Proportional | J.Van Heerden | |
| Proportional | S. Newman | |
| Ward 4 | J.Barnard | |
| Ward 5 | D.Smit | |
| Ward 6 | W.Abels | |

APPROVAL OF FINANCIAL STATEMENTS

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



 P.L. Voischenk Hons BA
 Acting Municipal Manager

24 November 2011

 Date

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

| | Notes | 2011 R | Restated 2010 R |
|--|-------|--------------------|-----------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 400 892 463 | 389 199 347 |
| Capital Replacement Reserve | 2 | 5 000 000 | 5 000 000 |
| Accumulated Surplus | | 395 892 463 | 384 199 347 |
| Non-Current Liabilities | | 36 236 185 | 36 007 966 |
| Long-term Liabilities | 3 | 8 199 399 | 9 914 811 |
| Employee benefits | 4 | 14 160 677 | 11 585 153 |
| Non-Current Provisions | 5 | 13 876 109 | 14 508 003 |
| Current Liabilities | | 42 123 261 | 27 951 936 |
| Consumer Deposits | 6 | 1 209 260 | 1 112 391 |
| Current Employee benefits | 7 | 4 976 093 | 4 898 814 |
| Provisions | 8 | 1 563 983 | - |
| Payables from exchange transactions | 9 | 23 315 524 | 9 407 201 |
| Unspent Conditional Government Grants and Receipts | 10 | 6 909 638 | 8 477 527 |
| Unspent Public Contributions | 11 | 173 322 | |
| Taxes | 12 | 1 960 065 | 2 155 506 |
| Operating Lease Liability | 19 | 14 340 | 18 795 |
| Current Portion of Long-term Liabilities | 3 | 2 001 036 | 1 881 701 |
| Total Net Assets and Liabilities | | 479 251 909 | 453 159 250 |
| ASSETS | | | |
| Non-Current Assets | | 411 692 109 | 395 191 833 |
| Property, Plant and Equipment | 13 | 408 642 796 | 392 169 262 |
| Investment Property | 14 | 2 894 069 | 2 918 819 |
| Intangible Assets | 15 | 155 243 | 103 751 |
| Current Assets | | 67 559 800 | 57 967 418 |
| Inventory | 16 | 1 725 048 | 1 460 672 |
| Receivables from exchange transactions | 17 | 15 081 341 | 15 116 650 |
| Receivables from non-exchange transactions | 18 | 10 360 409 | 6 966 179 |
| Unpaid Conditional Government Grants and Receipts | 10 | 5 026 795 | 152 527 |
| Unpaid Public Contributions | 11 | 16 359 | 1 564 899 |
| Operating Lease Asset | 19 | 65 699 | 54 774 |
| Taxes | 12 | 4 253 925 | 765 189 |
| Cash and Cash Equivalents | 20 | 31 030 223 | 31 886 528 |
| Total Assets | | 479 251 909 | 453 159 250 |

CEDERBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | 2011 (Actual) R | 2010 (Restated) R |
|---|-------|-----------------------|-------------------------|
| REVENUE | | | |
| Revenue from Non-exchange Transactions | | 99 587 669 | 77 381 912 |
| Taxation Revenue | | 22 292 891 | 20 376 690 |
| Property taxes | 21 | 22 292 891 | 20 376 690 |
| Transfer Revenue | | 72 556 908 | 55 702 868 |
| Government Grants and Subsidies - Capital | 22 | 30 172 167 | 27 420 503 |
| Government Grants and Subsidies - Operating | 22 | 42 106 603 | 27 975 309 |
| Public Contributions and Donations | | 278 138 | 307 056 |
| Other Revenue | | 4 737 870 | 1 302 354 |
| Actuarial Gains | 4 | 248 238 | - |
| Third Party Payments | | 175 192 | 1 930 |
| Fines | 24 | 4 307 835 | 1 300 424 |
| Stock Adjustments | | 6 605 | - |
| Revenue from Exchange Transactions | | 69 292 859 | 59 254 791 |
| Property Rates - penalties imposed and collection charges | | - | 720 444 |
| Service Charges | 23 | 59 358 754 | 48 670 487 |
| Rental of Facilities and Equipment | | 3 038 279 | 2 709 066 |
| Interest Earned - external investments | 25 | 2 289 590 | 2 796 121 |
| Interest Earned - outstanding debtors | 25 | 1 995 717 | 1 009 270 |
| Licences and Permits | | - | 292 999 |
| Agency Services | | 1 699 935 | 946 426 |
| Other Income | 24.1 | 910 584 | 2 109 978 |
| Total Revenue | | 168 880 527 | 136 636 703 |
| EXPENDITURE | | | |
| Employee related costs | 26 | 47 235 958 | 39 980 978 |
| Remuneration of Councillors | 27 | 3 285 332 | 3 162 092 |
| Debt Impairment | 28 | 3 640 733 | 1 142 852 |
| Collection Cost | | 97 510 | - |
| Depreciation and Amortisation | 29 | 18 594 628 | 18 645 359 |
| Repairs and Maintenance | | 7 054 833 | 7 678 589 |
| Actuarial losses | 4 | 1 362 903 | 66 146 |
| Finance Charges | 30 | 1 060 626 | 1 229 475 |
| Bulk Purchases | 31 | 35 316 390 | 24 758 535 |
| Contracted services | | 87 326 | - |
| Operating Grant Expenditure | 32.1 | 20 609 940 | 9 992 951 |
| General Expenses | 32 | 18 379 035 | 17 583 582 |
| Loss on disposal of Property, Plant and Equipment | | 462 197 | - |
| Total Expenditure | | 157 187 411 | 124 240 559 |
| NET SURPLUS FOR THE YEAR | | 11 693 116 | 12 396 143 |

CEDERBERG LOCAL MUNICIPALITY

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

| | Housing Development Fund | Capitalisation and Grants Reserve | Capital Replacement Reserve | Accumulated Surplus/ (Deficit) | Total |
|---|---|--|--|---|--------------------|
| | R | R | R | R | R |
| 2010 | | | | | |
| Balance at 30 JUNE 2009 | 1 763 784 | 215 023 855 | 5 000 000 | 209 880 665 | 431 668 304 |
| Change in Accounting Policy- see note 33 | | (215 023 855) | | 215 023 855 | |
| Correction of errors-see note 34.2 | - | - | - | (54 865 100) | (54 865 100) |
| Restated Balance at 30 JUNE 2009 | 1 763 784 | - | 5 000 000 | 370 039 420 | 376 803 204 |
| Surplus for the year-see note 35 | | | | 12 396 143 | 12 396 143 |
| Housing Deficit transfer | (1 444 890) | | | 1 444 890 | |
| Correction of errors-see note 34.11 and 34.12 | (318 894) | (7 387 756) | | 7 706 650 | |
| Transfer to Capitalisation and Grants Reserve | | 27 727 559 | | (27 727 559) | - |
| Offsetting of Depreciation | | (20 339 803) | | 20 339 803 | - |
| Restated Balance 30 June 2010 | - | - | 5 000 000 | 384 199 347 | 389 199 347 |
| 2011 | | | | | |
| Surplus for the year | | | | 11 693 116 | 11 693 116 |
| Balance at 30 June 2011 | - | - | 5 000 000 | 395 892 463 | 400 892 463 |

CEDERBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | 30 JUNE 2011 R | 30 JUNE 2010 R |
|--|-----------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Ratepayers and other | | 76 907 868 | 77 558 483 |
| Government - operating | | 42 106 603 | 27 975 309 |
| Government - capital | | 30 172 167 | 27 420 503 |
| Interest | | 4 285 308 | 3 805 391 |
| Payments | | | |
| Suppliers and employees | | (116 673 512) | (111 740 409) |
| Finance charges | 30 | (1 060 626) | (1 229 475) |
| Cash generated by operations | 36 | 35 737 807 | 23 789 801 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 13 | (35 465 733) | (33 069 322) |
| Proceeds on Disposal of Fixed Assets | | 454 353 | 1 302 886 |
| Purchase of Intangible Assets | | (83 524) | - |
| Net Cash from Investing Activities | | (35 094 904) | (31 766 436) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loans repaid | | (1 596 077) | (1 699 835) |
| New loans raised | | - | 134 246 |
| Increase in Consumer Deposits | | 96 869 | 6 268 |
| Net Cash from Financing Activities | | (1 499 208) | (1 559 321) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (856 305) | (9 535 956) |
| Cash and Cash Equivalents at the beginning of the year | | 31 886 528 | 41 422 484 |
| Cash and Cash Equivalents at the end of the year | 37 | 31 030 223 | 31 886 528 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (856 305) | (9 535 956) |

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

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

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

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

| Standard | Description | Effective Date |
|-----------------|-----------------------|-----------------------|
| GRAP 25 | Employee Benefits | Unknown |
| GRAP 104 | Financial Instruments | Unknown |

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

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

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

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

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

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. This is as per the requirement of

GRAP1.49. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

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:

| Standard | Description | Effective Date |
|-------------------------|---|-----------------------|
| GRAP 6 (Revised) | Consolidated and Separate Financial Statements No significant impact is expected as the municipality does not participate in such business transactions. | Unknown |
| GRAP 7 (Revised) | Investments in Associate No significant impact is expected as the municipality does not participate in such business transactions. | Unknown |
| GRAP 8 (Revised) | Interest in Joint Ventures No significant impact is expected as the municipality does not participate in such business transactions. | Unknown |
| GRAP 18 | Segment Reporting Information to a large extent is already included in the notes to the annual financial statements. | Unknown |
| GRAP 24 | Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements. | 1 April 2012 |
| GRAP 25 | Employee Benefits Information to a large extent is already included in the notes to the annual financial statements. | Unknown |
| GRAP 103 | Heritage Assets No adjustments necessary as the municipality has no significant heritage assets. | 1 April 2012 |
| GRAP 104 | Financial Instruments Information to a large extent is already included in the notes to the annual financial statements. | Unknown |
| GRAP 105 | Transfer of Functions Between Entities Under Common Control No significant impact is expected as the municipality does not participate in such business transactions. | Unknown |
| GRAP 106 | Transfer of Functions Between Entities Not Under | Unknown |

| | | |
|-----------------|--|----------------|
| | <p>Common Control No significant impact is expected as the municipality does not participate in such business transactions.</p> | |
| GRAP 107 | <p>Mergers No significant impact is expected as the municipality does not participate in such business transactions.</p> | Unknown |

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

1.7. RESERVES

1.7.1 *Capital Replacement Reserve (CRR)*

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

1.8. LEASES

1.8.1 *Municipality as Lessee*

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and differences are recognised as operating lease assets .

1.8.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease

instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease, and differences are recognised as operating lease liabilities.

1.9 GOVERNMENT GRANTS AND RECEIPTS

1.9.1 *Unspent Conditional Government Grants and Receipts*

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.9.2 *Unpaid Conditional Government Grants and Receipts*

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

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

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

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

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

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11 PROVISIONS

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.12 EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

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

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. Leave is non-vesting as per GRAP 25.14.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrued to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans. (see note 4.3 in the Financial Statements in this regard)

Short term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

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

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

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

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

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

1.13.2 *Subsequent Measurement – Cost Model*

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

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

1.13.3 *Depreciation and Impairment*

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

| | Years | Other | Years |
|------------------------------|--------------|------------------------|--------------|
| <u>Infrastructure</u> | | | |
| Roads and Paving | 10-30 | Buildings | 100 |
| Pedestrian Malls | 30 | Specialist vehicles | 10-20 |
| Electricity | 20-30 | Other vehicles | 5-7 |
| Water | 15-20 | Office equipment | 3-7 |
| Sewerage | 15-20 | Furniture and fittings | 5-15 |
| Housing | 30 | Watercraft | 15 |
| | | Bins and containers | 5 |
| <u>Community</u> | | Specialised plant and | |
| Buildings | 100 | Equipment | 5-15 |
| Recreational Facilities | 20-30 | Other plant and | |
| Security | 5 | Equipment | 2-5 |
| Halls | 100 | Landfill sites | 20 |
| Libraries | 1000 | Quarries | 25 |

| | | | |
|-------------------|-------|---------------------|------|
| Parks and gardens | 15-20 | Emergency equipment | 5-15 |
| Other assets | 15-20 | Computer equipment | 3-5 |

Finance lease assets

| | |
|------------------|-----|
| Office equipment | 3 |
| Other assets | 5-6 |

Finance lease assets are depreciated over the shortest period of the useful life of the asset or the term of the finance lease agreement.

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

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

1.13.4 De-recognition

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

1.13.5 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.14 INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

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

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

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Amortisation and Impairment

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

| Intangible Assets | Years |
|----------------------------|--------------|
| Computer Software | 5 |
| Computer Software Licenses | 5 |

1.14.4 De-recognition

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

1.14.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

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

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

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

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 measured at cost.

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

1.15.2 De-recognition

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

1.15.3 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.16.1 Cash-generating assets

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

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

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

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

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

1.16.2 Non-cash-generating assets

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

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

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.17 NON CURRENT INVESTMENTS

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

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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

1.18 INVENTORIES

1.18.1 Initial Recognition

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

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

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. 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.

In general, the basis of allocating cost to inventory items is the FIFO method.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.19. FINANCIAL INSTRUMENTS

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

1.19.1 Initial Recognition

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

1.19.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.19.2.1 Receivables

Receivables are classified as financial instruments at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

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

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

future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.19.2.2 Payables and Annuity Loans

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

1.19.2.3 Cash and Cash Equivalents

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

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

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

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

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

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

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

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

fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.19.3.2 Financial Liabilities

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

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

1.19.4 **Offsetting of Financial Instruments**

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

20 **REVENUE**

1.20.1 **Revenue from Non-Exchange Transactions**

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

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

Fine revenue constitutes both spot fines and summonses. Fines are recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

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

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are

reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

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

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

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.20.2 Revenue from Exchange Transactions

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

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

1.21 RELATED PARTIES

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

(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;

- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

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

1.22 UNAUTHORISED EXPENDITURE

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

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

1.24 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.25 CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.26 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Post Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

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

Impairment of Receivables

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

Property, Plant and Equipment

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

For deemed cost applied to other assets, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

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

Intangible Assets

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

For deemed cost applied to intangible assets management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

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

also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

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

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

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

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

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Provision for Task Implementation and Back Pay

The provision at 30 June 2010 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.27 TAXES – VALUE ADDED TAX

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

1.28 AMENDED DISCLOSURE POLICY

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

| | 2011 R | 2010 R |
|---|-------------------|-------------------|
| 2 NET ASSET RESERVES | | |
| Capital Replacement Reserve | 5 000 000 | 5 000 000 |
| Total Net Asset Reserves | 5 000 000 | 5 000 000 |
| 3 LONG-TERM LIABILITIES | | |
| Annuity Loans - At amortised cost | 9 475 841 | 10 982 629 |
| Capitalised Lease Liability - At amortised cost | 369 197 | 289 848 |
| Previously reported | - | - |
| Correction of error - see note 34.4 | - | 289 848 |
| Hire Purchase | 355 396 | 524 035 |
| | 10 200 434 | 11 796 512 |
| Current Portion transferred to Current Liabilities | 2 001 036 | 1 881 701 |
| Annuity Loans - At amortised cost | 1 654 528 | 1 505 554 |
| Capitalised Lease Liability - At amortised cost | 160 570 | 207 509 |
| Hire Purchase | 185 938 | 168 638 |
| Total Long-term Liabilities - At amortised cost using the effective interest rate method | 8 199 398 | 9 914 811 |

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

| | Minimum annuity payments | |
|---|-------------------------------------|-------------------|
| Amounts payable under annuity loans: | | |
| Payable within one year | 2 488 824 | 2 488 824 |
| Payable within two to five years | 9 333 090 | 9 955 296 |
| Payable after five years | - | 1 866 618 |
| | 11 821 914 | 14 310 738 |
| Less: Future finance obligations | (2 346 073) | (3 328 109) |
| Present value of annuity obligations | 9 475 841 | 10 982 629 |

Annuity loan at amortised cost is unsecured. Interest, calculated at 9.5% , with a maturity date of 30 March 2016, is applicable to the loan.

The obligations under finance leases are scheduled below:

| | Minimum lease payments | |
|---|-----------------------------------|----------------|
| Amounts payable under finance leases: | | |
| Payable within one year | 188 180 | 235 275 |
| Payable within two to five years | 224 230 | 84 855 |
| Payable after five years | - | - |
| | 412 410 | 320 130 |
| Less: Future finance obligations | (43 213) | (30 282) |
| Present value of lease obligations | 369 197 | 289 848 |

Leases are secured by property, plant and equipment - Note 13

The obligations under hire purchases are scheduled below:

| | Minimum hire purchase payments | |
|---|---|----------------|
| Amounts payable under annuity loans: | | |
| Payable within one year | 218 070 | 218 070 |
| Payable within two to five years | 181 725 | 399 795 |
| Payable after five years | - | - |
| | 399 795 | 617 865 |
| Less: Future finance obligations | (44 399) | (93 830) |
| Present value of hire purchase obligations | 355 396 | 524 035 |

Finance Leases at amortised cost are calculated at 10.53% interest rate, for a fixed term of 36 months with maturity dates varies from 01 April 2011 to 01 June 2014. Leased assets remain the property of the lessor after maturity and new lease contracts are negotiated to replace lapsed contracts.

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

| | 2011 R | 2010 R |
|--|-------------------|-------------------|
| 4 EMPLOYEE BENEFITS | | |
| Post Retirement Benefits - Refer to Note 4.1 | 12 560 875 | 9 895 000 |
| Long Service Awards - Refer to Note 4.2 | 1 599 802 | 1 690 153 |
| Previously reported | - | - |
| Correction of error-see note 34.1.4 | - | 1 690 153 |
| Total Non-current Employee Benefit Liabilities | 14 160 677 | 11 585 153 |
| | 2011 R | 2010 R |
| <u>Post Retirement Benefits</u> | | |
| Balance 1 July | 10 463 000 | 9 328 000 |
| Current service cost | 612 000 | 612 000 |
| Interest Cost | 1 066 000 | 1 066 000 |
| Benefits payments | (458 264) | (552 929) |
| Actuarial Loss | 1 362 903 | 9 929 |
| Total post retirement benefits 30 June | 13 045 639 | 10 463 000 |
| Less: Transfer of Current Portion - Note 7 | (484 764) | (568 000) |
| Balance 30 June | 12 560 875 | 9 895 000 |
| <u>Long Service Awards</u> | | |
| Balance 1 July | 1 779 258 | 1 532 289 |
| Current service cost | 210 178 | 200 844 |
| Interest Cost | 160 071 | 136 113 |
| Benefits payments | (59 112) | (146 205) |
| Actuarial Gain | (248 238) | 56 217 |
| Total long service 30 June | 1 842 157 | 1 779 258 |
| Less: Transfer of Current Portion - Note 7 | (242 355) | (89 105) |
| Balance 30 June | 1 599 802 | 1 690 153 |
| <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u> | | |
| Balance 1 July | 12 242 258 | 10 860 289 |
| Current service costs | 822 178 | 812 844 |
| Interest cost | 1 226 071 | 1 202 113 |
| Benefits payments | (517 376) | (699 134) |
| Actuarial Loss | 1 114 665 | 66 146 |
| Total employee benefits 30 June | 14 887 796 | 12 242 258 |
| Less: Transfer of Current Portion - Note 7 | (727 119) | (657 105) |
| Balance 30 June | 14 160 677 | 11 585 153 |
| <u>Total Expense recognized in the Statement of Financial Performance</u> | | |
| Current service costs - included under Employee related costs | 822 178 | 812 844 |
| Interest cost - included under Employee related cost | 1 266 071 | 1 202 113 |
| Actuarial Losses | 1 362 903 | 66 146 |
| Actuarial Gains | 248 238 | - |

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

| | 2011 R | 2010 R |
|---|------------|------------|
| In-service (employee) members | 106 | 104 |
| Continuation members (e.g. Retirees, widows, orphans) | 20 | 24 |
| Total Members | 126 | 128 |

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

| | 2011 R | 2010 R |
|------------------------|-------------------|------------------|
| In-service members | 5 696 104 | 4 172 000 |
| Continuation members | 7 349 535 | 5 156 000 |
| Total Liability | 13 045 639 | 9 328 000 |

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

Bonitas;
LA Health
Samwumed; and
Hosmed
Keyhealth.

Key actuarial assumptions used:

| | 2011 % | 2010 % |
|---------------------------------|-----------|-----------|
| i) Rate of interest | | |
| Discount rate | 8.68 | 10.18 |
| Health Care Cost Inflation Rate | 7.27 | 9.18 |
| Net Effective Discount Rate | 1.31 | 0.92 |

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, was used by the actuaries

iii) Normal retirement age

It has been assumed that in-service members will retire at age 61, which then implicitly allows for expected rates of early and ill-health retirement.

| | 2011 R | 2010 R |
|--|-------------------|------------------|
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 12 560 875 | 9 895 000 |
| Net liability | 12 560 875 | 9 895 000 |

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25

Reconciliation of present value of fund obligation:

| | | |
|---|-------------------|------------------|
| Present value of fund obligation at the beginning of the year | 10 463 000 | 9 328 000 |
| Total expenses | 1 219 736 | 1 125 071 |
| Current service cost | 612 000 | 612 000 |
| Interest Cost | 1 066 000 | 1 066 000 |
| Benefits Paid | (458 264) | (552 929) |
| Actuarial losses | 1 362 903 | 9 929 |
| Present value of fund obligation at the end of the year | 13 045 639 | 10 463 000 |
| Less: Transfer of Current Portion - Note 7 | (484 764) | (568 000) |
| Balance 30 June | 12 560 875 | 9 895 000 |

Sensitivity Analysis on the Accrued Liability

| Assumption | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) |
|---------------------|-----------------------------------|-------------------------------------|----------------------|
| Central Assumptions | 5.696 | 7.350 | 13.05 |

The effect of movements in the assumptions are as follows:

| Assumption | Change | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|---------------------------|---------|-----------------------------------|-------------------------------------|----------------------|----------|
| Health care inflation | 1% | 6.693 | 8.164 | 15.09 | 0.16 |
| Health care inflation | -1% | 4.727 | 6.648 | 11.38 | -0.13 |
| Post-retirement mortality | -1 year | 5.885 | 7.619 | 13.50 | 0.04 |
| Average retirement age | -1 year | 6.177 | 7.350 | 13.53 | 0.04 |
| Withdrawal Rate | -50% | 6.360 | 7.350 | 13.71 | 0.05 |

| | 2011 | 2010 |
|---|-------------------------|-------------------------|
| 4.2 Long Service Bonuses | | |
| The Long Service Bonus plans are defined benefit plans. | | |
| As at year end, the following number of employees were eligible for Long Service Bonuses. | <u>277</u> | <u>280</u> |
| Key actuarial assumptions used: | 2011 | 2010 |
| | % | % |
| i) Rate of interest | | |
| Discount rate | 0.08 | 0.09 |
| General Salary Inflation (long-term) | 0.06 | 0.07 |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.01 | 0.02 |
| | 2011 | 2010 |
| | R | R |
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | <u>1 599 802</u> | <u>1 690 153</u> |
| Net liability | <u>1 599 802</u> | <u>1 690 153</u> |

Reconciliation of present value of fund obligation:

| | | |
|---|-------------------------|-------------------------|
| Present value of fund obligation at the beginning of the year | 1 779 258 | 1 532 289 |
| Total expenses | 311 137 | 190 752 |
| Current service cost | 210 178 | 200 844 |
| Interest Cost | 160 071 | 136 113 |
| Benefits Paid | (59 112) | (146 205) |
| Actuarial (gains)/losses | <u>(248 238)</u> | <u>56 217</u> |
| Present value of fund obligation at the end of the year | 1 842 157 | 1 779 258 |
| Less: Transfer of Current Portion - Note 7 | <u>(242 355)</u> | <u>(89 105)</u> |
| Balance 30 June | <u>1 599 802</u> | <u>1 690 153</u> |

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Change | Liability (Rm) | % change |
|--------------------------|--------|----------------|----------|
| Central assumptions | | 1.84 | |
| General salary inflation | 1% | 1.98 | 0.07 |
| General salary inflation | -1% | 1.72 | -0.07 |
| Average retirement age | -2 yrs | 1.57 | -0.15 |
| Average retirement age | 2 yrs | 2.09 | 0.14 |
| Withdrawal rates | -50% | 2.27 | 0.23 |

4.3 Retirement funds

CAPE JOINT PENSION FUND

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

| | | |
|---|--------|--------|
| Contributions paid recognised in the Statement of Financial Performance | 52 684 | 47 205 |
|---|--------|--------|

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

| | | |
|---|-----------|-----------|
| Contributions paid recognised in the Statement of Financial Performance | 1 621 460 | 1 381 742 |
|---|-----------|-----------|

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

| | | |
|-------------------------------------|---------|---------|
| National Fund for Municipal Workers | 92 684 | 81 762 |
| Municipal Councillors Pension Fund | 46 646 | 77 374 |
| SAMWU National Provident Fund | 405 997 | 438 564 |

| | 2011 R | 2010 R |
|--|-------------------|-------------------|
| 5 NON-CURRENT PROVISIONS | | |
| Provision for Rehabilitation of Landfill-sites | 13 876 109 | 14 508 003 |
| Provision for Long Service Awards | | - |
| Previously reported | - | 1 690 153 |
| Correction of error-see note 34.1.4 | - | (1 690 153) |
| Total Non-current Provisions | 13 876 109 | 14 508 003 |

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.1

With the measurement of cost for the provision, an independent qualified engineer determined the present value to rehabilitate the landfill sites at the end of its useful life.

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used to calculate the initial cost and the comparative numbers

| | 2011 R | 2010 R |
|---|-------------------|-------------------|
| Landfill Sites | | |
| Balance 1 July | 14 508 003 | 13 804 539 |
| Previously reported | - | 6 413 878 |
| Correction of error- see note 34.1.16 | - | 7 390 661 |
| Contribution for the year | 932 089 | 703 464 |
| Previously reported | - | 881 827 |
| Correction of error- see note 34.1.16 and 35 | - | (178 363) |
| Total provision 30 June | 15 440 092 | 14 508 003 |
| Less: Transfer of Current Portion to Current Provisions - Note 8 | (1 563 983) | - |
| Previously reported | - | (3 155 640) |
| Correction of error- see note 34.1.16 | - | 3 155 640 |
| Balance 30 June | 13 876 109 | 14 508 003 |

| | 2011 R | 2010 R |
|--|------------------|------------------|
| 6 CONSUMER DEPOSITS | | |
| Deposits | 1 209 260 | 1 112 391 |
| Total Consumer Deposits | 1 209 260 | 1 112 391 |
| Guarantees held in lieu of Electricity and Water Deposits | - | - |

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

| | 2011 R | 2010 R |
|--|------------------|------------------|
| 7 CURRENT EMPLOYEE BENEFITS | | |
| Current Portion of Post Retirement Benefits - Note 4 | 484 764 | 568 000 |
| Current Portion of Long-Service Provisions - Note 4 | 242 355 | 89 105 |
| Staff Leave | 2 246 617 | 1 776 300 |
| Previously reported | - | - |
| Correction of error- see note 34.1.3 | - | 1 776 300 |
| Bonuses | 1 205 901 | 1 003 371 |
| Previously reported | - | - |
| Correction of error- see note 34.1.2 | - | 1 003 371 |
| Performance Bonuses | 356 511 | 363 092 |
| Previously reported | - | - |
| Correction of error- see note 34.1.2 | - | 363 092 |
| Pension fund shortages | 439 945 | 439 945 |
| Previously reported | - | - |
| Correction of error- see note 34.1.2 | - | 439 945 |
| Salary increases SALGA | - | 659 001 |
| Previously reported | - | - |
| Correction of error- see note 34.1.2 | - | 659 001 |
| Total Current Employee Benefits | 4 976 093 | 4 898 814 |

The movement in current employee benefits are reconciled as follows:

| | 2011 R | 2010 R |
|---------------------------------|------------------|------------------|
| Staff Leave | | |
| Balance at beginning of year | 1 776 300 | 1 884 473 |
| Contribution to current portion | 720 753 | 1 063 598 |
| Expenditure incurred | (250 436) | (1 171 771) |
| Balance at end of year | 2 246 617 | 1 776 300 |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Performance Bonuses

| | | |
|---------------------------------|----------------|----------------|
| Balance at beginning of year | 363 092 | 252 778 |
| Contribution to current portion | 177 800 | 363 092 |
| Expenditure incurred | (184 381) | (252 778) |
| Balance at end of year | <u>356 511</u> | <u>363 092</u> |

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Bonuses

| | | |
|---------------------------------|------------------|------------------|
| Balance at beginning of year | 1 003 371 | 940 649 |
| Contribution to current portion | 2 241 441 | 1 070 710 |
| Expenditure incurred | (2 038 911) | (1 007 988) |
| Balance at end of year | <u>1 205 901</u> | <u>1 003 371</u> |

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Pension fund shortages

| | | |
|---------------------------------|----------------|----------------|
| Balance at beginning of year | 439 945 | - |
| Contribution to current portion | - | 439 945 |
| Expenditure incurred | - | - |
| Balance at end of year | <u>439 945</u> | <u>439 945</u> |

It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, including the Economic Entity, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

Salary increases SALGA

| | | |
|---------------------------------|-----------|----------------|
| Balance at beginning of year | 659 002 | - |
| Contribution to current portion | - | 659 002 |
| Expenditure incurred | (659 002) | - |
| Balance at end of year | <u>-</u> | <u>659 002</u> |

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

8

PROVISIONS

| | | |
|--|-------------------------|-----------------|
| Current Portion of Rehabilitation of Landfill-sites - Note 5 | 1 563 983 | - |
| Performance Bonuses | - | - |
| Previously reported | - | 1 366 462 |
| Correction of error- see note 34.1.2 | - | (1 366 462) |
| Cape Joint Pesion Fund | - | - |
| Previously reported | - | 439 945 |
| Correction of error- see note 34.1.2 | - | (439 945) |
| Salary Increases-SALGA | - | - |
| Previously reported | - | 659 002 |
| Correction of error- see note 34.1.2 | - | (659 002) |
| Total Provisions | <u>1 563 983</u> | <u>-</u> |

9 PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2011 R | 2010 R |
|---------------------------------------|-------------------|------------------|
| Trade Payables | 18 719 948 | 6 861 210 |
| Previously reported | - | 8 801 833 |
| Correction of error - see note 34.5 | - | (1 940 623) |
| Pre-paid electricity | 213 126 | 201 269 |
| Sundry Creditors | 1 389 554 | 1 159 133 |
| Previously reported | - | 1 224 027 |
| Correction of error - see note 34.5 | - | (64 894) |
| Payments received in advance | 977 159 | 1 057 819 |
| Retentions | 1 846 395 | - |
| Sundry Deposits | 169 341 | 127 770 |
| Previously reported | - | 127 070 |
| Correction of error - see note 34.5 | - | 700 |
| Accrued Leave | - | - |
| Previously reported | - | 1 776 300 |
| Correction of error - see note 34.1.3 | - | (1 776 300) |
| VAT | - | - |
| Previously reported | - | 2 155 506 |
| Correction of error - see note 34.1.3 | - | (2 155 506) |
| Traffic Fines Control | - | - |
| Total Trade Payables | 23 315 524 | 9 407 201 |

Payables are being recognised net of any discounts.

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

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

Sundry deposits include hall, builders and housing Deposits.

No creditors are secured

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

| | 2011 R | 2010 R |
|--|------------------|------------------|
| Unspent Grants | 6 909 638 | 8 477 527 |
| National Government Grants | 2 239 684 | 6 637 938 |
| Previously reported | - | 7 182 980 |
| Correction of error- see note 34.1.13 | - | (545 042) |
| Provincial Government Grants | 4 669 954 | 1 839 589 |
| Previously reported | - | 1 839 693 |
| Correction of error- see note 34.1.8 | - | (104) |
| Less: Unpaid Grants | 5 026 795 | 152 527 |
| National Government Grants | 5 026 795 | - |
| Previously reported | - | - |
| Correction of error-see note 34.1.1 | - | 152 527 |
| Provincial Government Grants | - | - |
| District Municipality | - | - |
| Other Grant Providers | - | - |
| Total Conditional Grants and Receipts | 1 882 843 | 8 325 000 |

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. (see also note 22)

11 UNSPENT PUBLIC CONTRIBUTIONS

| | 2011 R | 2010 R |
|---|------------------|------------------|
| Lotto Funds - Sport facilities (Citrusdal) | 16 359 | 859 983 |
| Balance previously reported | - | - |
| Correction of error-see note 34.1.1 | - | 859 983 |
| Lotto Funds- Sport facilities (Elandsbay) | (173 322) | 704 916 |
| Balance previously reported | - | - |
| Correction of error-see note 34.1.1 | - | 704 916 |
| Total Unspent Public Contributions | (156 963) | 1 564 899 |

Reconciliation of public contributions

Lotto Funds - Sport facilities (Citrusdal)

| | | |
|---|-------------|----------|
| Opening balance | 859 983 | 634 500 |
| Contributions received | (1 000 000) | - |
| Transfers | - | (27 016) |
| Conditions met - Transferred to revenue | 156 376 | 252 499 |
| Closing balance | 16 359 | 859 983 |

Lotto Funds- Sport facilities (Elandsbay)

| | | |
|---|-------------|---------|
| Opening balance | 704 916 | 623 343 |
| Contributions received | (1 000 000) | - |
| Transfer | - | 27 016 |
| Conditions met - Transferred to revenue | 121 762 | 54 557 |
| Closing balance | (173 322) | 704 916 |

12 TAXES

12.1 VAT PAYABLE

| | | |
|-------------------------------------|------------------|------------------|
| VAT Payable | 1 960 065 | 2 155 506 |
| Previously reported | - | - |
| Correction of error-see note 34.1.3 | - | 2 155 506 |
| VAT output in suspense | - | - |
| Total Vat payable | <u>1 960 065</u> | <u>2 155 506</u> |

12.2 VAT RECEIVABLE

| | | |
|------------------------------------|------------------|----------------|
| VAT input in suspense | 4 253 925 | 765 189 |
| Previously reported | - | 757 481 |
| Correction of error-see note 34.10 | - | 7 708 |
| Total VAT receivable | <u>4 253 925</u> | <u>765 189</u> |

12.3 NET VAT RECEIVABLE/(PAYABLE)

| | | |
|--|------------------|--------------------|
| | <u>2 293 860</u> | <u>(1 390 317)</u> |
|--|------------------|--------------------|

VAT is receivable/payable on the cash basis.

13 PROPERTY, PLANT AND EQUIPMENT

| | 2011 | 2010 |
|---|------------------|------------------|
| 13 CAPITALISED RESTORATION COST - relating to landfill sites | | |
| Net Carrying amount at 1 July | 3 941 307 | 4 706 322 |
| Cost | 9 165 066 | 9 165 066 |
| Balance previously reported | - | 7 299 828 |
| Correction of error see note 34.1.15 | - | 1 865 238 |
| Accumulated Depreciation | (5 223 759) | (4 458 744) |
| Balance previously reported | - | (1 946 893) |
| Correction of error see note 34.1.15 | - | (2 511 851) |
| Depreciation for the year | (765 674) | (765 015) |
| Balance previously reported | - | (186 306) |
| Recognition of Depreciation for 2009/2010 - Note | - | (578 709) |
| Net Carrying amount at 30 June | 3 175 633 | 3 941 307 |
| Cost | 9 165 066 | 9 165 066 |
| Accumulated Depreciation | (5 989 433) | (5 223 759) |

| | | |
|--|------------------|---|
| 14 INVESTMENT PROPERTY | | |
| Net Carrying amount at 1 July | 2 918 819 | - |
| Cost | 3 700 040 | - |
| Accumulated Depreciation | (781 221) | - |
| Depreciation for the year | (24 750) | - |
| Transfers from Property, Plant and equipment | - | - |
| Net Carrying amount at 30 June | 2 894 069 | - |
| Cost | 3 700 040 | - |
| Accumulated Depreciation | (805 971) | - |
| Accumulated Impairment | - | - |

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.3

Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:

| | | |
|--|---|------------------|
| Cost | - | 3 700 040 |
| Accumulated Depreciation | - | (781 221) |
| Total not previously recognised now restated retrospectively | - | 2 918 819 |

The properties don't meet service delivery objectives nor could it be utilized for the production or supply of goods or services, and are solely held for capital appreciation. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

| | | |
|---|----------|----------|
| Revenue derived from the rental of investment property | - | - |
| Operating expenditure incurred on properties generating revenue | - | - |
| Operating expenditure incurred on properties not generating revenue | - | - |
| | R | R |

| | | |
|---------------------------------------|----------------|---|
| 15 INTANGIBLE ASSETS | | |
| Computer Software | | |
| Net Carrying amount at 1 July | 103 751 | - |
| Cost | 352 586 | - |
| Accumulated Amortisation | (248 835) | - |
| Additions | 83 524 | - |
| Amortisation | (32 032) | - |
| Net Carrying amount at 30 June | 155 243 | - |
| Cost | 436 110 | - |
| Accumulated Amortisation | (280 867) | - |

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.4

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

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

| | | |
|--|----------|----------------|
| Computer software; | - | 352 586 |
| Accumulated amortisation | - | (248 835) |
| Total not previously recognised now restated retrospectively | <u>-</u> | <u>103 751</u> |

The following material intangible assets are included in the carrying value above

| <u>Description</u> | <u>Remaining Amortisation Period</u> | <u>Carrying Value</u> | |
|---------------------------------------|--------------------------------------|-----------------------|---------------|
| | | <u>2011 R</u> | <u>2010 R</u> |
| Microsoft Office and Windows software | 2 years | 155 243 | 103 751 |

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

16 INVENTORY

| | | |
|---------------------------------------|------------------|------------------|
| Maintenance Materials - At cost | 1 623 542 | 1 371 509 |
| Water – at cost | 101 506 | 89 163 |
| Previously reported | - | - |
| Correction of error -see note 34.1.18 | - | 89 163 |
| Total Inventory | <u>1 725 048</u> | <u>1 460 672</u> |

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.5

| | | |
|---|-----------|-----------|
| Consumable stores materials written down due to losses as identified during the annual stores counts. | 5 738 | - |
| Inventory recognised as an expense during the year | 1 002 621 | 1 413 467 |

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

| | | |
|-------|--------|--------|
| Water | 12 343 | 89 163 |
|-------|--------|--------|

17 RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|-------------------|-------------------|
| Electricity | 8 780 059 | 5 930 260 |
| Previously reported | - | 5 164 291 |
| Correction of error-see note 34.7 | - | 765 969 |
| Water | 6 275 974 | 5 230 358 |
| Previously reported | - | 4 969 012 |
| Correction of error-see note 34.7 | - | 261 346 |
| Refuse | 2 486 449 | 2 803 483 |
| Previously reported | - | 2 803 961 |
| Correction of error-see note 34.7 | - | (478) |
| Sewerage | 4 692 424 | 4 456 443 |
| Loan Instalments | 47 425 | 336 741 |
| Other | (60 391) | 3 506 406 |
| Payments made in advance | 865 233 | 860 893 |
| Total Receivables from Exchange Transactions | <u>23 087 173</u> | <u>23 124 585</u> |
| Less: Allowance for Doubtful Debts | (8 005 832) | (8 007 935) |
| Total Net Receivables from Exchange Transactions | <u>15 081 341</u> | <u>15 116 650</u> |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +2% is levied on late

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

| | | |
|-----------------------|------------------|------------------|
| Current (0 - 30 days) | 4 654 139 | 3 114 144 |
| 31 - 60 Days | 488 241 | 742 220 |
| 61 - 90 Days | 302 006 | 299 871 |
| + 90 Days | 3 335 673 | 1 774 025 |
| Total | <u>8 780 059</u> | <u>5 930 260</u> |

(Water): Ageing

| | | |
|-----------------------|------------------|------------------|
| Current (0 - 30 days) | 1 345 067 | 856 585 |
| 31 - 60 Days | 354 413 | 521 378 |
| 61 - 90 Days | 275 224 | 331 428 |
| + 90 Days | 4 301 270 | 3 520 968 |
| Total | <u>6 275 974</u> | <u>5 230 359</u> |

(Refuse): Ageing

| | | |
|-----------------------|---------|---------|
| Current (0 - 30 days) | 509 646 | 356 976 |
|-----------------------|---------|---------|

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

| | | |
|--------------|------------------|------------------|
| 31 - 60 Days | 149 261 | 202 703 |
| 61 - 90 Days | 130 464 | 126 697 |
| + 90 Days | 1 697 078 | 2 117 107 |
| Total | 2 486 449 | 2 803 483 |

(Sewerage): Ageing

| | | |
|-----------------------|------------------|------------------|
| Current (0 - 30 days) | 783 653 | 431 807 |
| 31 - 60 Days | 247 133 | 300 571 |
| 61 - 90 Days | 214 798 | 187 859 |
| + 90 Days | 3 446 840 | 3 536 206 |
| Total | 4 692 424 | 4 456 443 |

(Other): Ageing

| | | |
|-----------------------|-----------------|------------------|
| Current (0 - 30 days) | (522 129) | 115 418 |
| 31 - 60 Days | 54 405 | 297 395 |
| 61 - 90 Days | 16 532 | 205 925 |
| + 90 Days | 390 801 | 2 887 668 |
| Total | (60 391) | 3 506 406 |

Loan Instalments: Ageing

| | | |
|-----------------------|---------------|----------------|
| Current (0 - 30 days) | 752 | 2 843 |
| 31 - 60 Days | 373 | 2 842 |
| 61 - 90 Days | 1 044 | 2 795 |
| + 90 Days | 45 256 | 328 261 |
| | 47 425 | 336 741 |

(Total): Ageing

| | | |
|-----------------------|-------------------|-------------------|
| Current (0 - 30 days) | 6 771 128 | 4 877 773 |
| 31 - 60 Days | 1 293 825 | 2 067 109 |
| 61 - 90 Days | 940 068 | 1 154 575 |
| + 90 Days | 13 216 918 | 14 164 235 |
| Total | 22 221 940 | 22 263 692 |

Reconciliation of Provision for Bad Debts

| | | |
|-------------------------------|------------------|------------------|
| Balance at beginning of year | 8 007 935 | 6 418 735 |
| Contribution to provision | 2 358 473 | 1 601 579 |
| Bad Debts Written Off | (2 360 576) | (12 379) |
| Balance at end of year | 8 005 832 | 8 007 935 |

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2011 R | 2010 R |
|---|-------------------|-------------------|
| Rates | 12 443 343 | 11 237 199 |
| Previously reported | - | 11 263 423 |
| Correction of error-see note 34.1.8 | - | (26 224) |
| Other Receivables | 2 420 346 | 675 442 |
| Government Subsidy Claims | | - |
| Previously reported | - | 1 717 425 |
| Correction of error- see note 34.1.1 | - | (1 717 425) |
| Payments in advance | 111 926 | 196 926 |
| Suspense Debtors | 2 308 420 | 478 516 |
| Previously reported | - | 471 896 |
| Correction of error- see note 34.1.8 | - | 6 620 |
| Total Receivables from Non-Exchange Transactions | 14 863 689 | 11 912 641 |
| Less: Allowance for Doubtful Debts | (4 503 280) | (4 946 462) |
| Total Net Receivables from Non-Exchange Transactions | 10 360 409 | 6 966 179 |

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and interest is levied at a rate of prime+2% on unpaid accounts.

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

| | | |
|-----------------------|-------------------|-------------------|
| Current (0 - 30 days) | 2 723 241 | 1 905 582 |
| 31 - 60 Days | 572 578 | 950 267 |
| 61 - 90 Days | 504 130 | 587 662 |
| + 90 Days | 8 643 394 | 7 793 688 |
| Total | 12 443 343 | 11 237 199 |

Reconciliation of Provision for Bad Debts

| | | |
|-------------------------------|------------------|------------------|
| Balance at beginning of year | 4 946 462 | 5 405 190 |
| Contribution to provision | 1 282 260 | (458 728) |
| Bad Debts Written Off | (1 725 442) | |
| Balance at end of year | 4 503 280 | 4 946 462 |

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19 OPERATING LEASE ARRANGEMENTS

19.1 The Municipality as Lessee (Liability)

| | | |
|---------------------------|---------------|---------------|
| Balance on 1 July | 18 795 | - |
| Movement during the year | (4 455) | 18 795 |
| Balance on 30 June | 14 340 | 18 795 |

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

| | 2010 R | 2009 R |
|---|---------------|----------------|
| Up to 1 Year | 41 250 | 37 500 |
| 1 to 5 Years | 25 410 | 66 660 |
| More than 5 Years | - | - |
| Total Operating Lease Arrangements | 66 660 | 104 160 |

Operating leases consist only out of an agreement with Elandsbaai Handelhuis for the rental of R2753 pm for a building using as a library. The lease is for a period of 73 months and the contract lapsed on 31 January 2013. The lease payments escalating at a rate of 10% per annum. The renewal of the lease after January 2013 is available.

19.2 The Municipality as Lessor (Asset)

| | | |
|-----------------------------------|---------------|---------------|
| Balance on 1 July | 54 774 | 53 124 |
| Movement during the year | 10 926 | 1 650 |
| Previously reported | - | 7 896 |
| Correction of error-see note 34.9 | - | (6 246) |
| Balance on 30 June | 65 699 | 54 774 |

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

| | | |
|---|----------------|----------------|
| Up to 1 Year | 109 414 | 86 042 |
| 1 to 5 Years | 396 716 | 481 557 |
| More than 5 Years | - | - |
| Total Operating Lease Arrangements | 506 130 | 567 599 |

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out to 6 different lessors for periods ranging from 2006 until 2016. Escalation between 8 and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available.

20 CASH AND CASH EQUIVALENTS

Assets

| | | |
|---|-------------------|-------------------|
| Call Investments Deposits | 15 000 000 | 28 000 000 |
| Bank Accounts | 16 024 293 | 3 880 848 |
| Previously reported | - | 3 882 359 |
| Correction of error-see note 34.6 | - | (1 511) |
| Cash Floats | 5 930 | 5 680 |
| Total Cash and Cash Equivalents - Assets | 31 030 223 | 31 886 528 |

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

No bank overdraft and/or borrowing facility arrangement exists.

The municipality has the following bank accounts:

Current Accounts

| | | |
|---|-------------------|------------------|
| Clainwilliam ABSA - Account Number 4053578397 (Primary Bank Account): | 16 024 293 | 3 882 359 |
| | 16 024 293 | 3 882 359 |

Traffic account is cleared daily to Primary Bank Account.

Clainwilliam ABSA - Account Number 4053578397 (Primary Bank Account):

| | | |
|---|------------|-----------|
| Cash book balance at beginning of year | 3 882 359 | 8 418 854 |
| Cash book balance at end of year | 16 024 293 | 3 882 359 |
| Bank statement balance at beginning of year | 3 340 486 | 9 372 950 |
| Bank statement balance at end of year | 15 971 918 | 3 340 486 |

Call Investment Deposits

Call investment deposits consist out of the following accounts:

| | | |
|------------------------------------|-------------------|-------------------|
| Standard Bank Acc nr 088896978-007 | 15 000 000 | |
| Investec Acc.nr DA TBQ0865 | - | 8 000 000 |
| Investec Acc.nr DA 6101498 | - | 10 000 000 |
| ABSA Acc.nr 20-7046-6402 | - | 10 000 000 |
| | 15 000 000 | 28 000 000 |

| | | | |
|-----------|---|-------------------|-------------------|
| | | 2011 | 2010 |
| | | R | R |
| 21 | PROPERTY RATES | | |
| | <u>Actual</u> | | |
| | Rateable Land and Buildings | 34 702 988 | 31 294 997 |
| | Residential, Commercial Property, State | 34 702 988 | 31 294 997 |
| | Less: Rebates | (12 410 096) | (10 918 307) |
| | Total Assessment Rates | 22 292 892 | 20 376 690 |

Valuations - 1 JULY 2009

| | | | |
|--|------------------------------------|----------------------|----------------------|
| | | 2011 | 2010 |
| | | R | R |
| | Rateable Land and Buildings | | |
| | General | 4 172 182 124 | 4 127 286 000 |
| | Total Assessment Rates | 4 172 182 124 | 4 127 286 000 |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Intrim valuations are processed on an annual basis to include changes in property values and subdivisions.

Rates:

| | | |
|--------------|---------|---------|
| Residential | .863c/R | .803c/R |
| Commercial | .863c/R | .803c/R |
| Agricultural | .863c/R | .803c/R |

Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

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

22 GOVERNMENT GRANTS AND SUBSIDIES

| | | | |
|--|--|-------------------|-------------------|
| | | 21 436 662 | 17 174 383 |
| | Unconditional Grants | | |
| | Equitable Share | 21 423 060 | 17 156 780 |
| | Provincial Health Subsidy | 13 602 | 17 603 |
| | Conditional Grants | 50 842 108 | 38 221 429 |
| | Grants and donations | 50 842 108 | 38 221 429 |
| | Total Government Grants and Subsidies | 72 278 770 | 55 395 812 |
| | Government Grants and Subsidies - Capital | 30 172 167 | 27 420 503 |
| | Government Grants and Subsidies - Operating | 42 106 603 | 27 975 309 |
| | | 72 278 770 | 55 395 812 |

The municipality does not expect any significant changes to the level of grants.

22.1 Equitable share

| | | |
|----------------------------|--------------|--------------|
| Opening balance | - | - |
| Grants received | 21 423 060 | 17 156 780 |
| Conditions met - Operating | (21 423 060) | (17 156 780) |
| Conditions met - Capital | - | - |
| Conditions still to be met | - | - |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

22.2 Health Subsidy

| | | |
|----------------------------|----------|----------|
| Opening balance | - | - |
| Grants received | 13 602 | 17 603 |
| Conditions met - Operating | (13 602) | (17 603) |
| Conditions met - Capital | - | - |
| Conditions still to be met | - | - |

Health subsidies was used fund primary health care services in the municipal area.

22.3 Local Government Financial Management Grant (FMG)

| | | |
|----------------------------|-------------|-------------|
| Opening balance | 196 835 | 595 119 |
| Grants received | 1 000 000 | 1 000 000 |
| Conditions met - Operating | (1 196 835) | (1 320 982) |
| Interest written back | - | (77 302) |
| Conditions still to be met | - | 196 835 |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

22.4 Municipal Systems Improvement Grant

| | | |
|--------------------------------------|-----------|-------------|
| Opening balance | 21 088 | 1 337 426 |
| Grants received | 750 000 | 735 000 |
| Conditions met - Operating | (737 277) | (2 051 338) |
| Previously reported | - | (1 506 296) |
| Correction of error-see note 34.1.13 | - | (545 042) |
| Conditions met - Capital | - | - |
| Conditions still to be met | 33 811 | 21 088 |

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

22.5 Municipal Infrastructure Grant (MIG)

| | | |
|----------------------------|-------------|-------------|
| Opening balance | 3 893 965 | 4 251 286 |
| Grants received | 5 447 000 | 12 552 920 |
| Transfers | - | (2 826 105) |
| Conditions met - Operating | - | (319 839) |
| Conditions met - Capital | (9 176 904) | (9 764 297) |
| Conditions still to be met | 164 061 | 3 893 965 |

The grant was used to upgrade infrastructure in previously disadvantaged areas.

22.6 Housing Grants

| | | |
|----------------------------|--------------|--------------|
| Opening balance | 143 328 | 2 398 127 |
| Grants received | 29 184 742 | 16 908 804 |
| Conditions met - Operating | (17 857 346) | (5 467 600) |
| Conditions met - Capital | (8 516 843) | (13 696 003) |
| Conditions still to be met | 2 953 881 | 143 328 |

Housing grants was utilised for the development of erven and the erection of top structures.

22.7 Integrated National Electrification Grant

| | | |
|-----------------------------------|-------------|-----------|
| Opening balance | 1 414 947 | 2 380 960 |
| Grants received | 87 659 | - |
| Conditions met - Operating | - | - |
| Conditions met - Capital | (4 185 721) | (966 013) |
| Grant Expenditure to be recovered | (2 683 115) | 1 414 947 |

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

22.8 Other Grants

| | | |
|---------------------------------------|-------------|-------------|
| Opening balance | 2 654 838 | 5 170 043 |
| Previously reported | - | 5 170 146 |
| Correction of error - see note 34.1.8 | - | (103) |
| Grants received | 7 930 550 | 4 542 446 |
| Transfers | - | (752) |
| Conditions met - Operating | (878 483) | (2 466 987) |
| Conditions met - Capital | (8 292 699) | (4 589 912) |
| Conditions still to be met | 1 414 206 | 2 654 838 |

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

22.9 Total Grants

| | | |
|----------------------------|-------------------------|-------------------------|
| Opening balance | 8 325 000 | 16 132 961 |
| Grants received | 65 836 613 | 52 913 553 |
| Transfers | - | (5 248 399) |
| Conditions met - Operating | (42 106 603) | (27 420 503) |
| Conditions met - Capital | (30 172 167) | (27 975 309) |
| Interest written back | - | (77 303) |
| Conditions still to be met | <u>1 882 843</u> | <u>8 325 000</u> |

Disclosed as follows:

| | | |
|--|-------------------------|-------------------------|
| Unspent Conditional Government Grants and Receipts | 6 909 638 | 8 477 527 |
| Unpaid Conditional Government Grants and Receipts | (5 026 795) | (152 527) |
| | <u>1 882 843</u> | <u>8 325 000</u> |

23 SERVICE CHARGES

| | | |
|---------------------------------|--------------------------|--------------------------|
| Electricity | 42 432 727 | 34 931 161 |
| Water | 9 123 374 | 7 852 060 |
| Refuse removal | 4 116 838 | 3 786 941 |
| Sewerage and Sanitation Charges | 6 028 934 | 5 008 972 |
| | <u>61 701 874</u> | <u>51 579 134</u> |
| Less: Rebates | (2 343 120) | (2 908 647) |
| Total Service Charges | <u>59 358 754</u> | <u>48 670 487</u> |

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

24 FINES

4 307 835 **1 300 424**

Fines constitutes both spot fines and summonses

24.1 OTHER INCOME

| | | |
|------------------------------|----------------|------------------|
| Building Plan Fees | 96 349 | 79 383 |
| Funds Income | - | 70 175 |
| Other Income | 256 253 | 1 960 373 |
| Cemetery Fees | 77 889 | - |
| Rates clearance certificates | 26 662 | - |
| Connection Fees | 166 656 | - |
| Re-connection Fees | 80 457 | - |
| Copies and Faxes | 23 151 | - |
| Seta Recoveries | 89 840 | - |
| Settlement Discounts | 62 230 | - |
| Valuation Certificates | 14 210 | - |
| Tender Documents | 16 886 | - |
| | <u>910 584</u> | <u>2 109 931</u> |

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges

25 INTEREST EARNED

| | | |
|--------------------------------------|------------------|------------------|
| Interest Earned-external investments | 2 289 590 | 2 796 121 |
| Interest Earned-outstanding debtors | 1 995 717 | 1 009 270 |
| | <u>4 285 307</u> | <u>3 805 391</u> |

26 EMPLOYEE RELATED COSTS

| | | |
|---|--------------------------|--------------------------|
| Bargaining Council Levy | 14 963 | - |
| Bonus | 2 194 768 | 1 752 370 |
| Performance Bonus | 177 800 | - |
| Contributions for UIF, pensions and medical aids | 6 136 966 | 8 192 819 |
| Group Life Insurance | 584 913 | 496 605 |
| Housing Subsidy | 172 121 | 209 507 |
| SDL Contributions | 358 064 | 298 245 |
| Leave Expense | 715 557 | - |
| Long service awards | 370 249 | 336 957 |
| Overtime | 1 965 327 | 1 411 788 |
| Post Employment Health | 1 678 000 | 1 678 000 |
| Salaries and Wages | 29 412 175 | 22 813 353 |
| Travel, motor car, telephone, assistance and other allowances | 3 455 055 | 2 791 334 |
| Total Employee Related Costs | <u>47 235 958</u> | <u>39 980 978</u> |

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL**Remuneration of the Municipal Manager (Mr G.F. Matthyse)**

| | | |
|---|------------------|----------------|
| Annual Remuneration | 722 263 | 665 767 |
| Performance Bonuses | 74 040 | 85 315 |
| Car Allowance | 203 234 | 187 383 |
| Other allowance | 23 356 | 20 568 |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 11 305 | 10 418 |
| Total | 1 034 198 | 969 451 |

Remuneration of the Director : Engineering Services (Mr A.S.T Nxhumalo)

| | | |
|---|----------------|----------------|
| Annual Remuneration | 574 210 | 527 349 |
| Performance Bonuses | 37 265 | 48 093 |
| Acting allowance | 11 579 | |
| Car Allowance | 46 000 | 60 000 |
| Other allowance | 17 856 | 3 665 |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 132 896 | 119 457 |
| Total | 819 806 | 758 564 |

Remuneration of the Director: Corporate Services (Mr D.G. Pols)

| | | |
|---|----------------|----------------|
| Annual Remuneration | 459 791 | 376 874 |
| Performance Bonuses | 8 561 | 50 667 |
| Bonus | 4 891 | - |
| Car Allowance | 120 000 | 95 000 |
| Other Allowances | 13 568 | - |
| Leave paid out | - | 53 257 |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 7 334 | 108 144 |
| Total | 614 145 | 683 942 |

Remuneration of the Director: Finance (Mr F.M. Lotter)

| | | |
|---|----------------|----------------|
| Annual Remuneration | 523 815 | 480 372 |
| Performance Bonuses | 59 624 | 68 704 |
| Car Allowance | 187 200 | 182 400 |
| Other Allowances | 23 463 | 33 335 |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 41 059 | 36 589 |
| Total | 835 161 | 801 400 |

27 REMUNERATION OF COUNCILLORS

| | | |
|--|------------------|------------------|
| Mayor | 558 125 | 536 781 |
| Deputy Mayor | 450 883 | 432 844 |
| Speaker | 458 447 | 432 846 |
| Mayoral Committee Members | 424 296 | 406 861 |
| Councillors | 1 393 581 | 1 352 760 |
| Total Councillors' Remuneration | 3 285 332 | 3 162 092 |

In-kind Benefits

The Executive Mayor, Deputy Mayor, Speaker and Mayoral committee Members serve in a full-time capacity. They are provided with secretarial support and office accommodation at the cost of the Council.

Councillors may utilize municipal transportation when engaged in official duties

28 DEBT IMPAIRMENT

| | | |
|--|------------------|------------------|
| Trade Receivables from exchange transactions - Note 17 | 2 358 473 | 1 601 579 |
| Trade Receivables from non-exchange transactions - Note 18 | 1 282 260 | (458 728) |
| Total Contribution to Debt Impairment | 3 640 733 | 1 142 851 |

29 DEPRECIATION AND AMORTISATION

| | | |
|------------------------------|-------------------|-------------------|
| Property Plant and Equipment | 18 537 846 | 18 596 488 |
| Investment Property | 24 750 | 24 750 |
| Intangible Assets | 32 032 | 24 121 |
| Total | 18 594 628 | 18 645 359 |

30 FINANCE CHARGES

| | | |
|------------------------------|------------------|------------------|
| Long-term Liabilities | 1 026 100 | 1 180 987 |
| Finance leases | 34 526 | 48 488 |
| Total finance charges | 1 060 626 | 1 229 475 |

31 BULK PURCHASES

| | | |
|-----------------------------|-------------------|-------------------|
| Electricity | 35 316 390 | 24 758 535 |
| Water | 357 554 | 284 821 |
| Total Bulk Purchases | 35 673 944 | 25 043 356 |

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including DWAF and a number of private suppliers.

| | | 2011 R | 2010 R |
|-----------|----------------------------------|--------------------------|--------------------------|
| 32 | GENERAL EXPENSES | | |
| | Advertising | 235 651 | 202 171 |
| | Audit Fees | 2 447 745 | 1 081 849 |
| | Municipal Services | - | 3 726 |
| | Congresses | - | 101 550 |
| | Fuel and Oil | 1 679 355 | 1 546 191 |
| | Printing and Stationary | 405 081 | 523 833 |
| | Subsistence and Travelling | 1 007 214 | 785 158 |
| | Licences Software | 1 129 871 | 1 127 941 |
| | Telephone | 1 255 486 | 1 236 925 |
| | Penalties paid | - | 310 570 |
| | Rental paid | - | 239 474 |
| | Commission paid | 838 683 | 505 644 |
| | Seta | 316 982 | 274 908 |
| | Security | 792 252 | 682 311 |
| | Tourism | 467 200 | 439 600 |
| | Insurance | 764 571 | 577 547 |
| | Refuse Bags | 158 025 | 268 273 |
| | Valuations | 45 598 | 5 201 |
| | Chemicals | 264 910 | 312 627 |
| | Cleaning materials | - | 85 520 |
| | Consulting Fees | 1 563 973 | 634 639 |
| | Bank Charges | 258 972 | 260 269 |
| | Water Developmentplan | - | 714 380 |
| | Asset Stocktake | 168 544 | 215 668 |
| | Survey | - | 220 000 |
| | Townplanning | - | 130 000 |
| | Topstructure | - | 1 250 000 |
| | Membership Fees | 235 145 | 210 902 |
| | Newsletters | - | 41 112 |
| | Postal Fees | 241 086 | 233 298 |
| | Legal Fees | 217 664 | 240 134 |
| | Other General Expenses | 800 199 | 1 505 920 |
| | Connection Materials | 114 591 | 126 875 |
| | Licences | 108 818 | 195 000 |
| | Entertainment Expences | 106 214 | 238 412 |
| | Fine collections | 1 036 434 | 310 570 |
| | Insurance claims | 199 590 | - |
| | Services | 96 114 | - |
| | Protective clothing | 153 646 | 163 760 |
| | Rehabilitation of Landfill Sites | 932 089 | 400 346 |
| | Samples Tests | 90 727 | 29 784 |
| | Squatters Removals | 134 632 | 56 366 |
| | Vehicle Licences | 111 974 | 95 128 |
| | General Expenses | <u>18 379 035</u> | <u>17 583 582</u> |

| | | | |
|-------------|------------------------------------|--------------------------|--------------------------|
| 32.1 | OPERATING GRANT EXPENDITURE | <u>20 609 940</u> | <u>12 901 598</u> |
|-------------|------------------------------------|--------------------------|--------------------------|

Operating Grant Expenditure represents amounts spent to met the conditions of Grant transfers recieved

| | | | |
|-----------|--|--|------------------------------|
| | | | 2010 R |
| 33 | CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 | | |
| | With the conversion to the GRAP standard during the previous financial year, a Government Grant Reserve Fund was created. The establishment of a Government Grants Reserve is not compulsory. Thus management opted to transfer the fund in terms of GRAP 3 to the Accumulated Surplus Account, retrospectively. This transfer is reflected in the SOCNA | | |
| | Accumulated Surplus- Government Grants Reserve Fund | | (215 023 855) 215 023 855 |

| | | | |
|---------------|---|--|--|
| 34 | CORRECTION OF ERROR IN TERMS OF GRAP 3 | | |
| 34.1 | | | |
| 34.1.1 | The Balance of R1717425 for Unpaid Government Grants and Subsidies was previously included as part of Trade Receivables From Non Exchange Transactions. Management prefer the Unpaid Grants to be reflected separate in the Statement of Financial Position. Hence a transfer to re-classify Unpaid Government Grants amounted to R152527 and Unpaid Public Contributions amounted to R1564899 were done retrospectively as a correction of error. See note 10, 11 and 18 . | | |
| 34.1.2 | Previously amounts of R1366462 for Provision for Performance Bonuses , R439945 for a Provision to cover a Pension Fund shortfall, and R659002, were reported as Provisions. Management prefer to report this as Current Employee Benefits. Hence transfers to re-classify were done retrospectively as a correction of error. See note -7 and 8 | | |
| 34.1.3 | Previously amounts of R1776300 for Accrued Leave and R2155506 for VAT Payable, respectively ,were reported and included as CREDITORS. Management prefer to report the accrued Leave as Current Employee Benefits and VAT Payable as VAT. Hence transfers to re-classify were done retrospectively as a correction of error. See note -7,9 and 12 | | |
| 34.1.4 | Previously an amount of R1690153 , representing provision for Long Service Awards , was reported as a Non - Current Provision. Management prefer to report the provision as a Employee Benefit-Non Current Liability. Hence transfers to re-classify were done retrospectively as a correction of error. See note -4 and 5 | | |

- 34.1.5 Photocopier machines were previously treated as rented equipment .It should have been financial leases .The following transactions were done retrospectively to rectify these error: Periods until June 2009- (Dt Assets and Ct Leased Liabilities) amounted to R472987, Dt Lease Liability with R137531 for redemption and Ct, Acc Depreciation with R160183.30 respectively.
Period 2009/10- Accounted in the Statement of Performance: (Dt Leased Assets and Ct Leased Liabilities) amounted to R134245 for additions. Dt Leased Assets with R183954.72 for depreciation and Ct Leased Liabilities with R179853 for redemption see note-34.2, 34.3 and 34.4
- 34.1.6 Retrospective correction of payments for Trade Creditors related to the 2008/2009 financial year of the following amounts (R3000 , R420, R797.30 and R5695) were done .The Accumulated Surplus account is Debited and Payables from exchange transactions is Credited. See note 34.2 and 34.5
- 34.1.7 During June 2009 bank transfer differences amounted to R125 which was previously part of reconciled items, was discovered. Management is satisfied that no irregularities are applicable and writing the amount of against the accumulated surplus account. See note - 34.2 and 34.6
- 34.1.8 A number of errors in transactions,totalling to an amount of R157136 (Dt), relating to the prior year, were discovered in the current financial period . These errors are corrected retrospectively against the previous year surplus and reflected in the Statement of Performance in note 35,
- 34.1.9 With the change in accounting policy transaction, (see note 38),the transfers done in the 2009/10 period have to be reversed. Thus a retrospective transfer of R7387756, representing the transfer and offsetting of depreciation for the previous year was done. See note 34.11 and 34.12
- 34.1.10 During the audit process it was found that the bulk purchases of electricity was overstated in the 2009/10 financial period.This error is now corrected with the following entries :(Dt)Payables from Exchange transactions (Ct) Acc Surplus with R1962815 , which resulting in a change in the Statement of Performance (Bulk Purchases - R1962815)-see note 35 and 34.5
- 34.1.11 During the prior financial year, an amount of R1444890 was transferred from the Housing Development Fund to the Acc Surplus account, to cover the operating deficit of the Housing Department. The deficit was R2554472 resulting in a under recovering . This error is now rectified retrospectively with the following transaction: (Dt) Housing Development Fund and (Ct) the Acc Surplus Account with an amount of R318894.41 which is the funds available . This transaction is reflected in the SOCNA. See notes 34.11 and 34.14
- 34.1.12 During 2008/2009 financial year ,discounts were given on property tax amounted to R10585.01 and interest amounted to R1032.75 were also written on the Debtors sub ledger, but the contra entries were not passed in the debtors ledger. This prior year errors were part of the past reconciled difference between the age analyses and the Debtors control account. These errors are now rectified - see notes 34.2 and 34.8
- 34.1.13 Interest received on MSIG Grant for the 2008/9 year was capitalized to the Grant. The interest was incorrectly not acknowledge as income in the Statement of Performance. The error is now rectified retrospectively - see note 34.2 and 34.15
- 34.1.14 Included under sundry creditors as previously reported, was an amount of R109893.91 for agency fees payable for motor registrations. After correspondence with the authorities it was found that the provision for the payment was wrong, and it is now rectified retrospectively as an correction of error with the following entries :(2008/9) Ct R110589.84 and (2009/10) Dt R695.93 - Surplus account, and netto R109893.91 (Dt) Creditors account. see notes- 34.2, 34.5 and 35.
- 34.1.15 An error was made with the first time take on of the provision for the rehabilitation of the dumping sites in the Municipal area. The engineers report was for cost at present , and the future provisions were incorrectly calculated as is if the future cost remains the same for the remainder of the useful life period of all the dumping sites. The error was corrected retrospectively and the following entries were made: (Dt) Acc Surplus R7458563.27 , Statement of Performance R400346.35 and (Ct) Acc Depreciation R2511851.18, (Dt) PPE R1865239 and Liability Rehabilitation of Dumping Sites R7212297.59
The current portion for 2010 is also corrected and is changed from R3155640 to R0 - see note 34.2,34.3 and 35
- 34.1.16 With the inspection of the asset register it was found that numerous assets useful life periods were in contradiction with the useful live periods as set out in the accounting policy. The periods have been adjusted and it resulted in a severe change in the prior years accumulated depreciation. It was rectified retrospectively with the following entries: (Prior years) (Dt) Acc Surplus R50795176 , 2009/10 (Ct) Acc Surplus and in change the Statement of Performance, with R3819414, and (Ct) Accumulated Depreciation R46975762-see notes 34.2 , 34.3 and 35
- 34.1.17 Intangible Assets of (Cost R352586 - Acc Amortization R248835) and Investment Properties of (Cost R3700040 -Acc Depreciation R781220) were identified and transferred from PPE as a first time take on of Intangible Assets and Investment Properties Assets see- notes 34.3, 34.3.1 and 34.3.2
- 34.1.18 Waterstock has not been taken on previously.This is corrected retrospectively and the following entries were made: 2009/10 (Ct) Acc Surplus (Dt) Inventory - Water Stock amounted to R89163.31-see notes 34.2 and 34.17
- 34.1.19 During the audit process it was found that water and electricity sales were understated in the 2009/10 financial period.This error is now corrected with the following entries :(Dt) Receivables from exchange transactions (Ct) Acc Surplus with R1114681.02 , which resulting in a change in the Statement of Performance (Electricity R819953.19 and Water R294727.83)-see note 35 and 34.7

The above representing the narratives of the following Corrections of Errors as set out from notes 34.2 to 35

34.2 Accumulated Surplus-Corrections prior years

| | |
|--|--------------------------|
| Balance previously reported | (2 688 851) |
| Backlog depreciation on the Financial Leases assets- see note 34.1.5 and 34.3 | 160 183 |
| Redemption on Financial leases-see note 34.1.5 , 34.4 and note 4 | (137 531) |
| Builders deposits previously refunded, incorrectly allocated-see also note 34.5 and 9 | 700 |
| Creditors payments iro 2008/2009- see note 34.1.6 and 34.5 | 9 912 |
| Writing of bank shortfall- see note 34.1.7 and 34.6 | 125 |
| Correction of property tax discounts and interest- see note 34.1.12 and 34.8 | 11 618 |
| Interest on Unspent Grants not transferred to interest received - see note 34.1.13 and 34.15 | (545 042) |
| Agency fees , part of creditors, written back- see note 34.1.14 and 34.5 | (110 590) |
| Correction of provision for tip sites rehabilitation.-see note 34.1.15 , 34.3 and 34.16 | 7 458 563 |
| Correction of Acc Depreciation due to changes in useful life's- see note 34.1.16 and 34.3 | 50 795 176 |
| First time take on of waterstock-see note 34.1.18 | (89 163) |
| | <u>54 865 100</u> |

34.3 Assets-PPE

| | |
|--|-----------------------------------|
| Take on of Financial Leases previously not included-see note 34.1.5, 34.2 and 13 | 607 232 |
| Backlog depreciation on the Financial Leases assets- see note 34.1.5 and 34.2 | (160 183) |
| Depreciation on the Financial Leases assets for 2009/10 - see note 34.1.5 and 34.1.8 | (183 955) |
| Correction of first time take on of the rehabilitation of the dumping sites.- see notes 34.1.15 , 34.2 and 34.16 | (646 613) |
| Correction of Acc Depreciation due to changes in useful life's- see note 34.1.16 and 34.2 | (46 975 762) |
| First time take on of Intangible Assets - see note 34.1.17 and 34.3.1 | (103 751) |
| First time take on of Investment Properties - see note 34.1.17 and 34.3.2 | (2 918 819) |
| | <u><u>(50 381 851)</u></u> |

34.3.1 Intangible Assets

| | |
|---|---------|
| First time take on of Intangible Assets - see note 34.1.17 and 34.3 | 103 751 |
|---|---------|

| | |
|---|---------------------------|
| | <u><u>103 751</u></u> |
| 34.3.2 Investment Properties | |
| First time take on of Investment Properties - see note 34.1.17 and 34.3 | 2 918 819 |
| | <u><u>2 918 819</u></u> |
| 34.4 Long-term Liabilities- Finance Leases | |
| Take on of Financial Leases previously not included-see note 34.1.5, 34.2 and 13 | (607 232) |
| Redemption on Financial leases-see note 34.1.5 , 34.4 and note 3 | 137 531 |
| Redemption on Financial leases-see note 34.1.5 , 34.4 and note 3 | 179 853 |
| | <u><u>(289 848)</u></u> |
| 34.5 Payables from exchange transactions | |
| Builders deposits previously refunded, incorrectly allocated-see also note 34.2 and 9 | (700) |
| Creditors payments iro 2008/2009- see note 34.1.6 and 34.5 | (9 912) |
| Corrections of previous year errors- see note 34.1.8 | (12 280) |
| Corrections of previous year errors- see note 34.1.8 | (45 000) |
| Agency fees , part of creditors, written back- see note 34.1.14, 34.2 and 35 | 109 894 |
| Correction of Bulk Purchases-see note 34.1.10 | 1 962 815 |
| | <u><u>2 004 817</u></u> |
| 34.6 Cash and Cash Equivalents | |
| Writing of bank shortfall- see note 34.1.7 and 34.2 | (125) |
| Corrections of previous year errors- see note 34.1.8 | (1 386) |
| | <u><u>(1 511)</u></u> |
| 34.7 Receivables from exchange transactions | |
| Corrections of previous year errors- see note 34.1.8 | (1 812) |
| Corrections of previous year errors- see note 34.1.8 | 12 496 |
| Corrections of previous year errors- see note 34.1.8 | (98 527) |
| Corrections of previous year errors- see note 34.1.19 | 1 114 681 |
| | <u><u>1 026 838</u></u> |
| 34.8 Receivables from non-exchange transactions | |
| Corrections of previous year errors- see note 34.1.8 | (13 366) |
| Corrections of previous year errors- see note 34.1.8 | 1 931 |
| Correction of property tax discounts and interest- see note 34.1.12 and 34.2 | (11 618) |
| Corrections of previous year errors- see note 34.1.8 | 3 449 |
| | <u><u>(19 604)</u></u> |
| 34.9 Operating Lease Asset | |
| Corrections of previous year errors- see note 34.1.8 | (6 246) |
| | <u><u>(6 246)</u></u> |
| 34.10 Taxes | |
| Corrections of previous year errors- see note 34.1.8 | 7 708 |
| | <u><u>7 708</u></u> |
| 34.11 Accumulated Surplus - Current | |
| Corrections of previous year errors- see note 34.1.9 | (7 387 756) |
| Corrections of previous year errors- see note 34.1.11 | (318 894) |
| | <u><u>(7 706 650)</u></u> |
| 34.12 Government Grants Reserve Fund | |
| Corrections of previous year errors- see note 34.1.9 | 7 387 756 |
| | <u><u>7 387 756</u></u> |
| 34.13 Unamortised Discount- Liability | - |
| | <u><u>-</u></u> |
| 34.14 Housing Development Fund | |
| Corrections of previous year errors- see note 34.1.11 | 318 894 |
| | <u><u>318 894</u></u> |
| 34.15 Unpaid Conditional Government Grants and Receipts | |
| Interest on Unspent Grants not transferred to interest received - see note 34.1.13 and 34.2 | 545 042 |
| Correction of error-see note 34.1.8 and 35 | 104 |
| | <u><u>545 146</u></u> |

34.16 Non Current Provisions

| | |
|---|---------------------------|
| Correction of first time take on of the rehabilitation of the dumping sites.- see notes 34.1.15 , 34.2 and 34.3 | (7 212 298) |
| | <u>(7 212 298)</u> |

34.17 Inventory

| | |
|---|----------------------|
| Correction of first time take on of waterstock.- see notes 34.1.18 and 34.2 | 89 163 |
| | <u>89 163</u> |

35 STATEMENT OF FINANCIAL PERFORMANCE

| | |
|--|---------------------------|
| Balance previously reported | - |
| Correction of error-see note 34.1.8 (Service Charges) | 93 879 |
| Correction of error-see note 34.1.8 (Other Income) | (47) |
| Correction of error-see note 34.1.8 (Interest Earned-Debtors) | (7 444) |
| Correction of error-see note 34.1.8 (General Expenditure) | (184 901) |
| Correction of error-see note 34.1.8 (Rental of Facilities and Equipment) | 9 359 |
| Correction of error-see note 34.1.8 (Employee Related Cost) | 3 020 |
| Correction of error-see note 34.1.8 (Depreciation and Amortization) | 183 955 |
| Correction of error-see note 34.1.8 (Finance Charges) | 48 488 |
| Correction of error-see note 34.1.8 (Third Party Payments) | (1 930) |
| Correction of error-see note 34.1.8 (Property Rates) | 12 757 |
| Correction of error-see note 34.1.8 (Government Grants ad Subsidies) | (104) |
| Correction of previous year motor registrations--see note 34.1.14 (Agency Fees) | 696 |
| Correction of the rehabilitation of the dumping sites.- see notes 34.1.15 , 34.2 and 34.3 (Depreciation) | 578 709 |
| Correction of the rehabilitation of the dumping sites.- see notes 34.1.15 , 34.2 and 34.3 (Contribution) | (178 363) |
| Correction of Acc Depreciation due to changes in useful life'- see note 34.1.16 , 34.2 and 34.3 | (3 819 414) |
| Correction of previous year misstatement for electricity- see note 34.1.19 and 34.7 | (819 953) |
| Correction of previous year misstatement for water-see note 34.1.19 and 34.7 | (294 728) |
| Correction of previous year misstatement for electricity bulkpurchases-see note 34.1.10 and 34.5 | (1 962 815) |
| | <u>(6 338 836)</u> |

Total

36 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

| | 2011 | 2010 |
|---|--------------------------|--------------------------|
| | R | R |
| Surplus for the year | 11 693 116 | 12 396 143 |
| Adjustments for: | | |
| Depreciation | 18 562 596 | 18 645 359 |
| Amortisation of Intangible Assets | 32 032 | - |
| Debt Impairment | 3 640 733 | 1 142 851 |
| Contribution to provisions - current | 631 893 | 1 986 478 |
| Contributions to provisions- noncurrent | 300 196 | 100 349 |
| Contribution to employee benefits | 2 575 524 | 986 928 |
| Current portion of employee benefits | 77 279 | 90 971 |
| Operating lease income accrued | (10 926) | (1 650) |
| Operating lease expenses accrued | (4 455) | 18 795 |
| Operating Surplus before changes in working capital | <u>37 497 988</u> | <u>35 366 225</u> |
| Changes in working capital | (1 760 181) | (11 576 424) |
| Increase/(Decrease) in Trade and Other Payables | 13 908 322 | (3 883 155) |
| Increase/(Decrease) in Unspent Conditional Government Grants and Receipts | (1 567 889) | (7 282 953) |
| Increase/(Decrease) in Unspent Public Contributions | 173 322 | |
| Increase/(Decrease) in Taxes | (3 684 177) | 5 834 413 |
| (Increase)/Decrease in Inventory | (264 376) | (514 504) |
| (Increase)/Decrease in Trade and other receivables | (6 999 655) | (6 032 307) |
| (Increase)/Decrease in Unpaid Conditional Government Grants and Receipts | (4 874 268) | 302 082 |
| (Increase)/Decrease in Unpaid Public Contributions | 1 548 540 | |
| Cash generated by operations | <u>35 737 807</u> | <u>23 789 801</u> |

37 CASH AND CASH EQUIVALENTS

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

| | | |
|--|--------------------------|--------------------------|
| Call Investments Deposits - Note 20 | 15 000 000 | 28 000 000 |
| Cash Floats - Note 20 | 5 930 | 5 680 |
| Bank - Note 20 | 16 024 293 | 3 880 848 |
| Total cash and cash equivalents | <u>31 030 223</u> | <u>31 886 528</u> |

38 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

| | | |
|---|--------------------------|--------------------------|
| Cash and Cash Equivalents - Note 37 | 31 030 223 | 31 886 528 |
| Less: | 31 030 223 | 31 886 528 |
| Unspent Committed Conditional Grants - Note 10 | 8 869 703 | 10 633 033 |
| VAT - Note 12 | 6 909 638 | 8 477 527 |
| | 1 960 065 | 2 155 506 |
| Resources available for working capital requirements | <u>22 160 519</u> | <u>21 253 494</u> |
| Allocated to: | | |
| Capital Replacement Reserve | - | - |
| Resources available for working capital requirements | <u>22 160 519</u> | <u>21 253 494</u> |

In terms of clause 3.3.1(a) of Councils Funding and Reserve Policy, the Accounting Officer determined to make no contribution to and from the Capital Replacement Reserve. The disposal of assets were sold at a loss, thus no contribution was done in terms of clause 11.1 of Councils Asset Financial Control Policy.

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|---------------------|---------------------|
| Long-term Liabilities - Note 3 | 10 200 434 | 11 796 512 |
| Used to finance property, plant and equipment - at cost | <u>(10 200 434)</u> | <u>(11 796 512)</u> |
| Cash set aside for the repayment of long-term liabilities | - | - |
| Cash invested for repayment of long-term liabilities | <u>-</u> | <u>-</u> |

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

40 BUDGET COMPARISONS

The budget is approved on the accrued basis by nature classification. The budget covers the same period as the Financial Statements.

| | 2011 R (Actual) | 2011 R (Budget) | 2011 R (Variance) | 2011 (%) |
|--|--------------------------|--------------------------|----------------------------|--------------------|
| 40.1 Operational | | | | |
| Revenue by source | | | | |
| Property taxes | 22 292 891 | 24 061 860 | (1 768 969) | -7% |
| Government Grants and Subsidies - Capital | 30 172 167 | - | 30 172 167 | 100% |
| Government Grants and Subsidies - Operating | 42 106 603 | 87 921 427 | (45 814 825) | -52% |
| Public Contributions and Donations | 278 138 | - | 278 138 | 100% |
| Actuarial Gains | 248 238 | - | 248 238 | 100% |
| Third Party Payments | 175 192 | 63 333 | 111 859 | 177% |
| Fines | 4 307 835 | 3 552 587 | 755 248 | 21% |
| Stock Adjustments | 6 605 | - | - | |
| Service Charges | 59 358 754 | 56 392 904 | 2 965 850 | 5% |
| Rental of Facilities and Equipment | 3 038 279 | 3 336 777 | (298 498) | -9% |
| Interest Earned - external investments | 2 289 590 | 1 954 438 | 335 152 | 17% |
| Interest Earned - outstanding debtors | 1 995 717 | 2 274 755 | (279 038) | -12% |
| Agency Services | 1 699 935 | 1 834 360 | (134 425) | -7% |
| Other Income | 910 584 | 848 486 | 62 098 | 7% |
| | <u>168 880 527</u> | <u>182 240 927</u> | <u>(13 367 004)</u> | <u>-7%</u> |
| Expenditure by nature | | | | |
| Employee Related Costs | 47 235 958 | 47 751 218 | 515 260 | -1% |
| Remuneration of Councillors | 3 285 332 | 3 416 214 | 130 882 | -4% |
| Debt Impairment | 3 640 733 | 467 654 | (3 173 079) | 679% |
| Collection Cost | 97 510 | 51 613 | (45 897) | |
| Depreciation and Amortisation | 18 594 628 | 5 224 803 | (13 369 825) | 256% |
| Repairs and Maintenance | 7 054 833 | 8 323 781 | 1 268 948 | -15% |
| Actuarial losses | 1 362 903 | - | - | |
| Finance Charges | 1 060 626 | 1 048 767 | (11 859) | 1% |
| Bulk Purchases | 35 316 390 | 30 065 949 | (5 250 441) | 17% |
| Contracted services | 87 326 | 350 523 | 263 197 | -75% |
| Operating Grant Expenditure | 20 609 940 | 4 848 441 | (15 761 499) | 325% |
| General Expenses | 18 379 035 | 13 243 680 | (5 135 355) | 39% |
| Loss on disposal of Property,Plant and Equipment | 462 197 | - | (462 197) | -100% |
| | <u>157 187 411</u> | <u>114 792 643</u> | <u>(41 031 865)</u> | <u>36%</u> |
| Net Surplus for the year | <u>11 693 116</u> | <u>67 448 284</u> | <u>(54 398 869)</u> | <u>-81%</u> |
| | 2011 R (Actual) | 2011 R (Budget) | 2011 R (Variance) | 2011 (%) |
| 40.2 Expenditure by Vote | | | | |
| Administration | 2 829 945 | 2 744 666 | 85 279 | 3% |
| Archives | 407 445 | 435 004 | (27 559) | -6% |
| Cemeteries | 111 195 | 395 246 | (284 051) | -72% |
| Clanwilliam Resort | 2 219 143 | 2 141 645 | 77 498 | 4% |
| Communication Officer | 430 048 | 606 175 | (176 127) | -29% |
| Deputy Mayor | 469 771 | 491 568 | (21 797) | -4% |
| Director Corporate Services | 689 233 | 898 077 | (208 844) | -23% |
| Director Engineering Services | 839 456 | 909 830 | (70 374) | -8% |
| Director Financial Services | 844 662 | 900 487 | (55 825) | -6% |
| Elands Bay Resort | 340 028 | 222 926 | 117 102 | 53% |
| Electricity | 42 062 541 | 34 704 062 | 7 358 479 | 21% |
| Emergency & Disaster Management | 226 592 | 271 074 | (44 482) | -16% |
| Executive Committee Members | 440 220 | 462 339 | (22 119) | -5% |
| Executive Council | 314 417 | 326 720 | (12 303) | -4% |
| Executive Mayor | 584 079 | 609 877 | (25 798) | -4% |
| General Council | 3 665 940 | 2 563 686 | 1 102 254 | 43% |
| Health Services | 365 752 | 13 636 | 352 116 | 2582% |
| Housing | 19 265 391 | (1 319 793) | 20 585 184 | -1560% |
| Human Resources | 2 067 847 | 1 931 400 | 136 447 | 7% |
| Information Technology | 1 743 588 | 2 240 876 | (497 288) | -22% |
| Internal Audit | 474 673 | 434 979 | 39 694 | 9% |
| Lambertsbay Resort | 1 402 646 | 1 208 188 | 194 458 | 16% |
| Libraries | 1 662 555 | 1 785 346 | (122 791) | -7% |
| Malkop Bay Resort | 23 072 | 336 | 22 736 | 6767% |
| Municipal Manager | 1 049 247 | 1 123 006 | (73 759) | -7% |

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

| | | | | |
|---------------------------------|--------------------|--------------------|-------------------|------------|
| Municipal Property & Buildings | 3 856 988 | 3 346 385 | 510 603 | 15% |
| Office of the Municipal Manager | 1 586 010 | 1 051 291 | 534 719 | 51% |
| Parks & Open Spaces | 2 637 475 | 2 446 079 | 191 396 | 8% |
| Petersfield Farming | 124 895 | 112 369 | 12 526 | 11% |
| Property Rates | 1 332 541 | 395 450 | 937 091 | 237% |
| Ramskop Nature Garden | 453 522 | 389 329 | 64 193 | 16% |
| Regional Manager | 1 459 332 | 1 419 240 | 40 092 | 3% |
| Roads | 6 325 107 | 2 276 245 | 4 048 862 | 178% |
| Sewerage | 5 627 487 | 3 254 086 | 2 373 401 | 73% |
| Solid Waste | 7 476 289 | 5 463 825 | 2 012 464 | 37% |
| Speaker | 475 361 | 491 055 | (15 694) | -3% |
| Sport Facilities | 411 975 | 553 982 | (142 007) | -26% |
| Stormwater | 4 230 915 | 4 586 813 | (355 898) | -8% |
| Strategic Planning | 1 225 984 | 2 154 269 | (928 285) | -43% |
| Town Planning & Building | 1 095 430 | 1 042 985 | 52 445 | 5% |
| Traffic | 3 500 126 | 3 167 293 | 332 833 | 11% |
| Treasury Corporate Office | 13 797 529 | 14 399 631 | (602 102) | -4% |
| Vehicle Licensing & Testing | 1 049 698 | 1 321 929 | (272 231) | -21% |
| Water | 15 154 144 | 9 982 458 | 5 171 686 | 52% |
| Workshop | 842 855 | 836 573 | 6 282 | 1% |
| | 157 193 149 | 114 792 643 | 42 400 506 | 37% |

| | 2 011 R (Actual) | 2 011 R (Budget) | 2 011 R (Variance) | 2 011 (%) |
|---|------------------------|------------------------|--------------------------|--------------|
| 40.3 Capital expenditure by vote | | | | |
| Administration | 327 663 | - | 327 663 | 100% |
| Cemeteries | 22 855 | 20 710 | 2 145 | 10% |
| Clanwilliam Resort | 44 218 | 45 768 | (1 550) | -3% |
| Communication Officer | 36 765 | 37 984 | (1 219) | -3% |
| Elands Bay Resort | 6 015 | 7 399 | (1 384) | -19% |
| Electricity | 1 752 429 | 2 120 535 | (368 106) | -17% |
| Housing | 11 696 889 | 39 803 536 | (28 106 647) | -71% |
| Information Technology | 248 635 | 232 540 | 16 095 | 7% |
| Lambertsbay Resort | 30 162 | 31 710 | (1 548) | -5% |
| Municipal Property & Buildings | 437 496 | 636 223 | (198 727) | -31% |
| Office of the Municipal Manager | 136 882 | 100 000 | 36 882 | 37% |
| Parks & Open Spaces | 14 478 | 13 926 | 552 | 4% |
| Ramskop Nature Garden | 4 929 | 5 179 | (250) | -5% |
| Regional Manager | 52 061 | 50 612 | 1 449 | 3% |
| Roads | 4 175 506 | 4 701 349 | (525 843) | -11% |
| Sewerage | 3 404 104 | 2 918 323 | 485 781 | 17% |
| Solid Waste | 738 934 | 750 640 | (11 706) | -2% |
| Sport Facilities | 278 138 | 443 336 | (165 198) | -37% |
| Strategic Planning | 297 077 | 297 078 | (1) | 0% |
| Town Planning & Building | 25 737 | 29 385 | (3 648) | -12% |
| Traffic | 809 852 | 820 606 | (10 754) | -1% |
| Treasury Corporate Office | 4 825 | - | 4 825 | 100% |
| Water | 10 962 471 | 16 636 775 | (5 674 304) | -34% |
| Workshop | 41 138 | 44 665 | (3 527) | -8% |
| | 35 549 257 | 69 748 279 | (34 199 022) | -49% |

Major reasons for the capital underspend are largely due to the following reasons:
MIG allocation was erroneously gazetted and subsequently budgeted for as R8725000 instead of the correct allocation of R5447000
The Housing Settlement Development Grant was erroneously gazetted and subsequently budgeted for R29018169 instead of the correct allocation of R22300569
The Housing Top structures amounted to R17857340 was incorrectly budgeted for as a capital expenditure instead of an operational expenditure.

| | | |
|--|-------------------|-------------|
| 41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED | 2011 | 2010 |
| | R | R |
| 41.1 Unauthorised expenditure | | |
| Reconciliation of unauthorised expenditure: | | |
| Opening balance | - | - |
| Unauthorised expenditure current year - capital | 875 392 | - |
| Unauthorised expenditure current year - operating | 26 271 367 | - |
| Written off by council | - | - |
| Transfer to receivables for recovery | - | - |
| Unauthorised expenditure awaiting authorisation | 27 146 759 | - |

| Incident | Disciplinary steps/criminal proceedings |
|--|---|
| Overspending of total amounts appropriated per vote in the approved budget | None |

2011
R

2010
R

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED
(CONTINUE)**

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

| | | |
|---|----------|-----------|
| Opening balance | - | 67 699 |
| Fruitless and wasteful expenditure current year | 95 286 | 35 770 |
| Written off by council | - | (103 469) |
| Transfer to receivables for recovery | (95 286) | - |
| | - | - |

Fruitless and wasteful expenditure awaiting further action

| Incident | Disciplinary steps/criminal proceedings |
|---|---|
| <i>Penalty paid to Department of Environmental Affairs for illegally opened the Lamberts Bay rivermouth without consent</i> | None |
| | 71 250 |
| <i>Interest on late payment of the above.</i> | None |
| | 24 036 |
| | 95 286 |

2010
R

2009
R

41.3 Irregular expenditure

Reconciliation of irregular expenditure:

| | | |
|--------------------------------------|--------|---|
| Opening balance | - | - |
| Irregular expenditure current year | 90 961 | - |
| Written off by council | - | - |
| Transfer to receivables for recovery | - | - |
| | 90 961 | - |

Irregular expenditure awaiting further action

| Incident | Disciplinary steps/criminal proceedings |
|---|---|
| <i>Supplier database application forms not submitted Petula's Catering - R1750 R Slimmert - R2000 The amounts are not recoverable</i> | <i>In process to be condoned by Council</i> |
| | 3 750 |
| <i>No declaration of relationship - H Beukes The amount is not recoverable</i> | <i>In process to be condoned by Council</i> |
| | 29 022 |
| <i>No declaration of relationship - A Kotze The amount is not recoverable</i> | <i>In process to be condoned by Council</i> |
| | 58 189 |
| | 90 961 |

No criminal proceedings have been instituted

41.4 Material Losses

2011

2010

Water distribution losses

| | | |
|--|-----------|-----------|
| - Kilo litres disinfected/purified/purchased | 2 493 674 | 2 157 902 |
| - Kilo litres lost during distribution | 232 271 | 104 456 |
| - Percentage lost during distribution | 9.31 | 4.84 |

Electricity distribution losses

| | | |
|--|------------|------------|
| - Units purchased (Kwh) | 61 375 423 | 66 627 891 |
| - Units lost during distribution (Kwh) | 12 329 236 | 17 296 166 |
| - Percentage lost during distribution | 20.09 | 25.96 |

The high distribution losses is largely due to internal usage (street lightning etc.which are not metered)

2011
R

2010
R

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

| | | |
|------------------------------|-----------|-----------|
| Opening balance | - | - |
| Council subscriptions | 235 145 | 210 602 |
| Amount paid - current year | (235 145) | (210 602) |
| Amount paid - previous years | - | - |
| | - | - |

Balance unpaid (included in creditors)

2011
R

2010
R

42.2 Audit fees - [MFMA 125 (1)(b)]

| | | |
|---|---------------------|----------------|
| Opening balance | - | - |
| Current year audit fee | 2 468 618 | 1 081 849 |
| External Audit - Auditor-General Audit Committee | 2 447 745 20 873 | 1 081 849 - |
| Amount paid - current year | (2 468 618) | (1 081 849) |
| Amount paid - previous year | - | - |
| | - | - |

Balance unpaid (included in creditors)

42.3 VAT - [MFMA 125 (1)(b)]

| | | |
|---|------------------|--------------------|
| Opening balance | (1 390 317) | |
| Amounts received - current year | (1 009 972) | (4 587 817) |
| Amounts received - previous years | - | |
| Amounts claimed - current year | 4 694 149 | 3 197 500 |
| Closing balance - Receivable | 2 293 860 | (1 390 317) |
| | | |
| Vat in suspense due to cash basis of accounting | | |
| Input VAT | 4 253 925 | 765 189 |
| Output VAT | (1 960 065) | (2 155 506) |
| Receivable | 2 293 860 | (1 390 317) |

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

| | 2011 R | 2010 R |
|---|-------------|-------------|
| 42.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)] | | |
| Opening balance | - | - |
| Current year payroll deductions and Council Contributions | 6 026 028 | 4 074 201 |
| Amount paid - current year | (6 026 028) | (4 074 201) |
| Balance unpaid (included in creditors) | - | - |

| | | |
|--|-------------|-------------|
| 42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)] | | |
| Opening balance | - | - |
| Current year payroll deductions and Council Contributions | 5 848 914 | 8 068 050 |
| Amount paid - current year | (5 848 914) | (8 068 050) |
| Balance unpaid (included in creditors) | - | - |

| | | |
|---|--|--|
| 42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)] | | |
| The following Councillors had arrear accounts for more than 90 days as at 30 June 2011: | | |
| | 2011 R Outstanding more than 90 days | 2010 R Outstanding more than 90 days |
| Councillor Q Groenewald | - | 567 |
| Councillor W Nero | - | 101 |
| Councillor J v/d Westhuizen | - | 170 |
| Councillor J van Heerden | - | 381 |
| Councillor K Brand | - | 199 |
| Councillor S Newman | 4 533 | - |
| Councillor D Smith | 1 075 | - |
| Total Councillor Arrear Consumer Accounts | 5 608 | 1 418 |

42.7 Other non-compliance (MFMA 125(2)(e))

Deviations from, and ratifications of minor breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes

All the deviations were ratified by the Municipal Manager and reported to Council

| DEPARTMENT | SUCCESSFUL TENDERER | REASONS | |
|----------------------------|---------------------|---|----------------|
| Municipal Manager's Office | Various Suppliers | 1 Sole Providers | 2 954 |
| | | 24 Specialised Services - Where it was impractical to obtain more than one quotation | 191 645 |
| | | 13 Advertising - Sole supplier | 75 218 |
| | | Catering - | 63 417 |
| | | 8 Where it was impractical to obtain other quotations | 333 234 |
| Finance Department | Various Suppliers | 2 Sole Providers | 16 253 |
| | | 7 Specialised Services - Where it was impractical to obtain more than one quotation | 133 854 |
| | | 10 Advertising - Sole supplier | 51 874 |
| | | 2 Accommodation - Where it was impractical to obtain other quotations | 6 095 |
| | | | 208 076 |

| | | | |
|----------------------------------|-------------------|---|------------------|
| Corporate Services | Various Suppliers | 9 Sole Providers | 89 103 |
| | | 16 Specialised Services - Where it was impractical to obtain more than one quotation | 852 387 |
| | | 8 Advertising - Sole supplier | 29 793 |
| | | | <u>971 283</u> |
| Technical & Engineering Services | Various Suppliers | 9 Sole Providers | 360 829 |
| | | 46 Specialised Services - Where it was impractical to obtain more than one quotation | 1 362 680 |
| | | 5 Advertising - Sole supplier | 32 885 |
| | | 1 Accomodation - Where it was impractical to obtain other quotations | 3 020 |
| | | 12 Emergencies | 513 535 |
| | | | <u>2 272 949</u> |

| | | 2011 R | 2010 R |
|-----------|--|-------------------|------------------|
| 43 | CAPITAL COMMITMENTS | | |
| | Commitments in respect of capital expenditure: | | |
| | Approved and contracted for: | <u>25 089 996</u> | <u>1 648 424</u> |
| | Total commitments consist out of the following: | | |
| | CITRUSDAL WASTEWATER TREATMENT WORKS | 480 998 | - |
| | UPGRADING OF CLANWILLIAM ROADS PHASE 1 | 285 029 | - |
| | UPGRADING OF LAMBERS BAY BULK WATER SUPPLY 3ML RESERVOIR | 4 324 837 | - |
| | CIVIL INFRASTRUCTURE LAMBERS BAY DESALINATION PLANT | 16 921 812 | - |
| | ELECTRICAL RETICULATION LAMBERS BAY DESALINATION PLANT | 1 277 320 | - |
| | SUPPLY AND DELIVERY OF 240L WHEELIE BINS | 1 800 000 | - |
| | | <u>25 089 996</u> | <u>1 648 424</u> |
| | This expenditure will be financed from: | | |
| | External Loans | 1 800 000 | - |
| | Government Grants | 23 289 996 | 1 648 424 |
| | | <u>25 089 996</u> | <u>1 648 424</u> |

| | | 2011 R | 2010 R |
|-----------|--|-----------|-----------|
| 44 | FINANCIAL RISK MANAGEMENT | | |
| | The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. | | |
| | (a) Foreign Exchange Currency Risk | | |
| | The municipality does not engage in foreign currency transactions. | | |
| | (b) Price risk | | |
| | The municipality is not exposed to price risk. | | |
| | (c) Interest Rate Risk | | |
| | As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates. | | |
| | The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities. | | |
| | The municipality did not hedge against any interest rate risks during the current year. | | |
| | The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow: | | |
| | 1% (2010 - 0.5%) Increase in interest rates | 85 149 | 44 946 |
| | 0.5% (2010 - 0.5%) Decrease in interest rates | (42 574) | (44 946) |

(d) Credit Risk

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

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

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

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

Balances past due not impaired :

| | 2011 % | 2011 R | 2010 % | 2010 R |
|---------------------------------|------------|------------------|-------------|------------------|
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 100% | 5 216 822 | 100% | 4 385 155 |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 16% | 1 259 062 | 11% | 881 399 |
| Water | 34% | 2 751 720 | 31% | 2 505 523 |
| Refuse | 13% | 1 060 956 | 17% | 1 385 456 |
| Sewerage | 27% | 2 179 512 | 29% | 2 337 364 |
| Other | 2% | 193 729 | 28% | 2 268 242 |
| | <u>93%</u> | <u>7 444 979</u> | <u>117%</u> | <u>9 377 984</u> |

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

| | 2011 % | 2011 R | 2010 % | 2010 R |
|---------------------------------|----------------|------------------|-------------|------------------|
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 100.00% | 4 503 280 | 100% | 4 946 462 |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 35.80% | 2 866 858 | 24% | 1 934 717 |
| Water | 27.21% | 2 179 187 | 23% | 1 868 251 |
| Refuse | 11.44% | 915 847 | 13% | 1 061 051 |
| Sewerage | 21.59% | 1 729 259 | 21% | 1 687 272 |
| Other | 3.96% | 314 681 | 18% | 1 456 644 |
| | <u>100.00%</u> | <u>8 005 832</u> | <u>100%</u> | <u>8 007 935</u> |

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

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

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

| | 2011 R | 2010 R |
|---|-------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows: | | |
| Receivables from exchange transactions | 15 081 341 | 15 116 650 |
| Receivables from non-exchange transactions | 10 360 409 | 6 966 179 |
| Cash and Cash Equivalents | 31 030 223 | 31 886 528 |
| Unpaid conditional grants and subsidies | 5 026 795 | 152 527 |
| | <u>61 498 768</u> | <u>54 121 884</u> |

(e) Liquidity Risk

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

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

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

| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|--|-------------------|-----------------------|------------------------|---------------|
| 2011 | | | | |
| Long Term liabilities | 2 895 075 | 9 739 045 | | |
| Trade and Other Payables | 22 125 238 | - | - | - |
| Unspent conditional government grants and receipts | 6 909 638 | - | - | - |
| | <u>31 929 951</u> | <u>9 739 045</u> | <u>-</u> | <u>-</u> |
| | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
| 2010 | | | | |
| Long Term liabilities | 2 885 164 | 10 418 346 | 1 866 618 | |
| Trade and Other Payables | 8 148 114 | - | - | - |
| Unspent conditional government grants and receipts | 8 477 527 | - | - | - |
| | <u>19 510 805</u> | <u>10 418 346</u> | <u>1 866 618</u> | <u>-</u> |

2011 R 2010 R

45 **FINANCIAL INSTRUMENTS**

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

| 45.1 Financial Assets | Classification | | |
|--|---|-------------------|-------------------|
| Investments | | | |
| Fixed Deposits | Financial instruments at amortised cost | - | - |
| Receivables | | | |
| Receivables from exchange transactions | Financial instruments at amortised cost | 15 081 341 | 15 116 650 |
| Receivables from non-exchange transactions | Financial instruments at amortised cost | 10 360 409 | 6 966 179 |
| Other Receivables | | | |
| Government Subsidies and Grants | Financial instruments at amortised cost | 5 026 795 | 152 527 |
| Short-term Investment Deposits | | | |
| Call Deposits | Financial instruments at amortised cost | 15 000 000 | 28 000 000 |
| Bank Balances and Cash | | | |
| Bank Balances | Financial instruments at amortised cost | 16 024 293 | 3 880 848 |
| Cash Floats and Advances | Financial instruments at amortised cost | 5 930 | 5 680 |
| | | <u>61 498 768</u> | <u>54 121 884</u> |
| SUMMARY OF FINANCIAL ASSETS | | | |
| Financial instruments at amortised cost | | 61 498 768 | 54 121 884 |
| At amortised cost | | <u>61 498 768</u> | <u>54 121 884</u> |

FINANCIAL INSTRUMENTS (CONTINUE)

| 45.2 Financial Liability | Classification | | |
|---|---|-------------------|-------------------|
| Long-term Liabilities | | | |
| Annuity Loans | Financial instruments at amortised cost | 7 821 313 | 9 477 075 |
| Capitalised Lease Liability | Financial instruments at amortised cost | 208 627 | 82 339 |
| Hire Purchase | Financial instruments at amortised cost | 169 458 | 355 397 |
| Payables from exchange transactions | | | |
| Trade creditors | Financial instruments at amortised cost | 18 719 948 | 6 861 210 |
| Retentions | Financial instruments at amortised cost | 1 846 395 | - |
| Deposits | Financial instruments at amortised cost | 169 341 | 127 770 |
| Other | Financial instruments at amortised cost | 1 389 554 | 1 159 133 |
| Other Payables | | | |
| Government Subsidies and Grants | Financial instruments at amortised cost | 6 909 638 | 8 477 527 |
| Current Portion of Long-term Liabilities | | | |
| Annuity Loans | Financial instruments at amortised cost | 1 654 528 | 1 505 554 |
| Capitalised Lease Liability | Financial instruments at amortised cost | 160 570 | 207 509 |
| Hire Purchase | | 185 938 | 168 638 |
| | | 39 235 311 | 28 422 153 |
| SUMMARY OF FINANCIAL LIABILITY | | | |
| Financial instruments at amortised cost | | 39 235 311 | 28 422 153 |

46 **EVENTS AFTER THE REPORTING DATE**

A proclamation in terms of the Demarcation Act has determine that Algeria, a small settlement will be included in the jurisdiction area of Cederberberg Municipality as from the 01 JULY 2011

The Municipal Manager, Mr G Mattyse , and Council negotiated a voluntary severance package which will be paid out and finalised after the reporting period. The package amounted to R834897

47 **IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

48 **PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

49 **CONTINGENT LIABILITY**

None

50 **RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

50.1 **Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

50.2 **Compensation of key management personnel**

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

50.3 **Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

| Company Name | Related Person | Relationship | Service Capacity | Purchases for the 2010/2011 Year |
|-------------------------|----------------|--------------|--------------------------|----------------------------------|
| A Kotze | Mr J Kotze | Aunt | LED Officer | 219 594 |
| H Beukes | Ms A Beukes | Brother | Records Clerk | 29 622 |
| Petula's Catering | Ms M Heins | Daughter | Acting Helpdesk Clerk | 1 750 |
| Joey's Taxi's | Mr J Sobekwa | Sister | Team Leader Technical | 950 |
| Colc Civil Construction | Mr H Scheepers | Brother | General Worker Technical | 32 669 |
| Goeieman Vervoer | Mrs C Mouton | Brother | PA Director Finance | 7 000 |
| R Slimmert | Ms J Slimmert | Brother | PA Deputy Mayor | 2 049 |
| Total Purchases | | | | 293 633 |

51 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

51.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

51.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.

51.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

51.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases;
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2012 financial statements. It is possible that certain intangible assets are currently being measured as Property, Plant and Equipment.

51.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

**APPENDIX A - Unaudited
CEDERBERG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2010 | Correction | Balance at 30 JUNE 2010 Restated | Received during the period | Redeemed written off during the period | Balance at 30 JUNE 2011 |
|--|--------|-------------|------------|-------------------------|----------------|----------------------------------|----------------------------|--|-------------------------|
| ANNUITY LOANS | | | | | | | | | |
| ABSA | 9.53% | | | 10 982 632 | | 10 982 632 | | (1 506 790) | 9 475 841 |
| Total Annuity Loans | | | | 10 982 632 | | 10 982 632 | | (1 506 790) | 9 475 841 |
| HIRE PURCHASES | | | | | | | | | |
| ABSA Motor Vehicles | 11.50% | 76911261 | 2 013 | 58 207 | | 58 207 | | (18 701) | 39 506 |
| ABSA Motor Vehicles | 11.50% | 76911466 | 2 013 | 61 876 | | 61 876 | | (19 879) | 41 997 |
| ABSA Motor Vehicles | 11.50% | 76916026 | 2 013 | 207 638 | | 207 638 | | (66 876) | 140 763 |
| ABSA Motor Vehicles | 11.50% | 76916182 | 2 013 | 140 164 | | 140 164 | | (45 144) | 95 020 |
| ABSA Motor Vehicles | 11.50% | 76911016 | 2 013 | 56 150 | | 56 150 | | (18 039) | 38 111 |
| Total Hire Purchases | | | | 524 035 | | 524 035 | | (168 639) | 355 396 |
| LEASE LIABILITIES | | | | | | | | | |
| Copier AF2018D - Serial J9246200379 | | | | - | 26 848 | 26 848 | | (8 291.33) | 18 556 |
| Copier/Printer MP5500 - Serial L7782500347 | | | | - | 38 877 | 38 877 | | (38 876.91) | 0 |
| Copier/Printer/Fax AF2016 - Serial K8166120687 | | | | - | 6 320 | 6 320 | | (4 320.87) | 1 999 |
| Copier/Printer/Fax AF2016 - Serial K8166120692 | | | | - | 6 320 | 6 320 | | (4 320.87) | 1 999 |
| Copier/Printer/Fax AF2016 - Serial K8166120881 | | | | - | 6 320 | 6 320 | | (4 320.87) | 1 999 |
| Copier/Printer/Fax Aficio 1013 - Serial H9038602274 | | | | - | 9 549 | 9 549 | | (9 549.13) | 0 |
| Copier/Printer/Fax Aficio 1013F - Serial H9239600115 | | | | - | 9 730 | 9 730 | | (4 217.93) | 5 512 |
| Copier/Printer/Fax Aficio 1515MFP - Serial K2168506376 | | | | - | 9 771 | 9 771 | | (3 897.65) | 5 873 |
| Copier/Printer/Fax Aficio 2035E - Serial K053200105 | | | | - | 9 299 | 9 299 | | (9 299.00) | 0 |
| Copier/Printer/Fax MP1600SPFRA - Serial L6886760636 | | | | - | 7 755 | 7 755 | | (7 754.77) | 0 |
| Copier/Printer/Fax MP161SPFCH - Serial M0179504003 | | | | - | 6 065 | 6 065 | | (6 064.74) | (0) |
| Copier/Printer/Fax MP161SPFCH - Serial M0179504007 | | | | - | 5 045 | 5 045 | | (5 045.39) | 0 |
| Copier/Printer/Fax MP161SPFCH - Serial M0179505058 | | | | - | 5 045 | 5 045 | | (5 045.39) | 0 |
| Copier/Printer/Fax MP161SPFCH - Serial M0188700090 | | | | - | 12 169 | 12 169 | | (8 319.50) | 3 849 |
| Copier/Printer/Fax MP171SPFCHN - Serial L7096561533 | | | | - | 33 978 | 33 978 | | (13 696.34) | 20 282 |
| Copier/Printer/Fax/Scanner MP2000SPFRD - Serial L096560675 | | | | - | 30 943 | 30 943 | | (12 523.76) | 18 420 |
| Copier/Printer/Fax/Scanner MPC2000AD - Serial 3824852595 | | | | - | 32 906 | 32 906 | | (32 906.26) | (0) |
| Copier/Printer/Fax/Scanner MPC2000AD - Serial M5084001894 | | | | - | 32 906 | 32 906 | | (32 906.26) | (0) |
| Copier/Printer/Fax MP171SPFCHN - Serial J9047120184 | | | | | | | 12 421 | (1 845.19) | 10 576 |
| Copier/Printer/Fax MP171SPFCHN - Serial J9056720721 | | | | | | | 18 710 | (3 733.96) | 14 976 |
| Copier/Printer/Fax MP171SPFCHN - Serial K2168506060 | | | | | | | 21 857 | (4 362.42) | 17 495 |
| Copier/Printer/Fax MP171SPFCHN - Serial K2258901289 | | | | | | | 15 565 | (2 312.18) | 13 253 |
| Copier/Printer/Fax MP171SPFCHN - Serial K9362800303 | | | | | | | 42 450 | (7 384.70) | 35 065 |
| Copier/Printer/Fax MP171SPFCHN - Serial V4408710345 | | | | | | | 18 710 | (2 779.44) | 15 931 |
| Copier/Printer/Fax MP171SPFCHN - Serial V4409007412 | | | | | | | 18 710 | (1 374.14) | 17 336 |
| Copier/Printer/Fax MPC2050ADB - Serial V2204604385 | | | | | | | 89 620 | (6 582.10) | 83 038 |
| Copier/Printer/Fax MPC2050ADB - Serial V2204604386 | | | | | | | 89 620 | (6 582.10) | 83 038 |
| Total Lease Liabilities | | | | | 289 848 | 289 848 | 327 663 | (248 313) | 369 197 |
| TOTAL EXTERNAL LOANS | | | | 11 506 667 | 289 848 | 11 796 515 | 327 663 | (1 923 742) | 10 200 435 |

APPENDIX B - Unaudited
CEDERBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL VOTES CLASSIFICATION

| 2010 Actual Income R | 2010 Actual Expenditure R | 2010 Surplus/ (Deficit) R | | 2011 Actual Income R | 2011 Actual Expenditure R | 2011 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|--|-------------------------------|------------------------------------|------------------------------------|
| 485 317 | (1 354 759) | (869 442) | Administration | 3 039 847 | (2 829 945) | 209 903 |
| 0 | - | - | Archives | - | (407 445) | (407 445) |
| 65 103 | (57 142) | 7 961 | Cemeteries | 77 889 | (111 195) | (33 305) |
| 987 301 | (2 584 139) | (1 596 838) | Clanwilliam Resort | 1 028 004 | (2 219 143) | (1 191 139) |
| 0 | (334 175) | (334 175) | Communication Officer | - | (430 048) | (430 048) |
| 0 | - | - | Deputy Mayor | 107 996 | (469 771) | (361 775) |
| 0 | - | - | Director Corporate Services | - | (689 233) | (689 233) |
| 0 | - | - | Director Engineering Services | 323 | (839 456) | (839 132) |
| 0 | - | - | Director Financial Services | - | (844 662) | (844 662) |
| 187 735 | (349 369) | (161 634) | Elands Bay Resort | 216 237 | (340 028) | (123 792) |
| 36 704 762 | (35 985 567) | 719 195 | Electricity | 44 202 287 | (42 062 541) | 2 139 746 |
| 0 | (188 019) | (188 019) | Emergency & Disaster Management | - | (226 592) | (226 592) |
| 0 | - | - | Executive Committee Members | 101 574 | (440 220) | (338 646) |
| 297 900 | (1 726 526) | (1 428 626) | Executive Council | - | (314 417) | (314 417) |
| 0 | - | - | Executive Mayor | 133 988 | (584 079) | (450 091) |
| 414 205 | (2 478 940) | (2 064 735) | General Council | 580 796 | (3 665 940) | (3 085 144) |
| 17 603 | (17 603) | - | Health Services | 13 602 | (365 752) | (352 150) |
| 19 670 878 | (8 206 289) | 11 464 589 | Housing | 29 240 973 | (19 265 391) | 9 975 582 |
| 0 | - | - | Human Resources | 2 089 840 | (2 067 847) | 21 994 |
| 65 906 | (1 575 031) | (1 509 125) | Information Technology | - | (1 743 588) | (1 743 588) |
| 0 | (353 050) | (353 050) | Internal Audit | - | (474 673) | (474 673) |
| 1 263 886 | (1 205 156) | 58 730 | Lambertsbay Resort | 1 367 615 | (1 402 646) | (35 031) |
| 252 606 | (3 230 020) | (2 977 414) | Libraries | 267 797 | (1 662 555) | (1 394 758) |
| 0 | (219 388) | (219 388) | Malkop Bay Resort | - | (23 072) | (23 072) |
| 351 166 | (663 118) | (311 952) | Municipal Manager | 1 000 000 | (1 049 247) | (49 247) |
| 570 941 | (3 450 149) | (2 879 208) | Municipal Property & Buildings | 877 196 | (3 856 988) | (2 979 792) |
| 0 | - | - | Office of the Municipal Manager | 934 456 | (1 586 010) | (651 554) |
| | (2 697 846) | (2 697 846) | Parks & Open Spaces | - | (2 637 475) | (2 637 475) |
| 111 970 | (106 776) | 5 194 | Petersfield Farming | - | (124 895) | (124 895) |
| 24 184 876 | (4 947 051) | 19 237 825 | Property Rates | 29 043 713 | (1 332 541) | 27 711 172 |
| 83 232 | (330 732) | (247 500) | Ramskop Nature Garden | 62 312 | (453 522) | (391 209) |
| | (252 223) | (252 223) | Regional Manager | - | (1 459 332) | (1 459 332) |
| 2 886 406 | (10 518 333) | (7 631 927) | Roads | 4 153 086 | (6 325 107) | (2 172 021) |
| 13 321 637 | (7 483 485) | 5 838 152 | Sewerage | 8 420 784 | (5 627 487) | 2 793 297 |
| 7 375 157 | (8 767 690) | (1 392 533) | Solid Waste | 6 452 701 | (7 476 289) | (1 023 588) |
| | - | - | Speaker | 107 883 | (475 361) | (367 478) |
| 17 114 | (1 185 942) | (1 168 828) | Sport Facilities | 296 600 | (411 975) | (115 374) |
| | - | - | Stormwater | 430 | (4 230 915) | (4 230 485) |
| 295 016 | (1 113 086) | (818 070) | Strategic Planning | 458 244 | (1 225 984) | (767 740) |
| 116 683 | (728 372) | (611 689) | Town Planning & Building | 229 307 | (1 095 430) | (866 123) |
| 3 047 586 | (2 950 695) | 96 891 | Traffic | 4 867 420 | (3 500 126) | 1 367 294 |
| 7 957 226 | (7 624 000) | 333 226 | Treasury Corporate Office | 6 093 967 | (13 797 529) | (7 703 562) |
| | - | - | Vechile Lisencing & Testing | 1 196 049 | (1 049 698) | 146 351 |
| 17 880 570 | (16 397 621) | 1 482 949 | Water | 22 222 136 | (15 154 144) | 7 067 992 |
| 702 | (29 731) | (29 029) | Workshop | 1 211 | (842 855) | (841 645) |
| 138 613 484 | (129 112 021) | 9 501 463 | Sub Total | 168 886 266 | (157 193 149) | 11 693 116 |
| - | - | - | | - | - | - |
| 138 613 484 | (129 112 021) | 9 501 463 | Total | 168 886 266 | (157 193 149) | 11 693 116 |

**APPENDIX C - Unaudited
CEDERBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

| 2010 Actual Income R | 2010 Actual Expenditure R | 2010 Surplus/ (Deficit) R | | 2011 Actual Income R | 2011 Actual Expenditure R | 2011 Surplus/ (Deficit) R |
|---|--|--|-----------------------------|---|--|--|
| 787 754 | (4 656 373) | (3 868 619) | Executive & Council | 2 967 016 | (12 417 728) | (9 450 712) |
| 28 523 775 | (10 848 932) | 17 674 843 | Budget & Treasury | 35 137 680 | (15 604 743) | 19 532 937 |
| 5 033 608 | (5 963 547) | (929 939) | Corporate Services | 6 006 884 | (10 928 415) | (4 921 531) |
| 411 699 | (1 841 458) | (1 429 759) | Planning & Development | 687 551 | (2 321 415) | (1 633 864) |
| - | - | - | Health | 13 602 | (365 752) | (352 150) |
| 317 710 | (3 287 162) | (2 969 452) | Community & Social Services | 345 687 | (2 181 195) | (1 835 508) |
| 19 670 878 | (8 206 289) | 11 464 589 | Housing | 29 240 973 | (19 265 391) | 9 975 582 |
| 3 047 587 | (3 138 714) | (91 127) | Public Safety | 4 867 420 | (3 726 718) | 1 140 703 |
| 2 539 268 | (8 572 572) | (6 033 304) | Sport & Recreation | 2 908 456 | (7 034 339) | (4 125 884) |
| 8 899 621 | (6 500 470) | 2 399 151 | Waste Management | 6 452 701 | (7 476 289) | (1 023 588) |
| 11 797 173 | (9 750 705) | 2 046 468 | Waste Water Management | 8 421 214 | (9 858 402) | (1 437 188) |
| 2 887 108 | (10 548 064) | (7 660 956) | Road Transport | 5 350 345 | (8 217 661) | (2 867 315) |
| 17 880 571 | (16 397 622) | 1 482 949 | Water | 22 222 136 | (15 154 144) | 7 067 992 |
| 36 704 762 | (39 293 339) | (2 588 577) | Electricity | 44 202 287 | (42 062 541) | 2 139 746 |
| 111 970 | (106 774) | 5 196 | Other | 62 312 | (578 417) | (516 104) |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| 138 613 484 | (129 112 021) | 9 501 463 | Total | 168 886 266 | (157 193 149) | 11 693 116 |

APPENDIX D - Unaudited
CEDERBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 JULY 2010 | Correction | Restated balance 01-Jul-09 | Contributions during the year | Interest on Investments | Other Income/ Transfers | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 JUNE 2011 |
|---|------------------------|------------------|----------------------------------|----------------------------------|----------------------------|-------------------------------|--|--|-------------------------|
| | R | | | R | R | R | R | R | R |
| UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | | | | | | | | |
| <u>NATIONAL GOVERNMENT</u> | | | | | | | | | |
| Equitable Share | | | - | 21 423 060 | | | 21 423 060 | | - |
| Municipal Infrastructure Grant | 3 893 964 | - | 3 893 964 | 5 447 001 | - | - | - | 9 176 904 | 164 061 |
| -MIG- General | 74 903 | | 74 903 | | | | | 74 270 | 633 |
| -Lambertsbay Water | 1 426 029 | | 1 426 029 | 1 440 979 | | 16 841 | | 2 836 117 | 47 732 |
| -Elandsbay Water | | | - | | | | | | - |
| -Sport Facility (Citrusdal) | 16 841 | | 16 841 | | | (16 841) | | | - |
| -Sport Facility (Elandsbay) | 8 236 | | 8 236 | | | | | | 8 236 |
| -Sewerage Works Citrusdal | 113 969 | | 113 969 | | | | | 99 974 | 13 995 |
| -Streets and Storm Water Clainwilliam | 501 446 | | 501 446 | 3 126 854 | | | | 4 067 429 | (439 129) |
| -Bulk Water Jan Dissel | 45 882 | | 45 882 | | | (45 882) | | | - |
| -Sewerage Works Lambertsbay | 66 558 | | 66 558 | 571 706 | | | | 701 439 | (63 175) |
| -Sewerage Works Citrusdal | 247 438 | | 247 438 | | | | | 767 802 | (520 364) |
| -Sewerage Works Elandsbay | 240 368 | | 240 368 | | | | | 154 135 | 86 233 |
| -Upgrading pumps and risingmain | 60 163 | | 60 163 | | | 295 882 | | 255 125 | 100 920 |
| -Elandskloof Water | 250 000 | | 250 000 | | | (250 000) | | | - |
| -Drivers Training | 6 862 | | 6 862 | | | | | | 6 862 |
| -Water Leipoldville | 713 538 | | 713 538 | 307 462 | | | | 151 746 | 869 254 |
| -Disaster Centre and Vehicles | 50 606 | | 50 606 | | | | | 43 211 | 7 395 |
| -Streets and Storm Water | 71 125 | | 71 125 | | | | | 25 657 | 45 468 |
| Project Consolidate - MSIG | 566 130 | (545 042) | 21 088 | 750 000 | - | - | 737 277 | - | 33 811 |
| FMG | 196 836 | - | 196 836 | 1 000 000 | - | - | 1 196 836 | - | - |
| Integrated National Electrification Programme (Eskom) | 1 414 946 | - | 1 414 946 | 87 659 | - | - | - | 4 185 721 | (2 683 116) |
| -Housing Settlement - DME | 66 784 | - | 66 784 | - | - | - | - | 2 866 784 | (2 800 000) |
| -Integrated Electricity program - DME | 566 783 | - | 566 783 | - | - | - | - | 540 939 | 25 844 |
| -Bulk Electricity Sub Station Clainwilliam - DME | 781 379 | - | 781 379 | 87 659 | - | - | - | 777 998 | 91 040 |
| Community Centre Clainwilliam-RDF | | - | - | - | - | - | - | - | - |
| Department of Water Affairs | 958 576 | - | 958 576 | 6 573 682 | - | - | 276 000 | 7 558 126 | (301 868) |
| -Elandsbay Bulk Water-DWAF | 67 | - | 67 | - | - | - | - | - | 67 |
| -Bulk Water Lambertsbay-DWAF | 715 165 | - | 715 165 | - | - | - | - | | 715 165 |
| -Leipoldville Water-DWAF | 395 871 | | 395 871 | | | | | 208 844 | 187 027 |
| -Desalination Plant Lambertsbay - DWAF | (152 527) | | (152 527) | 6 297 682 | | | | 7 349 282 | (1 204 127) |
| -Water Service Operating Subsidy Grant | | | | 276 000 | | | 276 000 | | - |
| Total National Government Grants | 7 030 452 | (545 042) | 6 485 410 | 35 281 402 | - | - | 23 633 173 | 20 920 751 | (2 787 111) |
| <u>PROVINCIAL GOVERNMENT</u> | | | | | | | | | |
| Bird Island Project | 245 126 | | 245 126 | | | | 7 469 | | 237 657 |
| LED Grant | 561 322 | | 561 322 | | | | | 437 496 | 123 826 |

APPENDIX D - Unaudited
CEDERBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| | | | | | | | | |
|--|------------------|------------------|------------------|-------------------|----------|----------|-------------------|-------------------|
| Spacial Development Framework | 23 542 | | 23 542 | | | | | 23 542 |
| Preparation Fund project | 6 673 | | 6 673 | | | | | 6 673 |
| Housing | 143 328 | - | 143 328 | 29 184 742 | - | - | 17 857 346 | 8 516 843 |
| Provincial Management Support | 222 287 | - | 222 287 | - | - | - | 163 958 | - |
| Library Services | 108 682 | | 108 682 | 300 000 | | | 234 093 | |
| Side Walks - DTPW | 103 | (103) | - | | | | | |
| CDW Support | 452 454 | | 452 454 | 225 000 | | | 135 096 | 297 077 |
| Housing Consumer Education | 76 176 | | 76 176 | | | | | |
| Health | | | | 13 602 | | | 13 602 | |
| News Paper | | | | 1 867 | | | 1 867 | |
| Road Maintainance | | | | 60 000 | | | 60 000 | |
| Development of Sport and Recreational Facilities | | | | 70 000 | | | | |
| Mobility Strategies Grant | | | | 500 000 | | | | |
| Master Planning Grant | | | | 200 000 | | | | |
| Total Provincial Government Grants | 1 839 693 | (103) | 1 839 590 | 30 555 211 | - | - | 18 473 431 | 9 251 416 |
| | 8 870 145 | (545 145) | 8 325 000 | 65 836 613 | - | - | 42 106 603 | 30 172 167 |
| <u>PUBLIC CONTRIBUTIONS</u> | | | | | | | | |
| Lotto Sport Facility - Citrusdal | (859 983) | | (859 983) | 1 000 000 | | | | 156 376 |
| Lotto Sport Facility - Elandsbay | (704 916) | | (704 916) | 1 000 000 | | | | 121 762 |
| | | - | - | | | | | |
| | (1 564 899) | | (1 564 899) | 2 000 000 | | | | 278 138 |
| | | | | | | | | |
| Total | 7 305 246 | (545 145) | 6 760 101 | 67 836 613 | - | - | 42 106 603 | 30 450 305 |
| | | | | | | | | 2 039 806 |